The Virgin Islands Consortium

Interior Transmits An Adjustment Of $18.2 Million To USVI For Total Of $231.5 Million FY 2016 Rum Excise Taxes

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Washington, D.C. -- In what may serve as a temporary financial lifeline for the Government of the Virgin Islands (G.V.I), Acting Interior Assistant Secretary for Insular Areas Nikolao Pula has approved an adjustment payment of $18,173,711 million to the G.V.I. for fiscal year 2016 rum excise tax actuals, a press release the Department of Interior (D.O.I.) issued this morning has made known. The amount has been certified by the U.S. Department of the Treasury and represents the final rum excise tax payment owed to the U.S. Virgin Islands for the 2016 fiscal year.

"We recognize these funds are critical to government operations in the USVI and are working closely with Governor Kenneth Mapp and his staff to ensure the funds are transferred as quickly as possible," said Mr. Pula.

The announcement comes just one day after a press conference held by Governor Kenneth Mapp, where he revealed austerity measures that his administration has been considering as the government's liquidity crisis amplifies. The GVI is currently locked out of the bond market, and has a budget deficit of $110 million that must be offset. Some of the considerations include shutting government operations down one day every two weeks until September 30; and massive reduction in overtime spending at V.I.P.D., V.I. Fire Service and Bureau of Corrections, among other considerations. The effort would amount to gov't employees working 72-hour work weeks instead of the full 80 hours.

Rum cover-over, or matching fund revenues are remittances paid by the federal government to the Virgin Islands' government, pursuant to U.S. statutes, of a portion of federal excise taxes collected on rum produced in the Virgin Islands and shipped to the US mainland. They have been paid to the government annually for over 50 years. Payments are made based on a "cover-over rate" set by Congress. Current statutes provide for a cover-over rate of $10.50 per proof gallon. Congress has annually increased the cover-over rate to $13.25 since 1999, in some cases retroactively.

It is yet not known what percentage of the funds will be used by the government, and what will be set aside for bondholders, as the rum cover-over funds are used to satisfy the territory's debtors. Cherie Munchez, Mr. Mapp's communications director, said she would respond to The Consortium with concise information relative to the breakdown of funds.

But the government may be able to use a portion of the funds, if a request by Mr. Mapp in 2015, asking for an early drawdown of the annual remittances, is anything to go by.

"Approval of the advance based on the $13.25 rate, will greatly assist the government in managing its cash flow and providing essential public services to the people of the Virgin Islands," Mapp said in 2015.

According to the D.O.I., adjustments are calculated based upon amounts advanced from rum excise taxes derived from the USVI and collected by the federal government under the Revised Organic Act of the Virgin Islands (48 USC 1541). The USVI government submits its advance estimate of rum excise taxes to the D.O.I.'s Office of Insular Affairs on an annual basis so that payment can be made in September of each fiscal year.

The initial 2016 advance of $213,325,000 was paid in September 2015. The actual taxes certified for 2016 totaled $231,498,711. An advance payment of $202,725,000 to the USVI was made in September 2016 for 2017 rum excise taxes, according to D.O.I.

The Secretary of the Interior is responsible for coordinating federal policy with respect to the territories of the U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands, and administering and overseeing U.S. federal assistance provided to the freely associated states of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau under the

Compacts of Free Association. The Assistant Secretary for Insular Areas and the Office of Insular Affairs (OIA) executes these responsibilities. OIA's mission is to foster economic opportunities, promote government efficiency, and improve the quality of life for the people of the insular areas.