

The Virgin Islands Consortium

Bill Seeking Use Of \$39.5 Million Medicaid Windfall, Another Seeking \$80 Million Line Of Credit To Pay Contractors, Move Forward

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Two measures dealing with funds -- one seeking the use of a \$39.5 million windfall which was received from Medicaid for fiscal years 2011-2013 after audit reports and ratings, and another seeking a line of credit of \$80 million to pay contractors who have performed work in the territory following the 2017 storms but have yet to receive their payment -- were given favorable nods on Tuesday by lawmakers who make up the 33rd Legislature.

The \$39.5 million, received through the Department of Human Services, would be used for the following purposes, according to Jenifer O'Neal, who testified in favor of the

measure Tuesday.

- \$8.7 million to Department of Labor for the payment of outstanding workman's compensation insurance as set forth below;
 - a) \$6.4 million to Schneider Regional Medical Center
 - b) \$2.2 million to Governor Juan F. Luis Hospital & Medical Center
- \$9.9 million to the Governor Juan F. Luis Hospital & Medical Center to be paid directly to the VI Water and Power Authority for outstanding bills;
- \$4.3 million to Schneider Regional Medical Center to be paid directly to the VI Water and Power Authority for outstanding bills;
- \$2 million to Department of Health for behavioral programs to be divided equally between the two (2) districts;
- \$3 million to the Virgin Islands Waste Management Authority for outstanding vendor payments;
- \$5 million to Juan F Luis Hospital for the payment of outstanding taxes owed to the Virgin Islands Bureau of Internal Revenue;
- \$4,541,060 to the general fund to assist in the cost of the government's negotiated salary increases.
- \$2 million for other purposes as follows:
- \$1 million for the St. Croix district:
 - \$200,00 for mental health services for the Department of Education's students and staff;
 - \$125,000 to the Department of Sports, Parks and Recreation for garbage trucks;
 - \$105,000 to the Department of Human Services for the purchase of vehicles for the Meals on Wheels program;
 - \$150,000 to the Legislature for the youth summer employment programs;
 - \$420,000 to Bethlehem House for retrofitting;
- \$1 million for the St. Thomas/St. John district:
 - \$200,000 for mental health services for the Department of Education's students and staff;
 - \$150,000 for the Department of Sports, Parks and Recreation for playground equipment for Alvin McBean Ballpark;
 - \$125,000 for the Department of Sports, Parks and Recreation for garbage truck and other equipment;
 - \$150,000 for Tax Study Commission;
 - \$120,000 to Eldra Schulerbrandt Facility for two (2) passenger vans
 - \$105,000 to the Department of Human Services to purchase two (2) vehicles for the Meals on Wheels program;
 - \$150,000 to the VI Legislature for the youth summer employment programs;

Along with the \$9.9 million going to WAPA for Juan F. Luis Hospital power usage payments, another \$8.7 million would also go to the struggling utility from an \$8.7 million payment to the Dept. of Labor, which would be for utility usage by both of the territory's hospitals, Ms. O'Neal said. In total, WAPA stands to receive roughly \$22 million.

Another \$5 million received by the Bureau of Internal Revenue from outstanding Juan F. Luis Hospital tax payments, would go towards paying 2016 tax refunds, Ms. O'Neal made known.

Senator Allison DeGazon sought clarity on whether the outlined use of the funds was the most efficient in light of the estimated \$40 million annual loss of government revenue deriving from the federal government's action barring excise taxes. Kirk Callwood, Dept. of Finance commissioner nominee, answered that it was.

On the measure seeking the \$80 million line of credit to pay contractors, the concern was on the government's ability, or lack thereof, to secure the line of credit. However, the funds would be backed by the impending release of further federal dollars -- some \$1.09 billion from the U.S. Department of Housing and Urban Development is still outstanding -- along with the territory's already-burdened Gross Receipt Tax (GRT).

Mr. Callwood said it was possible to secure the line of credit, even in light of the territory's junk bond status.

"The Public Finance Authority has approached several financial institutions regarding a potential revolving line of credit, secured by federal reimbursements. The resulting discussions have shown there is a market for such a facility. However, we are conducting further analysis on the appropriate size of the line of credit, the timing for the reimbursements from the federal government, and the pledge of Gross Receipts Tax revenue to fund the associated interest expense," Mr. Callwood said. "The territory would also be required to obtain approval from FEMA before entering into any such obligation, as per the covenants under the community disaster loans, particularly in a situation if federal monies are being pledged as securitization, which FEMA has been hesitant to approve in the past."

Whether the Gross Receipt Tax can be used to secure another loan without affecting the covenants the GRT is already burdened by, remains in question. Additionally, the territory needs to perform a new assessment of the government's taxable assets, which is used to determine the USVI's debt limit. "It is our understanding that this final valuation may not be available for at least several months as the assessor's office works through assessing the damage from the hurricanes," Mr. Callwood said.

Bill No. 33-0072, relating to the \$39.5 million windfall, was sponsored by Senators Donna Frett-Gregory, Alicia Barnes, Marvin Blyden and Kenneth Gittens. It was co-sponsored by Stedman Hodge, Jr., and Athneil Thomas. (The measure appears to have been created with consultation from the Bryan administration.)

Bill No. 33-0070, relating to the \$80 million line of credit, was sponsored by Mrs. Frett-Gregory and Mr. Gittens, and co-sponsored by Ms. Barnes, Mr. Hodge, Mr. Thomas and Senator Javan James.

Featured Image: Senator Donna Frett-Gregory