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Governor Bryan Cautions Against Wasteful Spending In Light of Positive Revenue Projections

With the news of better-than-expected revenue projections for the fiscal year 2020, Governor Albert Bryan Jr. took the opportunity November 13 during the Office of Management and Budget's fall revenue estimating conference to send a clear message about the government's spending: a positive outlook for an increase in revenue to the Territory does not mean the Government of the Virgin Islands should go on a spending spree.

Governor Bryan, the first USVI governor to ever attend a revenue estimation conference since it was created by law in 2013, listened intently to presentations from executive branch agency heads as they outlined the revenue generating functions of their agencies and highlighted their projections.

The overall projection is that revenue into the Territory is expected to rise in Fiscal Year 2020, in part because of the continued rebound of the USVI's Tourism industry and increasing numbers of visitors since Hurricanes Irma and Maria in 2017.

However, the Governor said that now is not the time to spend money, and instead, the Government of the Virgin Islands should continue using its revenue to pay down the government's legacy debts.

"This is going to be one of the brightest revenue projections that we've had in a long time," Governor Bryan said. "We're up 40 percent on our Gross Receipts. Collections are way up on personal income tax. We're doing really well in terms of revenue. Things look really good."

"We need to restrain ourselves from thinking we're all over the hump. We need to be conservative in terms of our spending going forward," the Governor said. "I told my financial team to look at austerity measures. Just because we have revenue coming in doesn't mean we have to go hog wild in terms of what we do."

Governor Bryan said the real concern is there are so many things that have been neglected over the years that no one is paying attention to, and he cited as an example the lack of social services and having enough people to connect with residents who are in crisis in the Territory.

“These are things that we need to put in place, and all those things cost money,” the Governor said. “And we need to address those things before we tear off looking for new things to occupy.”

“As we start to march forward in this great new day of Virgin Islands renaissance and collect all this great tax money, let’s not forget the money we owe and the things we’re still not doing,” Governor Bryan said.

Internal Revenue Bureau Director Joel Lee projected that FY 2020 tax revenues of $823.3 million will outperform FY 2019 projected final tax revenues of $746.3 million – an increase of about 10.3 percent.

Two primary factors that now affect the collection of tax revenues are the 14 percent corporate tax cut initiated by President Trump and the loss of Excise Tax collection, which was halted by the U.S. District Court pending the outcome of a lawsuit filed in 2018.

“At the end of the day, we were able to collect $784 million compared to $683 million for the fiscal year, despite not having the Excise Tax, despite the Trump tax cut, which really took a hit to the corporate income tax percentage,” Director Lee explained when comparing tax collections in 2019 with taxes collected in 2018.

In his estimate for tax revenues for FY 2020, Director Lee said he factored in estimated losses from the Corporate and Excise tax collections, noting that FY 2019 losses from not having the Excise Tax were $44 million.

However, Director Lee said that his FY 2020 projection is a conservative estimate, and he noted that the projections of the other agencies were not included in his revenue estimate.

“Guess what, when those numbers and that activity hits the economy, I’m predicting that’s going to send this number pretty high upwards,” Director Lee said of his projection of $823 million in taxes collected.

During his presentation, Tourism Commissioner Joseph Boschulte addressed the high cost of traveling to the Territory and said the plan is to push for increased airlift, which will increase competition.

“The reality of it is the USVI is viewed as a high market in terms of travelers, in terms of who comes in regards to income. The market is a supply and demand market, which means they’ll charge what they can bear, and our priority has been to increase airlift directly,” Commissioner Boschulte said.

“We continue to have conversations with Spirit to increase airlift, which is a balance against the major airlines, like American, Delta, and United. We’ve had some conversations, we expect to have a route from Southwest, another discount airline. They fly to San Juan right now, they fly to Jamaica,” he said. “The priority for the first nine months of this year and right now was to increase airlift first and then start to manage how we’re going to deal with the cost across the region.”

Commissioner Boschulte said air visitor arrivals from January to September in 2019 are up 43 percent from the same period in 2018. He also said the Territory currently has 2,450 traditional accommodations; 900 villas; 2,100 Airbnb units; and 200 charters, with an additional 1,106 rooms becoming available when Carambola, Divi, Marriott’s Frenchman’s Reef and Noni Beach reopen by the third quarter of 2020.

Hotel Tax revenues for 2019 are up 40 percent – $20.5 million – compared to $14.6 million in 2018, and cruise passenger arrivals from January to September 2019 are up 3.8 percent at 974,700.

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