

The Virgin Islands Consortium

Even With Passage Of Sin Taxes, 72-Hour Biweekly Pay Periods, Other Austerity Measures Still On The Table, Government House Says

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ST. THOMAS -- In a post following the passage of the sin tax and property tax bills that had caused much uproar in the territory, Senator Kurt Vialet, a St. Croix Democrat, [took to Facebook](#) defending his position.

"I refuse to sit idly around and do nothing but blow hot air! I say no to sending home employees and shortened work week, I say no to financial insolvency," Mr. Vialet wrote. His stance matched that of his majority caucus colleagues -- Senator Nereida Rivera-O'Reilly said recently that she did not want the territory being taken over by a federal

control board to be part of her legacy as a lawmaker.

But in an interview with the Mapp administration's communications director Cherie Munchez late Tuesday, it was revealed that the 72-hour biweekly pay periods as well as other tough austerity measures mentioned by Governor Kenneth Mapp at a recent press conference, were still on the table -- even after [the controversial measures were passed](#) and are now awaiting Mr. Mapp's signature.

Asked whether austerity measures would be curtailed in light of the bills' passage, Ms. Munchez referred to comments she said were made by the governor relative to the territory's financial crisis, contending that Mr. Mapp did not rule out the 72-hour biweekly pay periods and other difficult cuts if the sin taxes were passed.

"No, no. Actually, what the governor said [was that] it was going to take a combination of efforts in order to meet the necessity of the amount that we would be needing to cover," Ms. Munchez said, referring to the funding of government department and agencies. "So we're still evaluating what those cuts will be from each agency."

But during a press conference held on February 22, [Mr. Mapp said](#) the implementation of the sin tax and property tax bills would help in reducing the severity of the cutbacks.

"That's going to have an impact in terms of our overall plan because the measures that the Legislature is working on, if they're enacted in early March, then the revenues that we would expect between March 1 and September 30 would increase... the bridge would be reduced, hence the ability not to implement some of these more difficult reforms," Mr. Mapp said.

The Virgin Islands Police Department has already taken steps that Mr. Mapp said during the press conference were only considerations. The police force has [drastically cut its overtime hours](#), a move that has affected officers' morale, with one [posting his salary on The Consortium's Facebook platform](#) in an effort to prove why overtime was needed at the department.

Asked whether the actions that Mr. Mapp mentioned as considerations were now being implemented across all government department and agencies, Ms. Munchez said yes, adding that these dept. and agencies were presenting their respective plans "based on the measures that can be withstood... based on the services that they need to cover."

When asked directly whether the 72-hour biweekly pay consideration was still being considered, Ms. Munchez said yes. And she said the considerations that had not yet been implemented would remain on the table "until we find such a way to cover the liquidity issue."

Aside from austerity, Ms. Munchez said the government is currently seeking funding through a short-term revenue anticipation note (RAN) transaction against real estate property taxes, while it attempts to reposition itself for the bond market -- which has refused to lend money to the territory's government citing a lack of confidence in the G.V.I.'s continued ability to meet its obligations, and a structural deficit that keeps it revisiting the market annually.

But whether the government will be successful in security the RAN, remains to be seen. "It's still being worked on," Ms. Munchez said.

The V.I. Government's current financial crisis was precipitated by continuous borrowing and the failure to restructure its operations that saw it borrowing over \$100 million annually to meet its budget deficit. The markets became jittery following Puerto Rico's financial collapse and the continuous downgrading of the territory's bonds [by the top three U.S. rating firms](#). Reassuring moves like [placing a lien on all the territory's bonds both retroactively and moving forward](#) did not assuage the market; Mr. Collens had promised lawmakers that the lien would boost the territory's standing with bondholders and stymie further rating declines, but it did not.

Recently, a senior Debtwire reporter compared the territory's problems to those Puerto Rico faced before it crashed. Simone Baribeau, who also contributes for Forbes, [said that](#) the territory's yields (interest) are higher than Puerto Rico bonds were at the time, and even then the U.S.V.I. hasn't yet been able to enter the market. She pointed out that the government's bond ratings are already junk rather than "barely investment grade." She said the islands' per capita debt is more than a third higher than Puerto Rico's; the economy has contracted by significantly more, and both territories were borrowing to fill long-time massive budget gaps.

And while the U.S.V.I.'s overall tax-supported debt at \$2 billion is much lower than Puerto Rico's \$53 billion in tax-supported debt, per capita debt is about a third higher: \$19,000 in the U.S.V.I. compared with \$12,000 for Puerto Rico.

Correction: March 7, 2017:

A previous version of this story incorrectly stated that Government House was considering 72-hour work week, but the correct information is 72-hour biweekly pay periods. The story has been updated to reflect the correct information.