The Virgin Islands Consortium

Dept. Of Interior Expedites Release Of $223 Million In Advance Payments To USVI In Wake Of Irma

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WASHINGTON -- U.S. Interior Secretary Ryan Zinke announced on Friday that Interior will be expediting the rum-cover over advance payment of $223,925,000 for estimated FY 2018 collections in the U.S. Virgin Islands. The move follows President Donald Trump's Thursday approval and signing of a disaster declaration for the territory, which unlocks emergency federal funding for those affected by Hurricane Irma.

"These funds will be critical to operations in the USVI as the Governor and emergency teams work to recover from the impacts of Hurricane Irma," Mr. Zinke said. "The people of the U.S.VI will need all the support they can get."

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). Under current law, any excise tax collected on USVI manufactured rum imported into the United States is transferred to or “covered-over” to the USVI. The USVI Government submits its advance estimate of rum excise taxes to the Department of the Interior’s Office of Insular Affairs on an annual basis so that payment can be made in September of each fiscal year.

Certified rum payments covered over to the USVI in 2016 totaled $231,498,711. A similar advance payment of $202,725,000 was made to the USVI in September of last year for fiscal year 2017.

But most of the funds go directly to the territory's bondholders, with Mr. Mapp revealing the latest payment, which the governor stressed was for the government's 2019 debt service, as the 2018 due had already been paid, is $175 million. Of the remaining $48 million, $18 million go to the government's general fund, and the remainder to Cruzan Rum and Diageo for promotional fees and molasses subsidies, as per the 2007 agreement. The two rum companies must sign an affidavit for the $18 million to be released, and the governor said he also plans on coming to an agreement with Cruzan Rum and Diageo to release the remaining $30 million, in light of Hurricane Irma and the substantial cost the government faces as it works to rebuild the territory.