



RADIO ADDRESS BY GOVERNOR JOHN P. DE JONGH, JR.
MONDAY, MAY 3, 2010
28TH LEGISLATURE CONSIDERATION OF BILL 28-0227

My friends and fellow Virgin Islanders, this is Governor John de Jongh.

The reason that I am speaking to you today is to reinforce our plans to ensure the functioning of government in these very difficult times and to explain, without rhetoric, a very important issue before your Legislature. What I will speak of today cannot be spoken of without facts, without reason, and without serious regard for the welfare of our people. I speak of my desire to continue to operate our government in a manner that continues to provide employment to our people, services to our residents and ensure confidence to our business community during this period of economic uncertainty. The upcoming vote in your Legislature on Bill 28-0227 on Tuesday, May 4th is when your Senators will decide whether your government will be authorized to do what we need to do to keep operating and providing vital services, at expected levels, over the coming months.

There has been a great deal of false information and politicking around this current bill and as I have said, it is time to clarify this situation for all Virgin Islanders. This bill that we are awaiting action on by the Legislature, plain and simple will keep our government functioning.

Some of what I have to say I have spoken of before, but when I hear elected members of your Legislature, on the radio describing the reports that members of my Financial Team have made to them as "a joke" or as "fraud", or "that we should just let nature take its course and adjustments will take place", I believe the facts well bear repeating and that some other very important areas need to be re-emphasized.

I want to report directly some of the real facts and true information that has been provided on an on-going and regular basis to the Legislature. This is information that all of your Senators already know – and some have unfortunately chosen to ignore -- about the scope and severity of the economic and financial crisis that we currently face and that my Administration has been working relentlessly to get us all through over these past years.

The Virgin Islands government needs approximately \$1.3 billion dollars a year to meet its budget demands and to provide those services that are mandated by law and that the people of this territory have come to expect from their government. This year we will collect about \$759 million. Our revenues -- taxes, fees, and the contributions -- are off by almost 27%. These are real numbers. They are real facts and they are not something that any elected officials of this Territory should be misinterpreting or spreading false impressions.

These very real revenue shortfalls have been the consequence of the global economic collapse, and the recession felt throughout the United States, combined with the impacts the financial collapse has had on our economy and on our taxpayers.

Our tourist economy is dependent on the discretionary spending of those from elsewhere, after they have paid their monthly mortgage or rent for housing, groceries and prescriptions, and many have either been unable to visit, or have not spent what they once spent, because of this recession.

Our biggest employer and taxpayer has been operating at a loss and does not have to pay taxes, our financial services sector has been decimated by the financial crisis and by federal tax enforcement actions beyond our control and taken approximately \$225 million out of local tax receipts, and we have been caught up in the ongoing local morass that has prevented us from collecting real property taxes for four tax years now.

But through it all, we have been able to make progress and build confidence through the hard work and actions of the individuals and departments within my Administration and those members of the Legislature who have chosen to work with us in the best interests of all our residents.

Unlike the tens of thousands of persons who have lost their jobs in governments -- city, county and state governments all across the United States -- we have not yet laid off anyone because of a lack of funding. We have not closed our schools or senior citizen centers or asked our police officers and public health doctors and nurses to stay home one week a month. While other places have ceased capital projects, we have initiated projects to ensure private sector jobs.

Unfortunately, for some this has caused a misguided opportunity to spread misinformation in many quarters where people are stating that we do not have a real financial crisis or that we can somehow afford to lower the demands for government funds by just sending people home. Home where? Who will pay for their healthcare, their housing, their food? And how do we make-up the approximately \$2.5 million that is spent locally each week by our government workers in our local stores and businesses. We cannot delude ourselves that there is a separation between the well-being of our government workers and our private workers. If the former are out of work, the latter will soon follow.

Let me be very clear: We are by no means out of the woods yet. There is still a great deal of work ahead of us - but I am proud of the work that the many members of my Administration have been doing during these past years to guide our people through the recession while also working to pave the path for our future recovery. We still have major economic and financial challenges stemming from this global crisis as we maneuver through the post-recessionary environment. It was refreshing to finally hear some Senate members actually acknowledge these very real challenges that we are all facing and that my Administration have already long been working on.

We asked the Legislature to consider some steps designed to reduce costs last May when they were considering the budget at the time. Unpopular steps, I will grant you, such as furloughs and unpaid holidays and the like that might make our revenues go further. But the answer was no, those were not actions they wanted to take. And "no" was also their answer to the request to grant standby authority to leverage the future revenues we are to earn from our economic partnerships with Diageo / Captain Morgan and Cruzan VIRIL. Deflection and delay were the answers of the day last May.

And so here we are, exactly one year later, in May 2010, at a point where by all best estimates if we keep spending at our present rate, and keep collecting at our present rate, we will be out of money somewhere around the month of July. This is not news to your senators, and it is not news to me. Nor is what will happen after that news either. In the words of the testimony of the Commissioner of Finance to the Senate two weeks ago: "When we run out of cash, we stop printing checks." It is that simple.

Nobody, least of all me a former banker and businessman, believes one should borrow to pay operating expenses if there is any viable alternative that shows we do not have to. But for one to say that we cannot do this because it is mortgaging our future, and placing the burden of that debt obligation on the backs of our children and grandchildren, when they know that the proposed borrowings are to be repaid by new revenues generated from the economic partnerships we have with Diageo and Cruzan is just political posturing, if it is not political pandering.

The lie that we “cannot borrow” must be stopped. Those members of the Legislature who stood with us in making these innovative and industry modernizing agreements a reality now know that we have something that other states and territories do not – consistent and true revenue streams that we can point to and get investors to allow us to borrow against as we get through this financially challenging time.

Financial institutions see what we have done and they are willing to let us borrow at very competitive rates because they know we have the ability to pay it back. We have the very real ability to borrow what we need today to keep our government functioning as we move out of this recession and adjust to new economic realities as well as pave the way for our economic future and that of our children and grandchildren.

What we do not have, and what has not been offered, is any other viable alternative means to meet this approximately \$250 million shortfall that we need to carry us through this fiscal year and into the early part of the next. We need not spread fear and anxiety in what are already anxious and hard economic times.

What we need to do is work together through this crisis. Indeed, for us to grow our economy - for businesses to choose to do business in the Virgin Islands -- there must be political stability, cooperation, and confidence. And I can assure you that what we have all been hearing -- the reckless rhetoric -- does not build confidence. Indeed, to talk of our efforts to keep our government operating and our government workers on the job as a “Ponzi” scheme is just irresponsible.

I do not argue that there is not more that we can and must do to lessen costs and save monies, but let us not lose sight of what we have been doing. We did not all of a sudden just now begin to address the issues and challenges of the cost of operating our government.

As an example to those who say we have too many government employees, I would note the facts. Since beginning the limited hiring freeze and attrition program in May of 2008, 820 employees have voluntarily left government service generating a savings of \$51.9 million. And for those who say we need more police and prosecutors and corrections officers and teachers and health care workers, we have hired 507 such employees. And so we have a better selected workforce and we have a net savings of approximately \$28 million each year.

And by maximizing the use of federal funds, we have significantly reduced the burden on our local funds and the government’s General Fund.

For those whose sudden new target is cars, I would note that we have steadily reduced the costs of operating our government fleet of vehicles and have saved 17 ½% in fuel costs alone during this past year.

What my Administration has not proven to be very good at, however, is singing our own praises. We are all benefitted and blessed to have many serious men and women who work long hours to try to expand the scope and quality of our government services even as the monies we need to pay for these services continues to shrink as a result of the recession. These are professionals, not self-promoters. They are not quick to simply issue press release after press release – and they do not spend their time bragging about whose proposal each program was, who introduced the idea or the innovation. Neither are they seeking election or re-election. They are public servants. They are doing their jobs, the jobs I asked them to do, or jobs they have been doing for years and years. They have my thanks, and I would hope your respect.

I am committed to doing all that I can do to prevent the lay-offs that are now casually spoken of by those in elected public office as well as on the public airwaves. I am not willing to jeopardize the accreditation of our public high schools or the advancement of our students on the annual yearly progress assessments, or cut-back on the advancements we have made with our police and in emergency management, or risk the successes we have made in expanding small business opportunities while outreaching to build airlift and cruise ship traffic or close activities at our senior citizens homes, or eliminate initiatives to provide affordable home ownership for many. But I cannot print money and neither can the Legislature. They can get it by taxing it from you which some may want, or right now-- and because of the policies that we have put in place – we can borrow it.

We in the Virgin Islands are blessed financially to a degree that would be the envy of many other state governments in the United States because we can borrow to weather this fiscal crisis. And we can pay back what we borrow because of the policies and agreements we have put in place. These facts are not indicated to understate the very real challenges we have but they provide us with the tools to set a course and implement actions for the long term that are real and tangible.

On Tuesday, the Senate is scheduled to vote on my request for the authority to borrow the funds now needed to allow us to stay afloat longer, to weather the storm until increased tax revenues and business recovery can begin to flow in again.

The Senate has a choice to make: reclaim our economic prosperity or set our territory back. A “no” vote is nothing less than a vote to send our government workers home, curtail government services and close facilities. The time for talking has passed – now is the time for action. We do not have the luxury of time and the Legislature has had two months to do its due diligence.

After the Legislature votes on Tuesday, I will, again, address the people of the Territory about what we must do next. This vote on Tuesday is only the next step in our continuing march towards recovery. We can and must work together to our shared goals of recovery and opportunity for all. But we must work cooperatively and confidently.

We must work towards a common good, a common gain. Political gain is not the same thing. You know this -- I know this -- and I trust that our Senators will show by their votes that they know this also.

May God continue to bless you, the Virgin Islands, and all of its people.