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Governor Bryan Meets with Senators, GERS Officials To Create Solutions to Retirement System's Unfunded Mandate

GVI Loan Securitization, Cannabis Act, Remote Sales Tax Among Topics Under Discussion

U.S. VIRGIN ISLANDS — Government Albert Bryan Jr. has been having ongoing discussions with Senators and GERS officials to find solutions to the Government Employees' Retirement System and the possibility of significant benefits cuts for retirees beginning January 1.

On Monday, the Governor met with several senators to work collaboratively towards a solution to the retirement system's looming insolvency. Governor Bryan has a follow-up meeting scheduled for later this week.

"We have to hold one head on the GERS and stop the political football. We cannot wait, and our retirees certainly cannot afford for us to wait," Governor Bryan said. "We have to make a decision about what we are going to do. This is bigger than any of us. If our pension system goes, then everything else goes."

Governor Bryan said his administration are committed to working with GERS officials and the 33rd Legislature on moving forward with a legislative package comprising his Cannabis Use Act and a second Internal Revenue Matching Fund debt refinancing deal before the end of December. The Governor also expressed his support for the proposed Remote Sales Tax legislation that is being put forward by Senate President Novelle Francis Jr.

The governor's Cannabis Use Act proposes to make lawful the use of Cannabis for non-medical purposes and to remit 75 percent of all revenues from cannabis taxes and seller-licensing and other fees toward the GERS. That measure has been before the 33rd Legislature since December 2019 and was amended to include changes requested by members of the 33rd Legislature before being resubmitted in May 2020. The existing Cannabis law only authorizes medicinal use and generates little to no tax revenues.

In August of 2020, Governor Bryan proposed legislation to the 33rd Legislature seeking authorization to refinance the territory's existing debt on its Internal Revenue Matching Fund bonds. The refinancing of those bonds would have yielded \$255 million to the Territory over three years and saved the Virgin Islands \$44 million over the existing term of the bond note.

The Legislature approved the Governor's request to proceed with the refinancing in September. However, the last-minute filing of a temporary restraining order created uncertainties that deprived the administration of the opportunity to successfully re-enter the bond market and close before the authorization's sunset date on September 29, 2020, as required by law. The restraining order ultimately was retracted but not before stalling the transaction.

Because of the great interest by potential bondholders in the original refinancing initiative, the Territory is in a very good position to go forward with this second opportunity to save the GERS.

The Remote Sales Tax bill that Senator Francis is proposing is similar to a bill proposed by Governor Bryan and is patterned after an Internet Sales Tax. The Governor and Senators currently are combining the two bills into legislation acceptable to both parties. Revenues from a Remote Sales Tax could be used to pay GERS' unfunded mandate.

Under the proposed law, which still is being developed, the Territory would collect Gross Receipts Taxes for sales made by businesses that don't have a physical presence in the U.S. Virgin Islands. When the finalized bill is presented, those items could include sales of tangible personal property; sales of services; sales of any product transferred electronically; and other internet sales and remote transactions.

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