

The Virgin Islands Consortium

St. Thomians Turn Out In Massive Numbers For Protest Against Sin Tax Bill

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ST. THOMAS -- A protest in St. Thomas near the Earl B. Ottley Legislative Hall this morning has placed into perspective the strong opposition that Governor Kenneth Mapp's sin tax measure -- which is being heard today in the Committee on Finance -- is facing from the Virgin Islands community.

A massive crowd lined both sides of the road near the Legislature, demanding that senators vote against the sin taxes, which aims to either introduce or raise taxes on rum, beer, tobacco and sugary drinks, as well as internet purchases and timeshare unit owners.

In unison, the crowd, many of them business owners, shouted, "No more taxes!" They held up multiple signs with all sorts of writings, including, "legalize it," referring to the legalization of marijuana in the territory, "Bring in summer cruise traffic," relative to more cruise ships during summer months in St. Thomas, the territory's main tourism hub. And another that read, "No wasteful spending, no borrowing and no new taxes."

Today's protest is the strongest demonstration of opposition to the sin tax measures to date. It brought a broad coalition of business owners and community members together with the singular goal of persuading lawmakers to listen to their collective voices.

But early responses from lawmakers, mostly the Democrats, give little hope that the measure will be voted down. Senators Kurt Vialet, Nereida Rivera-O'Reilly and Neville James, all spoke in favor of supporting the sin tax measure, even as they commented on the difficulty of the decision. Mr. Vialet said while he understood that the bill is unpopular, he said the bond market, whose dollars have sustained the territory's structural deficit for years, was tired of hearing talk. "We can't sit here, do nothing and believe we're going to solve the problems," Mr. Vialet said. Mr. Vialet reminded the public of the 31st Legislature's stalemate with Mr. Mapp, [when it opposed vehemently](#) the governor's plan to raise his department and agency heads' salaries by thousands of dollars, as a testament to the Senate's opposition to wasteful spending.

He also challenged Mr. Mapp to implement austerity measures in his administration, beginning with the elimination of retirees who hold top positions at departments and agencies.

Mr. James said the last thing that any senator wants to do is raise taxes. But, he went on, the current situation calls for difficult decisions -- in his opinion, those that benefit the territory -- to be made. And Mrs. Rivera-O'Reilly frowned on the thought of the territory's finances being managed by a federal control board, à la Puerto Rico. "We were told [that] the day we run out of cash, is the day we become the jurisdiction of a financial oversight board," she said.

The Consortium will have a full story on the hearing Thursday morning. (Update: 6:53 p.m. The hearing is still ongoing).

Executive Order

As the Government of the Virgin Islands comes face to face with a financial crisis that threatens to interrupt a vast amount of its operations, Governor Kenneth Mapp has signed an executive order that Government House says limits the use of government-owned vehicles, puts a freeze on non-essential hiring, suspends wage negotiations, and freezes non-essential travel paid for by the GVI.

Government House deemed the order as a "major" step in reducing the cost of government operations, "given that cash revenues flowing into the treasury are insufficient to meet current expenses," reads the release, issued late Tuesday.

The order comes just ahead of a Senate hearing in the Committee of Finance set to take place today at the Earl B. Ottley Legislative Hall in St. Thomas. And it comes even as pressure continues to mount on lawmakers; a coalition of St. Thomas businesses is set to protest the measure this morning in front of the Legislature.

The order, a copy of which was not attached to the Government House release, cites the need for “immediate and comprehensive action to reduce current spending”, while ensuring, to the extent possible, that essential services to protect public health, safety, and welfare are preserved. And it freezes all non-essential hiring in all executive branch department and agencies, with the following exceptions:

- Positions in departments and agencies that are fully funded by and paid through federal grants and non-general fund monies.
- Emergency and public safety positions.
- Teaching positions within the Departments of Education and Human Services.
- Employment positions mandated by federal court consent decrees.

According to Government House, the order also suspends immediately all wage negotiations pursuant to the instructions contained in the [ruling of the United States Court of Appeals for the Third Circuit in the VIESA Case](#). Additionally, until further notice, the order suspends non-essential travel paid for out of the government’s general fund, and directs heads of departments and agencies to limit 24-hour use of non-emergency government vehicles to employees whose functions are essential and require use of government vehicles after work hours on a regular basis, according to the release.

The order also includes Governor Mapp’s request that the other branches of the territorial government and instrumentalities not under the direct authority of the governor (i.e. the hospitals, the University of the Virgin Islands, the V.I. Waste Management Authority, and all others which receive funds from or intend to hire based on funding from the general fund) implement similar or other mitigating measures designed to achieve the goals of the executive order.

Government House says the order takes effect immediately and will terminate when a subsequent written executive order is issued by the governor.

Acute Financial Situation

The GVI is short \$110 million in its current budget, and the bond market is refusing to open its pockets to the territory. The situation leaves the government with no other option but to immediately find ways to cut costs by implementing austerity measures and attempting to enact legislation aimed at generating revenue.

But while Mr. Mapp is calling on lawmakers to pass his five-year economic growth plan, dubbed the sin tax measure which seeks to introduce or increase taxes on beer, rum, sugary drinks and cigarettes, as well as internet purchases and timeshare unit owners, the bond market may remain closed to the territory for as long as a year. Furthermore, if the sin taxes were to be signed into law, the bill’s effect on the economy — good or bad — would not be accurately assessed for a long time.

In light of this, Dept. of Finance Commissioner and Public Finance Authority Director, Valdamier Collens, in an [exclusive interview](#) with The Consortium two weeks ago, said difficult decisions must be made immediately to correct the territory’s dismal financial condition.

“It’s not even an assumption anymore, we have to act in a way in which we don’t have access until we demonstrate to ourselves — not to the bond market — that we want to fix

our structural deficit. So for starters we know \$110 million is out of the budget, and so we have to act accordingly to adjust and revise our budget,” Mr. Collens said.

Mr. Collens said the territory would not even attempt to access the market anytime soon, whether or not the 32nd Legislature passed the governor’s proposed five-year economic recovery sin tax measure. And even if the measure were to become law, both the bond market and the government would wait up to a full year or more before restarting negotiations. The commissioner’s words were a blunt and sobering acknowledgement that the financial collapse was no longer going to happen, but is now in play.

This means, Mr. Collens acknowledged, the furloughing of government employees, cutting back on government services, deep cuts in the budgets of all government departments and agencies, assessing positions within the government and searching for areas where excess and positions could be eliminated.

“We have to show investors that we are willing to look at new revenue enhancement measures, as well as [moderating] our expenditures. The thing is we have to realign and right-fit our budgets to ensure that this misalignment doesn’t occur — because if you don’t have access, well then you have to fix your budget,” Mr. Collens said.

“If we are able to pass measures that investors will view as we are addressing our structural deficit, that would bode well to the investors, but they’re not going to jump out tomorrow and say, ‘Oh, come back to the market.’ They’re not going to do that,” he added.

Mr. Collens likened the situation to people who lost their homes during the 2008 housing crisis and could not pay their mortgages. A wide swath of them had to foreclose on their homes.

“What that person does, they go through the foreclosure process, deleverage, fix their credit, and that takes a little bit of time. And then once all of that is corrected — which could take three months, six months, a year — that’s when you can say, ‘Okay, now I’m going to apply for a loan because I know the probability of a denial letter is low,” Mr. Collens said. He said the government shouldn’t be doing anything that is going to generate new revenue based on the market’s decision to stop lending to the territory. “We should be doing it to correct the problems that we have and once that’s done, and we feel like we have addressed a material amount of issues, it is at that point that we could then go back and approach the market for, say, capital projects, just to give you an example,” Mr. Collens said.

Asked whether that meant government employee reductions, furloughing, 4-day work weeks, and cutbacks in government services, Mr. Collens said that was “absolutely” what was going to happen.

“A combination of all of what you said is on the table because the issue, and I want to be very clear, the issue is liquidity. Cash. Do you have cash to pay for expenses that are here today, and because we don’t have access to our line of credit, because we can’t go to the bond market and get access to working capital, we’ve got to fix these things and we’ve got to develop a stringent plan,” Mr. Collens said.