

The Virgin Islands Consortium

Government Has Two Days Cash On Hand Left, Finance Commissioner Reveals

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"I always communicate to you that the number of days of cash changes on a day to day basis. But when it's down to two days, I think that the answer to your question is rather obvious."

Those were the words of Dept. of Finance Commissioner and Public Finance Authority Executive Director, Valdamier Collens, speaking during a Committee on Finance hearing on Wednesday, where lawmakers and testifiers deliberated Governor Kenneth Mapp's sin tax bill, which aims to either introduce or increase taxes on rum, beer, tobacco products and sugary drinks, as well as internet purchases and timeshare unit owners.

Mr. Collens said the standard for any government should be three to six months reserved cash. "We haven't met the standard since I came into the position," he made known, adding that when he took the Finance commissioner position, the territory only had 15 to 16 days cash on hand.

The alarming revelation jolted lawmakers, who then sought to calm the territory by getting assurance from Mr. Collens that government employees would be paid today. They would, Mr. Collens said, but the upcoming weeks were uncertain, he suggested, stating that the plan is to make sure that government employees are adequately notified if their pay were to be delayed.

He said while the government's cash on hand situation changes frequently -- "You can ask us on April 15 of every year and we might say 30, 40 or 50 days cash on hand" -- he explained, Mr. Collens also warned: "It is important for the community to understand that, the fact that we're in the ones or the teens, is not good for a government of this size. We need to, as far as executing this plan, look for ways to get us within the area of between 90 days cash-on-hand and 180 days cash-on-hand on a consistent basis."

The revelation follows multiple developments in recent days, including two executive orders from Governor Kenneth Mapp that aims to right the territory's fiscal crisis; one gives Mr. Collens [vast power over government finances](#), while the other [puts a freeze](#) on all non-essential hiring, non-essential travel, and non-essential use of government vehicles.

Asked by Senator Novelle Francis if there was anything that he could say to reassure the community, Mr. Collens pointed back to the administration's sin tax measure.

"What I would say is, in comparison to our neighbor [Puerto Rico], we have a plan and we didn't need a control board to come in and write the plan," Mr. Collens said. "It is not the best plan, and it is a plan as we have indicated, a flexible plan that will be revised and updated from time to time."

Yesterday's hearing came against the backdrop of a sizable protest near the Legislature in St. Thomas, where business owners and private citizens joined forces in denouncing the sin taxes. 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."

The ongoing events are a culmination of a government that has maxed out its borrowing capacity by yearly going to the bond market to satisfy its structural deficit, while refusing to make the necessary changes that would bolster the market's confidence in the government's continued ability to meet its financial obligations. And with a 2017 budget deficit of \$110 million that will not be satisfied, difficult choices must be made by the Mapp administration.

"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 told The Consortium in a [wide-ranging interview](#) about two weeks ago.

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.