

The Virgin Islands Consortium

Op-Ed | The Virgin Islands Must Be Sober-Minded As We Execute Our Rebuilding

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In the early morning hours of February 9th, members of Congress approved a 2 year budget package to fund the federal government. The package also provided critical disaster relief to hurricane affected areas including our Virgin Islands. This funding comes after long protracted discussion and substantial negotiation in both the House and the Senate. It comes after months of my discussion with House and Senate appropriators, testimony in front of relevant Committees, having Republican and Democrat colleagues offer amendments and bills that caused discussion on principle issues of importance to us. Finally, my office worked with the House leadership and with Senator Chuck Schumer who negotiated on our behalf with Senator Mitch McConnell for an increase in the Senate bill. As you may recall, the White House requested \$44billion

with offsets, the House approved \$81 Billion and the Senate sent back a bill that increased the amount to \$86 Billion with significant support provisions in other areas.

While the funding does not include anywhere near the full amount or all of the requests of the Virgin Islands, it will help us substantially in rebuilding. The bill also has important provisions which will allow us to rebuild critical infrastructure in a more resilient manner. We worked really hard to see that the Virgin Islands were provided with additional Medicaid funding for the territory's urgent health needs. We have been given \$142 million in additional funds for Medicaid through September 2019, with 100% federal match of these funds for two years. Along with substantial amounts such as \$150 million in FEMA Disaster Relief loans to assist the VI with cost shares for projects, and \$11Billion between the VI and Puerto Rico in Community Development Block Grant to rebuild and improve the electric system; we were able to get all Army Corp of Engineer Projects conducted at full federal expense and funding for agriculture, labor housing and education.

We need, however, to put this funding in context considering last month's Tax Cuts and Jobs Act Bill – the recently signed new tax law in America. A small group of Republicans drafted the tax bill outside of regular order which means, no hearings, no amendments, no discussion and negotiation with the majority of members of congress. As a result of this process, the new tax laws are likely to have the unintended consequence of providing a disincentive to companies operating in the Virgin Islands due to the foreign tax treatment of the USVI. Many companies particularly in the technology and knowledge based sector will be penalized for being in the Virgin Islands and will leave or be disinclined to relocate to our shores. It is my belief that the Virgin Islands must have a diversified economy to become stable and grow, one not solely reliant on tourism. Unfortunately, the application of certain provisions in the bill to the USVI dramatically impede that growth. Additionally, there will be lost revenue to the General Fund due to reduction individual and corporate tax brackets, along with the lack of reimbursement to the Earned Income and Child Tax Credits. Tax experts have informed me of a prediction of tax revenue losses ranging from a hundred million to hundreds of millions of dollars each tax year.

We must be sober minded as we execute our rebuilding. We must do so cognizant of other longstanding financial issues. Aside from the exacerbation of budget shortfalls due to the new tax law, GERS and our bond rating will make it increasingly difficult for us to receive the loan funding being offered by the federal government. A transparent detailed rebuilding plan will need to be forthcoming in short order that also is clear minded about our true financial state.

Submitted on Tuesday by: Delegate to Congress Stacey Plaskett