

The Virgin Islands Consortium

Will Government Employees Be Paid Next Week? Government House Can't Answer

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ST. THOMAS -- Government House Communications Director Cherie Munchez told The Consortium on Tuesday that she could not say for sure whether government employees would be paid next week, another indication of the territory's deep financial trouble, which is compounded on many levels -- from a structural deficit of over \$100 million, to a failing pension system, whose unfunded liability is nearing \$4 billion.

On government payroll, Ms. Munchez said, "This obviously is an issue that we work on a regular and daily basis, so we'll stay there with that."

Last week, Senator Kurt VIALET said negotiations were ongoing between the the Government of the Virgin Islands and the territory's two rum companies, for the government to keep all of the \$18.2 million in adjusted rum excise tax payments remitted to the G.V.I. [late last month by the U.S. Department of Interior.](#)

If Diageo USVI and Cruzan Rum — the companies receive a generous percentage of the tax revenues — agree to allow the government to collect the entire \$18.2 million, the monies would serve as an added lifeline to the government.

Asked about bondholders receiving some of the funds, Mr. VIALET said the government had already met its debt obligation to its creditors with the over \$200 million in rum cover-over funds [the government received for fiscal year 2016.](#)

Ms. MUNCHEZ said the government was 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 securing 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. COLLINS 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.