



THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

**Charlotte Amalie, V.I. 00802
340-774-0001**

June 16, 2015

Hon. Neville James
Senate President
31st Legislature of the Virgin Islands
Legislature of the Virgin Islands
Capitol Building
St. Thomas, U.S. Virgin Islands 00802

**Re: Governor's Recommended Bill Relating to Real Property Tax
Revenue Anticipation Notes**

Dear Mr. President:

Enclosed is my bill to the 31st Legislature of the Virgin Islands seeking authorization for the Government of the Virgin Islands of the United States, acting through the Virgin Islands Public Finance Authority, to issue real property tax revenue anticipation notes in Fiscal Year 2015, and in any fiscal year thereafter, for working capital purposes.

As you are aware, the Virgin Islands continues to bear the effects of the 2008 recession which had a negative effect on commerce, tourism, and revenues. While the Tax Assessor estimates that real property tax bills for 2015 will generate approximately \$50,000,000.00 of revenues within twelve (12) months of issuance, the delayed payments of such tax revenues generally result in a haphazard and undependable access to such revenues to meet our needs within the appropriate fiscal years.

In order to counteract the historic variability in the timing of receiving the revenues from issuing real property tax bills, the Government can take measures to ensure its access to these revenues to meet payroll obligations, vendor payments, issuance of tax refunds and sustain working capital for the Government's operating expenses. One of the best ways to accomplish this is for the Government to issue Revenue Anticipation Bonds against the percentage of revenues it historically collects.

Accordingly, I am asking that the Legislature take swift action in considering and passing this bill. I want to make clear that this bill does not in any way expose or put in jeopardy the ownership of the land of the taxpayer. We are simply hedging the revenue stream against our historic collection pattern of real property tax collections. In addition, and I hope you could agree,

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the Government's ability to timely satisfy its financial obligations is important to our ratings and outlooks in the financial markets.

It is our plan to issue real property tax bills in August of this year, and I respectfully request that the Legislature take swift action on this bill and grant it favorable consideration. The Members of my financial team stand prepared to offer testimony and answer any questions on this proposal.

Sincerely,



Kenneth E. Mapp
Governor



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VIA MESSENGER

Honorable Neville James
President
31st Legislature of the Virgin Islands
Capitol Building
St. Thomas, VI 00802

Re: Amendment to Bill No. 31-0073

Dear President James:

I am writing to you and the members of the 31st Legislature of the Virgin Islands to propose an amendment to Bill No. 31-0073, to establish a comprehensive program authorizing the issuance of Grant Anticipation Revenue Vehicles ("GARVEE") Bonds from the current proposed amount of up to \$105,000,000 to up to \$250,000,000 (the "GARVEE Program").

The goal of the GARVEE Program is to provide an ongoing source of financing for critically needed transportation projects, including, improvements to and construction of major roadway and associated infrastructure throughout the United States Virgin Islands, from proceeds of federally funded GARVEE Bonds. The projects contemplated to be financed from such GARVEE Bond proceeds are selected by the Virgin Islands Department of Public Works ("DPW"), they must be authorized by the Federal Highway Administration ("FHWA") and they are always subject to the availability of FHWA funding for the territory of the United States Virgin Islands (the "Territory").

As stated in the testimony of Commissioner Designee Gustav James of DPW before the Finance Committee, on June 1, 2015, the approval necessary to receive Federal Highway Funds under the GARVEE Program for eligible road projects is a time-consuming process. Thus, we are seeking a program ceiling of not less than \$250M, to ensure that the requisite legislative authorization is in place for the expeditious application of such funds to projects once the requisite federal approval has been obtained. The present plan is to finance, within 60 to 90 days of the receipt of legislative approval, those road projects for which FHWA funding is available and approved.

Federal Highway funding for the Territory has been substantially reduced for nearly six (6) years. These funding cuts have resulted in the deterioration of our already substandard public highway system, the quality of life of our residents and our ability to efficiently and safely accommodate the millions of visitors to the Territory who are essential to the economic health of the Territory. These cuts in funding have also further exacerbated the financial stress in our economy, which continues to recover from the impact of the recession and the closing of the HOVENSA refinery.

The Government of the Virgin Islands (the "Government"), through my office, DPW, the Virgin Islands' Delegate to Congress and our D.C. lobbyists, are making concerted efforts seeking an increase in the Federal Highway Fund allocation to the Territory. My letter, dated May 27, 2015, to Senator Joe Manchin III, as a member of the Committee on Energy and Natural Resources, and 19 similar letters to key Members of the House and Senate requested assistance in securing fair and equitable highway program funding for the Territory in the surface transportation reauthorizing bill being developed by the Committees of the House and Senate.

The surface transportation funding for the Territory, and the other small territories of the United States, is small in comparison to the overall cost of federal highway funding bills in the United States. Increased funding is critical to public safety and maintaining and growing the economy of the Territory. For reasons not adequately explained, highway funding for the territories has been significantly cut in recent years while funding for other jurisdictions has not. On behalf of the people of the Virgin Islands, I have now asked for, and collectively we are now seeking, an increased allocation of at least \$75 million *per annum*.

We need the help of the Legislature of the Virgin Islands to make our case. So I am asking the Senate, and I want you to know that it is our desire to have a realistic GARVEE Program in place that adequately reflects our need for new roads in the territory. An amended GARVEE program provides that funds can be immediately applied to authorized projects pursuant to this legislation as additional federal funding becomes available.

My appeal for the additional federal funding carries the caveat and commitment that we will use in its entirety, all new federal highway monies on major construction of roadways, associated infrastructure improvements and surface transportation that meet current federal standards. We are not interested in using any new money for just repairing and resurfacing our substandard roads and highways.

The GARVEE Program will be limited to federal funding, as such, no other funds of the Government will be utilized for this program. I am mindful of the concern that proceeds be applied in accordance with the intent of the Senate as outlined in the subsequent amendments to Bill No. 31-0073, and this proposal will do nothing to alter that allocation. Consistent with Bill No. 31-0073, I am proposing that bond proceeds generated from such additional program authorization be applied on a proportionate basis consistent with the amendment to Bill No. 31-0073. My administration is prepared to present project details and the ongoing status of the Federal process for approval to this body to ensure that the Senate and the public is apprised of our progress.

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I respectfully request that the 31st Legislature of the Virgin Islands consider amending Bill No. 31-0073 and help us move in the direction of building new roads and highways in the Territory. Thank you for your kind consideration of this most important matter.

Sincerely,



Kenneth Mapp
Governor