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Revenue Generating Conference: Rosy Revenue Projections Again This Year as Bryan Calls for Continued Prudence

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From left to right, Bryan Admin. Chief of Staff Karl Knight, Governor Albert Bryan Jr., and Jenifer O'Neal, Office of Management and Budget Director at the 2023 Spring Revenue Generating Conference. By. GOV'T HOUSE

Another upward-trending financial outlook for the U.S. Virgin Islands was presented on Tuesday at the Spring Revenue Estimating Conference for fiscal year 2024, convened by the Office of Management and Budget (OMB).

A Rosy Revenue Outlook

Government revenues are expected to increase by an estimated \$10 million for FY 2024 to a total net revenue projection of \$929 million, compared to revenues collected for FY 2023, for which the net revenue projection stands at \$914 million, according to statistics presented by OMB Strategic Analyst Sahil Ramchandani.

Mr. Ramchandani reported that revenues have trended upwards over the past four years, driven by increasing collections in income taxes, and [the resumption of excise tax collection in 2021](#).

He also presented an outlook on the United States economy as a whole, noting that the mainland's performance affects local economic activity. Mr. Ramchandani reported a resilient U.S. economy despite economic pressures such as the fallout from the war on Ukraine. There are also inflationary pressures and the recent collapse of the Silicon Valley Bank that sent shockwaves through the financial world. Lt. Gov. Tregenza Roach and on Tuesday moved to ensure Virgin Islanders that [banks operating in the territory are stable](#).

United States Gross Domestic Product (GDP) increased by 3.2 percent in the third quarter of 2022, and 2.7 percent in the fourth quarter, after consecutive decreases in the first half of that year. Mr. Ramchandani noted however that the economy is still volatile.

Locally, "we are in a very, very good time in the Virgin Islands," said Governor Albert Bryan Jr., who, while expressing optimism about the FY 2024 estimates, cautioned that the government must maintain a responsible fiscal approach in order to secure the future of the territory.

"This year, we're talking about what can be done. That's why we want to keep it close with the numbers, because the revenues look good. They looked good last year. They looked good the year before, and they looked good the year before that," the governor said.

"But as we move through this place of prosperity, we have to be guarded. "We have to be careful about how we move fixed costs and how we're going to manage that in the future," the governor cautioned.

The conference is one of two mandated by law to be held annually, as a means of presenting a more accurate fiscal outlook for the Government of the Virgin Islands.

Growth in Tourism

Tourism Commissioner Joseph Boschulte is anticipating a robust 6 percent growth in tourism for FY 2024, following an estimated 3.5 percent expansion this fiscal year.

"We've had a very, very strong last three years. The U.S. Virgin Islands has done extremely well in the pandemic and now post-pandemic," Mr. Boschulte reported, noting that the USVI did "extremely well" during and after the Covid-19 pandemic.

Though regional airlift decreased due to limited regional travel and smaller aircraft, a significant increase came from flights from the continental U.S. Air travel for tourists from the mainland went up by more than 21 percent in St. Thomas, and rose by over 23 percent in St. Croix.

Mr. Boschulte noted that room stock was a limiting factor relative to the efforts to increase airlift into the territory.

"You cannot grow airlift if you don't have adequate accommodations... In marketing we talk about reaching diminishing returns...and that in a nutshell is if we continue to market and promote

the territory and there's either no airlift seat into the territory, or no hotels, then we start to see diminishing returns..." he said.

The upcoming Carnival 2023 in St. Thomas was used as an example, with Mr. Boschulte saying the Tourism Department is getting the impression that St Thomas has practically no hotel rooms or rental cars available for the week of carnival. "When we look at our ability to grow tourism, we need rooms," he underscored.

With some of the hotels affected by the 2017 hurricanes now coming back online, however, the department is banking on even bigger tourism numbers for next year. Mr. Boschulte noted that the Westin Frenchman's Reef and former Morning Star Beach properties are expected to reopen this summer making 500 rooms available on St. Thomas.

He projected increases in Hotel Room Tax Revenue of \$36,790,731 in 2023 and \$38,998,175 in 2024.

Another growth area is the short-term rentals sector, which includes platforms like AirBnB and VRBO. This sector has surged by an additional \$5 million in revenue in 2023 compared to 2022 and over \$25 million since 2019 before the Covid-19 pandemic.

Mr. Boschulte said that the Tourism Department estimated an increase of 5.5 percent in this type of accommodation from 2022 to 2023.

Meanwhile the cruise sector, the anchor of tourism in the territory, has returned in a big way, with Mr. Boschulte reporting an expected 650,000 new passengers in 2023.

Passenger numbers on St. Croix are anticipated to rise by 80 percent this year, compared to 2022.

Department of Licensing and Consumer Affairs

Revenues into government coffers also increased through improved processes, including the Department of Licensing and Consumer Affairs' (DLCA)streamlined licensing procedures, the Bureau of Motor Vehicles' (BMV) online registration system, and the Lieutenant Governor's Office's online portal for collecting property taxes and related fees.

DLCA Commissioner Richard Evangelista said that his agency has annually increased projected revenue over the past four years as it implemented streamlined systems to speed up the licensing process for companies.

Mr. Evangelista said the team is "striving to stick to the issuance of licenses in 10 days or less, and I'm proud to tell that for new licenses filed as of the second week of January... we have actually achieved that mark."

Unemployment Down

Meanwhile Gary Molloy, commissioner of the V.I. Department of Labor, reported the unemployment rate has dropped significantly from 8.4% at the beginning of 2022 to 4.2% as of December 2022.

However, Mr. Molloy noted that not enough people are returning into the workforce after becoming unemployed. Currently, the labor participation rate — the percentage of the population working or looking for work — stands at 49.2 percent of the USVI's 80,000 people.

Part of the reason why that rate is not higher, Mr. Molloy believes, is that unemployment benefits, which as of 2023 amount to \$642 weekly, are too generous.

The Labor Department is looking to reduce the length of unemployment benefits that are paid out from 26 weeks to 13 weeks, Mr. Molloy said, to spur people to return to work, which would then reduce the cost of trust fund reserves and help to grow the economy.

As it stands, unemployed people receive a total of \$16,000 over the 26-week period, a sum that would be cut in half if the Department reduces the benefit window to 13 weeks.

A Call for Caution

Governor Bryan concluded the conference by emphasizing the need to plan for the future when recording present revenue collection.

“We’re making a lot of money, but we still have a lot of unpaid bills. Not to be doom and gloom, but I always like to manage expectations,” the governor said.

The Spring Revenue Estimating Conference for FY 2024 was held on March 14 at the University of the Virgin Islands campus on St. Thomas.