The Virgin Islands Consortium

Bryan Projects Financial Stability in 2021 Due to Government Projects, Cost-Cutting

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Ernice Gilbert December 03, 2020

Eighteen of the V.I. government's arms joined the Office of Management and Budget Wednesday virtually for its latest Revenue Estimating Conference. There, departments and agencies provided a fiscal year 2021 revenue outlook, with the key takeaway being Governor Albert Bryan's stance that the territory, in fiscal year 2021, would be on solid footing financially.

Mr. Bryan said during the event that despite the adverse effects of Covid-19 on the economy, the USVI will maintain a level of stability through the 2021 fiscal year. The governor's outlook is a departure from what he's said in the past, when he warned that 2021 would be a difficult year for the territory in terms of revenue, owing to the economic downturns caused by the Covid-19-induced shutdowns. Mr. Bryan's confidence is based on what he said were government projects that would undergird economic activity, and cost-cutting, though those efforts were not highlighted in a release the administration issued Wednesday night.

"Government projects are the things that stand between us and a real economic catastrophe. It's not if it's coming; it's when it's coming," he said during his remarks to open the conference, according to Government House. "Our ability to handle the finances thus far during this past year has proven very beneficial to us. We're in a good cash position right now, and we're in a good financial position. But we cannot stop there."

OMB Director Jenifer O'Neal forecast a FY 2021 revenue of $773.4 million, which is down from FY 2019 actual revenue of $845.2 million, according to the release.

Here's OMB's breakdown of the revenue forecast for FY 2021:

- Individual Income Tax – $407.1 million ($443.7 million in FY 2019)
- Gross Receipts Tax – $185.9 million ($190.1 million in FY 2019)
- Real Property Tax – $53 million ($56 million in FY 2019)
- Corporate Income Tax – $60.7 million ($67.4 million in FY 2019)
- Trade & Excise Tax – $2.1 million ($2 million in FY 2019)
- Other Operating Revenue – $64.5 million ($86 million in FY 2019)

"We do expect for 2021 the number is lower because, again, in the 2020 calendar year so far, we've had a number of closures, and a number of businesses have not been open for a long period of time," said Ms. O'Neal. "A lot of people haven't really been working, so we do expect our tax base will be a lot less and collections, therefore, will be a lot less in 2021."

Government House said Moody's Revenue Analysis done for OMB projects FY 2021 budgeted revenue of $773.4 million, followed by an estimated FY 2022 revenue of $756.3 million, and an estimated FY 2023 revenue of $850.4 million, showing possible growth in two years' time.

Some of the key points from the various agencies' presentations at the Revenue Estimating Conference, according to Government House, include:

- The Property Tax collection forecast for FY 2021 of $58 million is on track with FY 2020's forecast of $54.7 million and actual amount of $62.9 million.
- Excise Tax losses as of October 30, 2020, are $80.9 million.
- Total Tax Revenue for FY 2020 was $822,379,518, comprising $262 million in Gross Receipts Taxes; $454 million of individual income taxes; $68 million of corporate income taxes; and $32.4 million in finds from other Bureau of Internal Revenue funds.
- As of October, the Territory's unemployment rate is 9.4% with 4,220 unemployed – 1,700 of 20,867 unemployed on St. Croix (8.1%) and 2,520 of 24,050 unemployed on St. Thomas-St. John (10.1%).
- Air visitor arrivals from January-August 2020 were 281,699, down 39% from 464,926 from the same period in 2019.

- Hotel Tax revenue from FY 2020 was $17.7 million, down from $20.5 million in FY 2019.
- Cruise arrivals are not anticipated to return until spring 2021, and expected passenger arrivals will be down considerably for the year.
- Hotel Tax revenues will be reduced for FY 2021, and the continued postponement of major properties, such as the Marriott, coming back online further contribute to the delay in revenue growth.
- Airlines continue to bring back service with increased frequency, and additional carriers are introducing service.

Present at the virtual event were members of Mr. Bryan's cabinet, and members of the 33rd Legislature, along with senators-elect of the upcoming 34th Legislature.