THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE
Charlotte Amalie, V.I. 00802
340-774-0001

March 19, 2020

President Donald J. Trump
The White House
1600 Pennsylvania Ave., NW
Washington, DC 20500

Re: Urgent Request for Cancellation of Community Disaster Loan Payments

Dear President Trump:

I write to request your assistance with a deepening financial crisis of great urgency caused by the expanding coronavirus pandemic, which threatens to reverse the enormous progress the Virgin Islands has made—with your help—in recovering from the devastating back-to-back Category 5 hurricanes that struck our Territory in September 2017,

In the aftermath of those catastrophic storms, the Government of the Virgin Islands (GVI) and three of its instrumentalities (the V.I. Water and Power Authority, Schneider Regional Medical Center, and Governor Juan Luis Hospital) obtained approximately $300 million in Community Disaster Loans (CDLs) from the federal government. Those CDLs provided needed funding that allowed the GVI to provide basic government functions during the critical disaster response period.

To my great distress, however, the coronavirus pandemic has created a new potential disaster for the Territory's economy and the GVI's finances. The impact of the pandemic on our economy and our ability to continue basic governmental functions is already severe and worsening by the hour. As you know, our economy is heavily dependent on a tourism sector that is being ravaged by the pandemic: tourist expenditures constitute 30% of GDP, and tourism-related businesses employ 25% of the civilian labor force. Because our Territory is reachable only by air and sea, the sudden, dramatic, and accelerating drops in air traffic, cruise ship arrivals, and hotel bookings in recent days threaten to devastate, if not eliminate, economic activity and dramatically depress government revenues generated by this critical sector of our economy.

Depressed business activity in the tourism-related sector has already led to job losses, increased unemployment claims, reduced spending, and drastically shrinking government revenues. The reduction in local expenditures, in turn, will adversely affect all non-tourism-related businesses, which may themselves be forced to cut operations and staff, further reducing government revenues. Coupled

with the 90-day extension of the April 15 income tax filing deadline (which automatically applies to the USVI as a mirror tax code jurisdiction), the loss of incoming gross receipts revenues in the midst of what would normally be high tourist season (and the period of highest government revenues) will reduce the government's cash on hand to dangerously low levels and jeopardize our ability to make payroll and perform basic governmental functions.

Initial projections suggest that the coronavirus crisis could result in a reduction of the Territory's GDP by a staggering 15.7%. For context, such a reduction would be roughly on par with the impacts of the Great Recession on USVI, and much worse than the immediate economic impact of the catastrophic 2017 hurricanes.

The timing of this economic blow is particularly cruel, as it comes just as our vital tourism industry was making progress in recovering from the catastrophic hurricanes of 2017. Emergency action is required in the short term until the crisis eases and our economic recovery measures are fully effective. In the long term, this second crippling blow to our revenues will seriously impair the Territory's ability to carry the heavy debt burden imposed by the CDLs.

Under the terms of the CDL promissory notes executed between FEMA and the GVI and its instrumentalities, the CDL debts "may be cancelled in whole or in part at the sole discretion of the Secretary of Homeland Security in consultation with the Secretary of the Treasury," or "modified at the sole discretion of" FEMA "by reprofiling or restructuring the debt, upon the request of" the Virgin Islands.

I request your support for the cancellation of all the CDLs issued to the GVI and its instrumentalities following the 2017 hurricanes. Cancellation of CDL debt based on the financial condition of the borrower is specifically contemplated by the governing promissory notes and the Stafford Act, and is amply supported by precedent. Relieving the GVI and its instrumentalities of their CDL debt obligations would immediately free up millions of dollars needed for emergency response and economic recovery. Equally important, it would remove the long-term financial burdens imposed by the CDL debt, which not only seriously impair the Virgin Islands' financial position but also inhibit prospects for future growth.

In the event that loan cancellation cannot be achieved before the GVI's next interest payments come due on April 1, we request in the interim that FEMA forbear collection of the amounts due on April 1, 2020 and October 1, 2020, while we work with your Administration and Congress to arrange for the urgently needed loan cancellation. There is specific authority in the governing regulations for deferring CDL payments while loan cancellation is under consideration (*see* 44 C.F.R. §§ 206.367 and 206.377), and this relief has been granted in connection with the cancellation of previous CDLs following Hurricanes Hugo and Marilyn in 1989 and 1995.

Time is of the essence: our next scheduled CDL payments of approximately $3 million are due April 1, 2020. I hope agreement can be reached on this request prior to the due date of such payments. Because of the urgency of our situation, I have also requested similar relief from Congress; but I hope and believe that action by you and your Administration make Congressional action unnecessary.

Please do not hesitate to call me if you have questions about this urgent request.

Thank you for your consideration.

Very truly yours,



Albert Bryan, Jr.
Governor

cc: Honorable Steven T. Mnuchin, Secretary of the Treasury
The Honorable Peter T. Gaynor, Director, Federal Emergency Management Agency