

The Virgin Islands Consortium

Mapp Says One Thing, His Finance Commissioner Says Another. Who's Talking The Truth About The Government's Financial Condition?

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Ernice Gilbert **February 08, 2018**



In the span of two days, Governor Kenneth Mapp and his Finance commissioner and Public Finance Authority director, Valdamier Collens, gave two widely different responses on questions about the community disaster loan (C.D.L.), and why the federal government rejected the local government's December attempt at a second drawdown.

On Tuesday, during a Committee on Finance hearing, [Mr. Collens said](#) the federal government had only released \$85 million to the local government, which was based on the "full faith in credit of the Government of the Virgin Islands." But when the government

sought a further drawdown in December through the Gross Receipt Tax (G.R.T) bonds, the U.S. Treasury refused to make the funds available.

"It's all dependent on whether we can give the U.S. treasury and FEMA a first-lien position on any of the loans that we've requested," Mr. Collens told lawmakers at the Earl B. Ottley Legislature. "The first loan that we did for \$85 million was solely based on full faith in credit of the Government of the Virgin Islands. But as you know, and as I've communicated, the U.S. treasury and FEMA seeks a first-lien, first priority position as it relates to any future loans. We failed the additional bonds test at the time of our initial request in December under the GRT [Gross Receipt Taxes] because of the projection of revenues."

Yet during a press conference held on Wednesday evening at Government House on St. Croix, Mr. Mapp said he did not understand the link between the C.D.L. and the territory's G.R.T. and Matching Fund Revenue (M.F.R.) bonds.

"I'm not sure I understood the question with the Gross Receipt bonds. I personally, on my part, I mean this sincerely, I'm going to have to plead ignorance in the sense that the bonds is a security that's in the market for which we've long received the money. We've taken that money years ago whenever we've taken the bond closing. They wire the money to the government and then the government does whatever it needs to do," Mr. Mapp said.

To be clear, a bond in financial terms is a debt security, under which the issuer (in this case the V.I. Government) owes the holders (in this case the U.S. Treasury via FEMA) a debt and (depending on the terms of the bond) is obliged to pay the holders interest or to repay the principal at a later date, which is called the maturity date.

But the governor, for whatever reason, insisted that he did not understand why Mr. Collens would tie the government's loan drawdown attempts to its G.R.T. or M.F.R. (rum cover over) bonds.

"There is no question that we have no debt obligations that are late or insufficient to pay," the governor said. "So there's no cash, no money that can come from either of the bonds, and I mean this sincerely, I don't understand the context. I'm not saying he didn't say that, I don't understand the context of how the Matching Fund or the Gross Receipt bonds play into the community disaster loan because there's no cash coming from there and there's no debt obligation to satisfy."

When told that Mr. Collens also restated that the federal government required a first-lien priority on future loans before any more funds could be released, the governor then seemed to acknowledge the link between the C.D.L. and the federal government's request for security through the G.V.I.'s M.F.R. or G.R.T. bonds.

"The lien comes in when you pay," Mr. Mapp said, attempting to explain what a bond is. "Meaning, when I'm ready to be paid -- like a lien in the community -- when I'm ready to be paid, if you don't pay me, and there's a certain time you don't make your payments, then I can go and exercise the lien or liquidate the lien to get the asset for lack of payment."

The governor then said the C.D.L.'s first payment was not due until three years after the last draw. "There's no mechanism to use the lien -- they have first priority lien, yes, but it doesn't hinder the ability of revenue to pay the current debt because there's nothing due and owing on the community disaster loan because they haven't even taken it down," he said.

The Consortium reporter pressed further, stating that while there was no payment due to the federal government at the moment relative to the C.D.L., the U.S. Treasury wants to ascertain that payment can be made when the time comes. And as Mr. Collens told senators on Tuesday, the federal government has demanded that the security be provided not just through the Matching Fund Revenue bonds, but the M.F.R.'s senior offering, which speaks to the first-priority demand.

After the back and forth, the governor seemed to acknowledge the connection between the C.D.L. and the Matching Fund Revenue bonds: "It has its security or else we would have never made the first draw," he said of the federal government and referring to the drawdown of \$85 million. "That was part of the legislative action when they ratified the terms and condition of the loan, when I had called the legislature into special session -- that was all done when they ratified the loan documents."

It was not clear why the governor suddenly acknowledged that the G.R.T. and MFR bonds were tied to the C.D.L. loan, and why he did not acknowledge it from the onset.

Earlier, the governor attempted to explain why the federal government had rejected the government's attempt at a second drawdown of funds in December. "The revenues that the government based its 2016-17 budget on in terms of that depressed time, and when revenues are coming in because it's that budget we're using, what the O.M.B. is saying is that we're not sure that you've qualified for another draw. So they will continue to work that through on a month-to-month basis, to determine whether we're picking up revenue and sustaining our expenses, or whether we're dipping. And in the areas where the C.D.L. is authorized, then they will release funds," he said.

During his January 2018 State of the Territory Address, and again during an interview with The Consortium, Mr. Mapp said the federal government had already approved \$250 million in C.D.L. dollars. He did not reveal that the government was denied a drawdown in December.

On Tuesday, Mr. Collens said a C.D.L. through the Matching Fund Revenue bonds could be about \$100 million, but not more than \$200 million. Yet even if the government were to secure \$200 million from the U.S. Treasury, it would bring the total in low-interest loans to \$285 million, which is way less than the \$800 million that Mr. Mapp said the territory has access to.

And while the \$285 million would help with the current budget deficit, it does not address the 2018 budget shortfall [of nearly \\$300 million](#). And since the government has been rejected by the bond market, the shortfall cannot be bridged with private borrowing, either.

Though the hearing was held to receive updates from Mapp administration officials relative hurricane recovery-related contracts, the revelation by Mr. Collens was major in

that it shed light on the government's financial condition.

As for the \$85 million that FEMA released, \$65 million was used to fund government operations, \$27 million of which was used for salaries and fringe benefits; \$8 million for past-due government contributions to the Government Employees Retirement System, and another \$9 million for owed healthcare premiums.

Feature Image: From left to right: Dept. of Finance Commissioner and Public Finance Authority (P.F.A.) Director, Valdamier Collens, Governor Kenneth Mapp and former Office of Management and Budget Director Nellon Bowry during a June 2016 P.F.A. board meeting on St. Croix. (Credit: Ernice Gilbert, VIC)

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