

# The Virgin Islands Consortium

## USVI Is 'Distressed,' Bryan Says During His First State Of The Territory Address

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ST. THOMAS -- Governor Albert Bryan delivered his first State of the Territory Address on Monday night, a long anticipated speech as residents and lawmakers alike sought an understanding of how the newly elected governor intends to lead the government, his plans to make the USVI a better place to live, and how he would prioritize the daunting issues the islands face.

The governor wasted no time in laying bare the current state of the U.S. Virgin Islands, describing the territory as being "distressed," even as there remains a window of opportunity right the ship. He mentioned the benefits the USVI realized through the influx of federal dollars after Hurricanes Irma and Maria, which resulted in the growth of the

construction industry, and spoke of activity at the Limetree Bay Terminals that has boosted St. Croix.

But, the governor added, "even with the progress in the recovery and the promise of new refinery operations, we are confronted with the truth that our territory is still very much mired in a financial and economic crisis." Mr. Bryan said he understood the territory's fiscal conditions before he sought office, and was ready to guide the islands through what he described as "the canyon of challenges ahead." He then spoke of the briefing he received from former Governor Kenneth Mapp's financial team. "They revealed to us that the longstanding fiscal problems that plagued our government before the 2017 hurricanes have yet to be resolved," Mr. Bryan said. "General fund revenues fell drastically after the storms, creating severe cashflow shortages for the Government of the Virgin Islands. Hurricanes Irma and Maria only increased the burden of what was an already growing structural budget deficit. To put the true state of our territory's financial status into perspective; the Government of the Virgin Islands could not have met its day-to-day expenses over the past 12 months if not for the availability of FEMA community disaster loans."

The governor continued with his gloomy assessment, and said after having borrowed \$212 million from the federal government through the Community Disaster Loan Program (C.D.L.), "unfortunately we can't borrow anymore."

Mr. Bryan continued, "To compound our problems, the Government of the Virgin Islands currently has no access to the capital markets. With minimal cash reserves on hand and no access to additional credit, government expenditures must be funded by ongoing revenue collections on a pay-as-you-go basis. Our government has accumulated nearly \$270 million in outstanding obligations to vendors and unpaid income taxes to the people of the Virgin Islands. It also owes an additional \$150 Million in the unpaid employer contributions to the GERS. This does not include the debt of the semiautonomous agencies -- none of which can be immediately paid in full. Additional stressors on our budget include the passage of the Tax Cuts and Jobs Act of 2017 [in the U.S. Congress and signed by Governor President Trump] which threaten to reduce income tax collection rates to the Virgin Islands Government by approximately 24 percent or \$65 million annually. The current court injunction in excise tax collections places in jeopardy an additional \$40 million in tax revenue collections."

Even with the difficulties in meeting its obligations, Mr. Bryan stressed that the government would continue paying vendors even if it comes at a cost.

Setting his sights on government arms, Mr. Bryan said the hospitals have been operating at a loss of more than \$1 million monthly, with the Juan F. Luis Hospital losing \$1.5 million, while the Schneider Regional Medical Center operates at a loss of \$1.2 million monthly. "These forecasts do not include the over \$10 million each hospital owes to WAPA nor the more than \$50 million debt amassed by the healthcare facilities before the hurricanes," Mr. Bryan said.

WAPA has over \$50 million in fuel debt and infrastructure debt of over \$200 million in the last several years alone, Mr. Bryan made known. "The reality of the situation is that WAPA has continued to fail us in providing the solutions that will lower our light bills, and we have failed as a government to provide them with the adequate cash flows and the

support that would assist in putting them on the right footing," he said.

For the better part of the Mapp administration, lawmakers said the territory's structural deficit annually hovered around the \$100 million mark, except for last year when it climbed to roughly \$200 million. But Mr. Bryan said the true structural deficit has been anywhere from \$250 million to \$450 million annually for the past five years.

"Adopted budgets were typically balanced with unrealistic revenue forecasts that eventually fell short of those projections without making a corresponding reduction in expenditures," Mr. Bryan said. "While our government pretended that budgets were balanced in theory and in budget books, when looking through the lens of generally accepted accounting principles, the structural deficits persisted. Our government managed these deficits largely by underfunding required pension payments, deferring vendor payments and income tax refunds, and borrowing short-term — further compounding the situation. The federal recovery dollars have masked the true weakness of our economy."

He added, "While the disaster recovery spending will cushion the blow in the near term, if left unattended, the instability of the economy will become increasingly more evident when the recovery efforts subside over the coming years. The window to restart our private-sector economy to avert fiscal collapse is very small, and it is closing rapidly. This is why we had to change course and change course now."

On G.E.R.S., Mr. Bryan said his first meeting with the pension system's board members proved productive, as talks were had on securing funding for the system. The territory's leader said he was against G.E.R.S. selling its assets to continue meeting its obligations to retirees, and he was not for slashing current benefits either. "We are proposing a restructuring of the existing plan that will preserve retirement benefits for future generations because simply kicking the can down the road will not suffice," he said, but gave no details on the plan itself, or how the money would be secured when the local government has no access to the bond market. G.E.R.S.'s current unfunded liability is roughly \$5 billion, Mr. Bryan said.

The governor also spoke of stabilizing the territory's healthcare system, but gave no indication as to how he would accomplish this goal. And in a diversion of sought, Mr. Bryan pivoted to the Virgin Islands Medicinal Cannabis Care Act which legalized medicinal marijuana in the territory. The governor said he understood the concerns of some relative to the regulation of the new law, and vowed to "put in place the regulatory requirements and establish the registry board as mandated by law."

On modernization of government operations, Mr. Bryan said, "It is of great concern that projects have to go through a government pipeline that has traditionally been clogged with bureaucracy and hampered by a lack of technology."

He later added, "Frankly, the time to digitize our government is now."

On Education, Mr. Bryan said his administration's plan is to have various government arms -- the University of the Virgin Islands, the Department of Labor, the Career and Technical Board and the Department of Education -- work together to help build a workforce pipeline.

The governor announced Racquel Berry as commissioner-designee of D.O.E., and vowed to focus on early childhood education, which he described as an important early step to success.

"The expansion of the education system to include K-4, which has been mandated by law, is far overdue. That is the foundation of this pipeline. It is our goal to expand this program into as many schools as it takes to ensure access to every four-year-old in the territory. I had the opportunity to see this in action at the Claude O. Markoe School through its "Granny Preschool" pilot program. It works. Some four-year-olds were already meeting the educational benchmarks of the average kindergarten student," he said.

In addressing crime, Mr. Bryan said the violence in the territory, when compared to other jurisdictions per capita, is "embarrassing." Though he agreed that the violence should decrease, he said those committing crime did not simply wake up one day and decided to break the territory's laws. "It is the bitter fruit of entrenched social and economic woes that have plagued our community for generations. Crime in our territory is driven by pervasive poverty, poverty is caused by lack of economic opportunity, and lack of economic opportunity is spurred by a failing education system," the governor said.

He added, "We can no longer afford to ignore these systemic underpinnings which lead our people to resort to violent crime as a means of conflict resolution or to criminal activity for financial gain. We must, once and for all, address the root of the problem. And doing so will require the coordinated effort of all our justice and public safety, education, and recreational resources.

"The Department of Justice, the Virgin Islands Police Department and coordinating federal agencies will work together to investigate and prosecute crimes from beginning to end to avoid holes in our prosecutions and avoid those guilty of crimes from escaping justice due to technicalities."

Mr. Bryan said his administration would adopt policies that see individuals being punished for crimes with deterrence and rehabilitation in mind, "recognizing the need for programs and educational and vocational training to integrate into society those members of our community who went down the wrong path."

The governor did not, however, name a police commissioner.

On high note, though, Mr. Bryan said his administration would introduce legislation that would allow for the appointment of the attorney general for a six-year term, and removal because of cause only -- not at the whim of a governor. The announcement received loud applause from the audience.

*Feature Image: Governor Albert Bryan delivers State of the Territory Address. (Credit: USVI Legislature)*