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Senators Reject Bryan's Debt Refinancing Deal

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Ten senators of the 33rd Legislature on Tuesday evening rejected Governor Albert Bryan's debt refinancing deal, with some sticking to their stance that the measure was not in the best interest of the territory; some contending that the refinancing, contrary to what was being said, was not certain to go toward saving the Government Employees' Retirement System, while others, including Finance Committee Chairman Kurt Vialet, contended that the deal — which would have dissolved the territory's $150 million Debt Service Reserve Fund — would affect future generations as it would have deferred payments and place a heavy burden on Virgin Islanders ten years down the road.

Additionally, the strategy used by Mr. Bryan and his surrogates in the buildup to the session to gain support, backfired. The administration had used G.E.R.S.'s impending collapse to gain support, stating in press releases, on radio, online and in ads that if the measure were to fail, retirees would face a 42 percent cut in their annuities come January.

On Tuesday, that approach collapsed, with senators establishing that the system, though in dire need of financial support, would not halve the pensions of retirees in January. G.E.R.S., in a letter addressed to Governor Bryan in May, called for a cash infusion of $195 million or face the prospect of a 42 percent cut in retirees' pension in January 2021. But such an action could only be authorized by the Legislature, and the pension system has since said the cut would not happen in January, though the problem must be addressed in the next two years.

Senators have also proposed other ideas to bolster G.E.R.S. that are expected to get more attention now that Mr. Bryan's debt refinancing deal has failed.

Voting in support of the measure were Senators Allison DeGazon, Alicia Barnes, Stedmann Hodge, Jr., Myron Jackson and Athneil Thomas — all senators who will not be part of the 34th Legislature.

Voting to reject the bill were Senators Oakland Benta, Marvin Blyden, Kurt Vialet, Donna Frett-Gregory, Kenneth Gittens, Dwayne DeGraff, Novelle Francis, Janelle Sarauw, Javan James and Steven Payne, Sr.

Nathan Simmonds, director of finance and administration at the Public Finance Authority (PFA), revealed that the agreement would cost the government $12 million to pay the firms involved in putting the $1.2 billion debt refinancing deal together.

The Bryan administration team of testifiers, which included Mr. Simmonds, PFA Attorney Kye Walker, and Ms. O'Neal, among others, had originally sought no deadline or interest rate cap as part of the agreement, contending that a deadline and interest rate limit would place the government in a disadvantageous position during negotiations. Lawmakers, however, were not having it, viewing such concessions as a carte blanche to the executive branch that would be a frivolous dereliction of duty.

But the biggest development relative to the interest rate cap was Senator Sarauw's line of questioning, which evoked the Revised Organic Act of 1954, Section 8, which reads in part, "Bonds so issued shall bear interest at a rate not to exceed that specified by the Legislature."

Ms. Sarauw said, "If the Revised Organic Act is the defacto Constitution of the U.S. Virgin Islands, is the bill before us constitutional? The Senate's legal said the measure, as written was unconstitutional because it lacked an interest rate cap.

The bill, numbered 33-0446, would have given Mr. Bryan the authority to enter into a 20-year contract to refinance the territory's Internal Revenue Matching Fund (IRMF), or rum cover-over funds. The agreement would have turned over all authority of the IRMF to a new entity outside the government called a special purpose vehicle until the duration of the agreement, which was set to last for 20 years.

The administration argued that the deal would have yielded a low interest rate and allow the government to re-enter the bond market. In the first three years, the agreement would see the government receiving $85 million, $150 million of which would have been monies from the territory's Debt Service Reserve Fund. As it stands now, the Debt Service Reserve Fund is used only to pay the territory's obligations if, for example, a calamity were to strike and affect the territory's normal means of meeting its debt obligations.

Among many concerns was the ballooning effect of the deal, with some senators in previous hearings describing the contract as predatory. According to the failed agreement, in the first three years, the government would have paid no debt service, which explains why the $85 million is possible every year for three years. But the agreement would have seen payments escalating from year 10, with the government seeing hundreds of millions of dollars in dissavings thereafter.

Under the current setup, the territory will be paying $5 million in debt service payments in 2034, according to Mr. Vialet. Under the now-rejected plan, the USVI would pay $63 million while seeing dissavings of $58.1 million in the same year. In fact, according to a chart provided by the administration, dissavings in the last ten years of the agreement totals $297 million.

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