



THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

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

March 2, 2010

VIA MESSENGER

Honorable Louis Patrick Hill
President
28th Legislature of the Virgin Islands
Capitol Building
St. Thomas, Virgin Islands 00802

RE: Proposed Legislation to Authorize the Government of the Virgin Islands to Issue Real Property Tax Bills and Related Matters

Dear Senator Hill:

I submit to the Twenty-Eighth Legislature of the Virgin Islands the enclosed proposed measures intended to significantly reduce the Government's Fiscal Year 2010 deficit currently projected at \$170.1 million. The global economic crisis continues to dramatically affect our economy which significantly impacts the Government's revenues. As outlined by the Administration's Financial Team during the February 22, 2010 Senate Hearing, the Government must find a balance between maintaining revenue generation, reducing expenditures, and increasing fund resources if we are to prevent a financial catastrophe.

As you are fully aware, the Administration has already developed aggressive plans to reduce expenditures as far as possible. The proposed measures will greatly enhance our chances of keeping the Government operational without resorting to such drastic measures as layoffs, furloughs or percentage decreases in the salaries of Government employees. The proposed Legislation seeks the necessary authorization for the Administration to issue real property tax bills and collect taxes at the 1998 rate, allows an increase of the maximum amount of authorized borrowing for working capital, and reprograms certain monies to effectively address funding deficiencies within various Central Government agencies and the Governor Juan F. Luis Hospital and Medical Center.

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SENATE PRESIDENT
LOUIS PATRICK HILL

Honorable Louis Patrick Hill

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As by now all in the Territory know, the Injunction issued years ago by the District Court of the Virgin Islands precludes the Government from issuing tax bills at a rate other than the 1998 rate at this time. The Court's February 17, 2010 Order denied the Government's motion to vacate that part of its earlier Order so as to allow the Government to issue tax bills at a rate other than the 1998 rate. As a result, it is clear that there is no date certain for resolution of this matter. The Government has recently filed a motion for reconsideration of the February 17th Order inasmuch as the backlog of tax appeals referenced by the Court has been eliminated.

The Administration has struggled long and hard to avoid issuing real property tax bills that could result in a higher tax obligation than necessary for the people of the Virgin Islands. We have also sought to avoid the additional cost that the Government will incur by repeatedly changing the real property tax billing system. However, the Government is left with few good choices and so we must proceed with any and all feasible measures to close the projected operating deficit. This includes the collection of real property taxes at the "old" 1998 rate. Upon passage of this proposed Legislation, the Government will re-issue the 2006 real property tax bills at the 1998 assessment rate and levels and will be in a position to issue 2007 real property tax bills at the same assessment rate and levels. In addition, the Legislation allows the Government to continue to issue real property tax bills for future years until the Court's injunction is lifted.

The proposed "bonding" legislative measure seeks to amend Act No. 7064, as amended by Act No. 7096, to increase the maximum authorized principal amount of borrowing by \$150 million dollars for working capital, removes the requirement that the Government borrow from Government funds and accounts before borrowing from banks and other financial institutions, and allows the Government to securitize or sell real property tax receipts. This measure will provide a financial span designed to bridge the gap that confronts us so that the Government can continue to provide its services and maintain its employees' jobs without interruption. Additionally the measure will provide the Government the flexibility to first repay monies into the nearly depleted Government Insurance Guarantee Fund.

The final measure included in this package seeks the reprogramming of funds in order to assist certain Government Departments and Agencies that could not possibly meet various budgetary mandates under existing appropriations. As provided by the Office of Management and Budget, I have attached the details of these adjustments for your consideration.

As surely you and your colleagues understand, the swift implementation of this Legislation is of paramount importance to all in the Virgin Islands. In the hope that this legislation can be considered as soon as practicable, I would request that the Members of the 28th Legislature add this proposed Legislation to the Agenda for the upcoming Session. As always,

SENATE PRESID
LOUIS PATRICK H
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Honorable Louis Patrick Hill

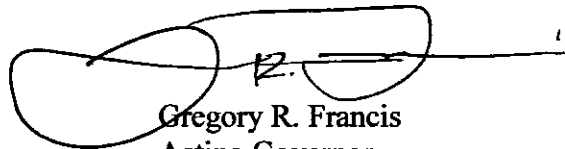
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members of my Administration will be available on that date to provide testimony and answer questions.

Sincerely,

A handwritten signature in black ink, appearing to read "G. R. Francis", is written over a horizontal line. The signature is stylized with a large loop on the left side.

Gregory R. Francis
Acting Governor

Enclosures

SENATE PRESIDENT
LOUIS PATRICK HILL
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