

The Virgin Islands Consortium

Rejected By Bond Market, VI Government Receives Financial Lifeline Courtesy Hurricanes Irma And Maria

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ST. CROIX -- It has been no secret that the U.S. Virgin Islands had been struggling financially before Hurricanes Irma and Maria, at Category 5, struck the U.S. territory in September. The local government, rejected by the bond market in January when it sought a bond of roughly \$150 million to satisfy a structural deficit of roughly \$110 million, had implemented austerity measures throughout departments and agencies to stay afloat. Month after month, the government could not ascertain its employees that payroll would be met, and during Governor Kenneth Mapp's efforts to muster support for the unpopular sin tax measure, [now law](#), which levied new taxes on rums, sugary drinks and tobacco products, the governor warned that if the measure had failed, extensive cutbacks throughout government -- including [shortened workweeks](#), would loom large.

The Mapp administration had depended on a fragile budget setup that relied heavily on taxes from the tourism industry to keep the government afloat. And it had launched an [aggressive tax collection effort](#) through a task force helmed by the Dept. of Justice and the Bureau of Internal Revenue, to collect at least some of a projected \$430 million owed to the government.

Yet, even with all these efforts, the three top U.S. ratings firms had no confidence in the government's ability to continue paying its debtors, and as a result, they continued to downgrade the VI government's bonds that were already at junk status. The events would lead Mr. Mapp to [sever ties](#) with the firms, a move some have said only worsened the territory's position with lenders.

Then, out of nowhere, [Hurricane Irma slammed the territory](#) -- mostly St. Thomas, St. John and Water Island -- as a Category 5 storm, and suddenly the U.S. Virgin Islands changed. Immediately, the Federal Emergency Management Agency (FEMA), which responds to all forms of disasters around the U.S., activated. Soon after, President Donald Trump approved the territory's disaster declaration, a move that cleared the path for federal funding for those affected by the storms -- everything from free money to low interest loans and free housing, among other federal aid.

As if that was not enough, two weeks later, Hurricane Maria, another Category 5 storm, walloped St. Croix, exacting damage on infrastructure, homes and the island's power grid -- just as Irma did in the St. Thomas-St. John District. The unprecedented weather events in two weeks in a struggling territory appeared to come at the worst time. Many islanders headed for the mainland seeking better lives, and many who decided to stay, struggled to see the upside. With no power to most of the USVI, living here has become even more expensive: for those without a generator, buying items such as ice and meats daily has strained their finances, and those with generators are complaining about the \$400-plus monthly cost to run and maintain the power-producing equipment.

For many, life in the Virgin Islands, is hard.

But for the VI Government, the storms served as a financial lifeline at a time when it was difficult to see how it would continue to keep essential government services in operation, and continue to make payroll. When Congress approved the \$36.5 billion disaster relief measure for U.S. states and territories affected by this year's disasters, the territory was assured \$500 million in loans, to be dispensed over the course of three fiscal years, with the opportunity to receive \$300 million more.

During his Monday evening press briefing, Mr. Mapp told The Consortium that the funds, provided to offset losses caused by the storms, would be used for a variety of purposes, including meeting payroll, paying refunds, funding department and agency budgets, among other needs. In essence, funds that the government could not access through the bond market, are suddenly available through more favorable interest rates because of Hurricanes Irma and Maria. Because of the storms, ironically, there should be not talk of payless paydays anytime soon.

The hurricanes have helped in other ways as well. Mr. Mapp, who requested from Congress \$5.5 billion in aid to help rebuild the USVI, is set to announce an increased sum later this week after stating on Monday that the first estimate did not represent the

true cost of the storms' damage. And while it is unlikely that the territory will get all the money that it's seeking from Congress, even a half of the total would help the USVI rebuild new schools, new hospitals and a more reliable infrastructure. Mr. Mapp is scheduled to testify in Congress -- in the House and Senate -- on November 14, doing the territory's bidding.

And let's not forget the surge in commerce, which means more tax dollars for the government, and the rise in construction, with over 2,000 positions now available through the Department of Labor.

The passage of Irma and Maria caused irreparable harm to the USVI in many ways; the storms also took multiple lives. Some people have left and may never return, weakening an already feeble tax base, and most Virgin Islanders are still struggling to cope with the new reality.

But for the VI government at least, whose finances were depressing to the most optimistic politicians before the hurricanes, the Category 5 storms, in many ways, were a blessing.

Feature Image: From left to right: Governor Mapp, V.I.P.D. Commissioner Delroy Richards and William Vogel, federal coordinating officer of FEMA Region II, depart the Myrah Keating Smith Community Health Center in St. John following visit after Hurricane Irma. (Ernice Gilbert, VIC)