

The Virgin Islands Consortium

Mapp Submits \$883.9 Million Budget To Legislature With Huge Spending Cuts For Legislative, Executive And Judicial Branches Of Government

Business / **Published On July 21, 2017 10:40 PM /**

Ernice Gilbert **July 21, 2017**



ST. THOMAS -- Government House said in a release issued Friday that significant reductions in government spending are proposed in Governor Kenneth Mapp's budget for fiscal year 2018, submitted to the Legislature on Friday (it's seen in full [here](#)). What the administration says are spending cuts, increased collections and revenue enhancement measures will keep the Virgin Islands Government operating without borrowing to cover operating expenses and put the territory on a path to long term fiscal stability, according to Mr. Mapp.

The \$833.9 million general fund expenditure budget cuts executive branch spending by \$67.7 million (to include government department and agencies) or 9.3 percent from FY 2017 appropriations, and proposes a combined \$4.4 million or a 7.2 percent reduction in cuts for the Legislative and Judicial branches.

“These reductions are required because we can only spend money we realistically believe we will collect,” Mr. Mapp wrote.

No new taxes or tax increases are proposed in the new budget, Mr. Mapp noted, though increasing taxes on the heels of the [recent increases on "sin" and property taxes](#) would invite immediate backlash.

Mr. Mapp said the government instead will rely on “a vigorous and aggressive set of enhanced collection initiatives” focused on enforcement of existing statutes, efforts the administration says that have already begun in earnest at both the Bureau of Internal Revenue and the Office of the Lieutenant Governor.

Government House says the economy remains on the upswing and new revenue is anticipated in FY 2018.

“In this message, I want to point out that jobs in manufacturing, leisure and hospitality and other services regained momentum upward in 2016,” the governor wrote. “Relative to construction and information technology, the economy should receive support through expansionary manufacturing activity and several public-sector projects that will begin or continue within the upcoming fiscal year... These projects will bring significant revenue and jobs to the territory, and we will continue to build upon our infrastructure.”

The governor pointed to efforts already underway, including road initiatives, Frederiksted Revitalization Phase II (Paul E. Joseph Stadium), new buildings at both campuses of the University of the Virgin Islands and [the complete renovation of the territory's two racetracks](#). The governor's message also highlighted the lack of parity between the states and territories relative to matching funds programs for Medicaid and Medicare funding. Covering health care costs remains a significant drain on the territory's resources, and Mr. Mapp has aggressively pursued efforts to recoup more of these costs from the federal government – to include a recent successful expansion of those eligible for federal assistance.

Mr. Mapp also recommends that the operating budget of the Department of Tourism be supported by the Tourism Revolving Fund rather than the general fund. Eleven percent, but not less than \$2.7 million, of the revenues collected would be allocated to that department. This proposal considers the increase in revolving fund collections due to increases in hotel occupancy taxes, and the newly enacted Environmental/Infrastructure Impact Fee.

Mr. Mapp described the FY 2018 budget as another step in the Virgin Islands' quest to build sound financial policies for a better USVI.

“We have successfully made it through the last two fiscal years without long-term borrowing to pay operational expenses,” he wrote. “We have not reduced school hours or furloughed government workers. We have not cut salaries, we continue to pay our vendors on time and yes, we continue to release tax refunds to taxpayers.”

"We have increased our revenues while we have concomitantly decreased our expenditures. The challenges before us in this budget are to continue reducing our expenses, growing our economy and investing and improving our infrastructure...While I concede we have much work to do and that we are striving to do better; we are well on our way to accomplish our task of fiscal responsibility and sound fiscal balance."

The budget comes two months behind schedule [and only days after U.S. ratings firm Fitch placed the territory's bonds on negative watch](#), with the ratings firm stating that the local government's inability to access capital markets for debt issuance had added to the pressure on its financial situation, "with a strained liquidity position giving rise to a sizable escalation in accounts payable."

The ratings firm, one of the three most respected in the U.S., said the negative watch is expected to be resolved in the near-term following Fitch's analysis of the USVI's financial position in the context of recent audit findings and how, if at all, those findings impact the robustness of updated cash flow statements provided by the USVI. Fitch expects to speak with the independent auditor in the near future.

Fitch says the negative watch reflects additional disclaimers and qualified opinions on material components of the USVI's recently released comprehensive annual financial report (CAFR) for fiscal 2016, including the Governmental Activities and General Funds.

According to Fitch, BDO, an auditing company responsible for the V.I. government's annual external audits, "noted a significant lack of requisite documentation to support key financial items" such as: tax revenues, payments in lieu of taxes, income tax receivables, and federal grants.