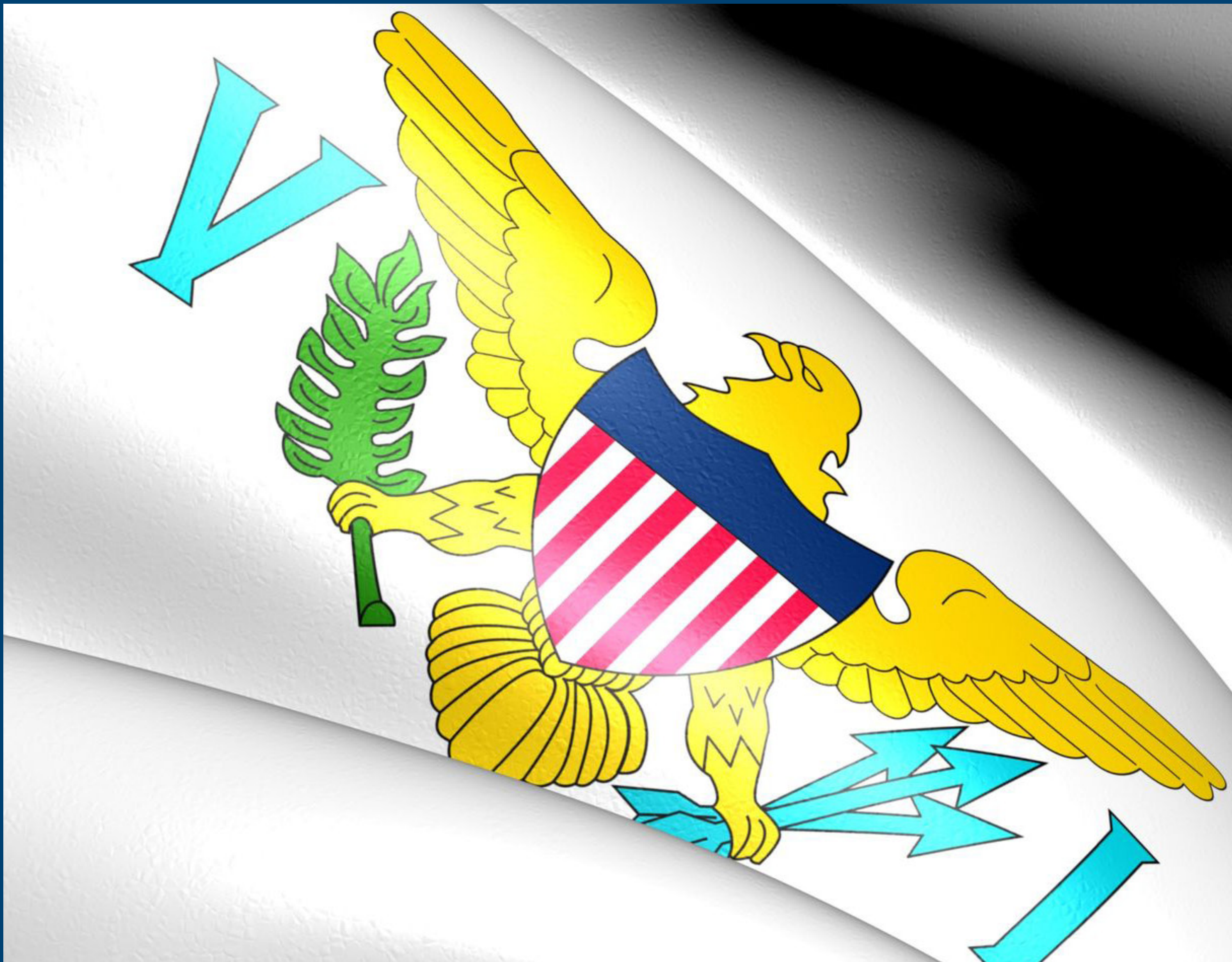

U.S. Virgin Islands Fiscal Cliff Impact Analysis for Fiscal Years 2013 to 2021

Prepared by
Government of the U.S. Virgin Islands
Bureau of Economic Research

December 2012

The U.S. Virgin Islands will be impacted from a series of federal spending cuts and expiring tax cuts all set to occur simultaneously on January 2, 2013, commonly referred to as falling off a "fiscal cliff." On this day, over $500 billion in federal income tax increases and spending cuts, intended to reduce the U.S. federal budget deficit by $2.1 trillion before Fiscal Year 2021, will take effect. Unless the President and Congress negotiate and Congress enacts by legislation a fiscal alternative, enormous fiscal and economic uncertainty will prevail, affecting not only the U.S. economy, but the Virgin Islands economy. For the Territory, the fiscal impact of reduced federal spending is estimated at $10 million to $12 million annually, totalling over $100 million by Fiscal Year 2021. Local tax revenues are anticipated to increase, as a result of reduced child care and earned income credits, limited itemized deductions, and a lower alternative minimum tax threshold, as local taxes mirror the federal system.

The Harkin Report, "Under Threat," released by the U.S. Senate Appropriations Subcommittee on Labor, Health and Human Services, and Education, and Related Agencies identified specific federal support programs that assist local residents and are exempted from automatic across-the-board spending cuts or sequestration listed in the both Table 1 and the Appendix. These programs include Supplemental Nutrition Assistance Program ("SNAP"), Temporary Assistance for Needy Families ("TANF"), Child Nutrition Programs, and Unemployment Compensation. Medicare benefits are not reduced, but payments to individual providers will be reduced by 2%. The automatic federal spending cuts will be applied to educational, environmental, energy, economic development, and disaster relief programs that impact the Territory.

The combination of federal spending cuts and tax increases resulting from the expiring tax cuts will hamper ongoing economic recovery efforts in the U.S. Virgin Islands. Reduced public sector spending and higher taxes lowers potential consumption and investment needed to sustain the current economic recovery. Federal spending cuts and tax increases will impact tourism, trade and transportation related industries almost immediately and will continue a negative impact for future years. These impacts are in addition to the current challenges of an anticipated Fiscal Year 2013 operating deficit, a growing unfunded pension liability, and ever increasing healthcare and mental health costs. Virgin Islanders must be prepared to face additional fiscal and economic uncertainty in the coming years, unless federal legislation is enacted to resolve these fiscal issues.

Legislative Overview of the Federal Government Sequestration Process

In an effort to reduce the federal deficit, Congress enacted the Budget Control Act of 2011 ("BCA") that required federal spending cuts. The legislation increased the current statutory limit on the public debt, to the current $16.39 trillion, but authorized automatic spending cuts or sequestration, triggering the $109 billion expenditure component of the fiscal cliff. Coincidently, federal legislation requires the Economic Growth and Tax Relief Reconciliation Act of 2001, the Jobs and Growth Tax Relief Reconciliation Act of 2003, along with other federal tax cuts, to expire along with the implementation of new taxes included in the Affordable Care Act. Over $500 billion in federal tax increases and sequestration spending cuts will occur automatically unless alternative congressional legislation is enacted before the end of the calendar year and effective on January 2, 2013.

The Congressional Budget Office ("CBO") and Congressional Research Service ("CRS") along with the U.S. Government Accountability Office ("GAO") have extensively researched the fiscal and economic impact of both tax increases and spending cuts on the federal deficit. Currently, the federal deficit is approximately 73% of U.S. gross domestic product ("GDP"), and without substantial spending cuts and tax increases, the federal deficit will continue to rise. Federal public officials are understandably concerned with the growing budget deficit especially in light of future U.S. demographics. GAO reported as the population ages, Medicare, Medicaid and Social Security expenditures will increase and be underfunded as more experienced workers retire; therefore, future cuts in spending and entitlements to the Territory are expected.

Still, a delicate balance must be achieved; budget deficit reduction measures are critically needed, but not at the expense of impeding current economic growth. Sustaining the tax cuts while implementing federal spending cuts would impede U.S. Virgin Islands economic growth and recovery. A resolution pertaining to the expiring federal tax cuts is critical, since the Virgin Islands tax system mirrors federal tax laws. While the possibility of additional tax revenues resulting from the expiration of the federal cuts is possible, the lost tax deductions and credits along with reduced federal funding resulting from the proposed BCA spending cuts or sequestration is fiscally and economically problematic for the Territory.

The first phase of the BCA spending cuts has been implemented. Currently, $900 billion in appropriated federal discretionary spending for Fiscal Years 2012 to 2021 has been automatically reduced. For the second phase, the Joint Committee did not develop the legislation and Congress failed to meet the January 15, 2012 deadline allowing automatic spending cuts to begin on January 2, 2013. The fiscal impact of both phases of the BCA federal spending cuts will have an enormous effect for Fiscal Years 2013 to 2021 on the Territory.

Before further discussing the impact of federal spending cuts, clarification of the sequestration process is necessary. CRS staff defined sequestration as "an automatic application of uniform spending reductions to enforce stringent budget goals." The sequestration criteria embodied in the BCA set in place two across-the-board spending cut phases intended to reduce the federal deficit by $2.1 trillion over Fiscal Years 2012 to 2021 using elements of the Balanced Budget and Emergency Deficit Control Act ("BBEDCA"). Sections 255 and 256 of the BBEDCA legislation allows both uniform percentage cuts in all programs, projects and activities ("PPA") and allows for exemptions and special rules for Medicare, Children's Health Insurance Program, SNAP, TANF, and Child Nutrition programs, all current approaches to benefit low-income residents of the Territory. BCA legislation automatically triggers the federal sequestration reduction process only after:

- Establishment of mandated discretionary spending limits for Fiscal Years 2012-2021, only if Congress appropriated funding above the annual legislated limit annually, whereby sequestration eliminates the difference.

- Failure by Congress to enact legislation from the Joint Select Committee on Deficit Reduction by January 15, 2012 which is intended to reduce the deficit by at least $1.2 trillion. This failure would trigger sequestration of spending for Fiscal Years 2013-2021, a one-year sequestration of discretionary spending for Fiscal Year 2013, and discretionary spending limits for Fiscal Years 2014-2021.

To clarify the federal sequestration process, and protect critical federal programs that assist the Territory, the Sequestration Transparency Act ("STA") was enacted in August 2012 to give the President authority to identify sequestered cuts including defense and non-defense, both discretionary and mandatory. The STA legislation also required the Office of Management and Budget ("OMB") to produce a sequestration report, released in September 2012 that identified preliminary BBEDCA automatic spending cuts totaling $109 billion, beginning in Fiscal Year 2013. For the territories, all U.S. Department of Interior Insular Affairs budget accounts are subject to BCA sequestration but were exempted based on STA determinations. OMB preliminary reductions under BCA sequester and consistent with BBEDCA guidelines are as follows:

- A reduction of 9.4 % in 2013 for discretionary defense appropriations for each non-exempt item and 10.0% for non-exempt mandatory appropriations.

- A reduction of 8.2% in 2013 on discretionary non-defense appropriations for each nonexempt item and 7.6% for non-exempt mandatory other than Medicare and for selected health programs.

- A reduction of 2.0% in 2013 non-defense Medicare and mandatory components of selected health programs.

Discretionary spending must be annually appropriated, while mandatory spending is authorized by legislation. Using STA assumptions, OMB identified sequestration percentage reductions for 1,200 federal budget accounts, including 897 non-defense federal accounts subject to sequestration automatic reductions. Taking into consideration BBEDCA exemptions and including the 2% limit on Medicare providers, the direct impact of BCA mandated spending cuts to the Virgin Islands is estimated to total $10 million to $12 million annually, totalling over $100 million by Fiscal Year 2021. These exclude required adjustments for federally-funded administrative certain expenses for exempt programs that fund local Medicare, SNAP, TANF, and unemployment compensation expenditures.

Direct costs are estimated while indirect costs to residents of the Virgin Islands remain uncertain. Federal spending cuts to education programs, such as Head Start, Title 1 and special education grants, along with reductions in HIV and cancer screening, immunization programs, substance abuse programs, veterans assistance programs, job training and employment services for both recently and long-term unemployed workers and dislocated worker programs, child care subsidies for working parents, and adjustments to entitlements programs including Social Security, Medicare and Medicaid, are difficult to estimate for the Territory.

Sequestration Impact on the Government of the Virgin Islands Fiscal Policies

To estimate the direct fiscal impact of the federal sequestration reductions for the Virgin Islands, the full 9.4 % reduction was applied to defence-related federal funding and the 8.2 % was applied to non-defense government entities receiving federal funds listed in the U.S. Virgin Islands Executive Budget for Fiscal Year 2013. The estimated fiscal impact of STA preliminary sequestration reductions is over $13 million from a $162 million federally-funded Fiscal Year 2013 projected budget. Adjusting for federal exemptions, total spending reductions total over $10 million. Table 1 documents the estimated total and the exempt impact of the federal funding sequestration by government entity.

For this analysis, it is difficult to identify precisely the exact mandatory or discretionary appropriation amounts for each exempt or non-exempt program, given the perplexity associated with Medicare and other selected health programs. More importantly, federal legislative rules involving administrative related expenses for exempt government programs are now subject to the federal sequestration cuts.

Using the definition of "exempted programs" provided in the detailed STA report, projected federal funds for the Government of the Virgin Islands were listed in Appendix A and summarized by government entity for Fiscal Year 2013 in Table 1. The lower 7.6% for federal non-exempt mandatory grants and 2% Medicare provider reductions were not included. Linking STA based PPA designations to local federally-funded programs by government entity supplied in the current Virgin Islands Executive Budget made the federal program identification task difficult. To avoid sequestration or other federal program reduction conflicts, local recipients of federal funding must maintain close communications with their federal counterparts in order to determine the full impact of the BCA-triggered automatic sequestration program reductions.

To manage the federal reductions by government entity and functional budget categories, the following tables provide the analysis that will serve as the basis when making sequestration reduction adjustments. Table 2 categorizes by funding proportion, government entity budgets and funded positions derived from federal grant funding.

For many exempted federally-funded programs, administrative functions are subject to mandated sequestration reductions. All personnel costs should be reviewed in comparison to other budgeted program items which are detailed in Table 3.

Percentage portions of federal funding outlays summarized by government categories were derived in Table 4. The percentage of federally-funded budgeted categories by government entity, in comparison to total General Fund appropriations for Fiscal Year 2013, were derived and listed in the Table 4.

General Fund appropriations generally support federal program related personnel services and associated fringe benefits outlays. Any automatic reductions in federal funding support will impact personnel and non-personnel outlays disproportionately. Maintaining federally-funded public assistance services, income support, and other federally-funded programs, remains critical. In addition, federal payments of salaries to local personnel circulate in the Virgin Islands economy; therefore, sequestration automatic reductions to both local salaries and procurements reduce the multiplicative capacity of federal staff expenditures.

Federal Sequestration Automatic Reductions Impact on the Government of the Virgin Islands Entities

State and local governments, including territories, may match or share overall project costs as a requirement for receiving federal funding. Territorial government entities with high personnel outlays may experience fiscal difficulties while adjusting to federal automatic sequestration reductions and may have to reduce salaries or staffing levels. Despite the proportionate share of personnel outlays by government entities receiving federal funds that average lower than the General Fund legislatively approved outlays, any reduction in federal funds for personnel or non-personnel expenses is either absorbed, reduced or cut by the government entity. As a result, if a federally-funded program is subject to automatic sequestration, the reduced federal outlay will have to either be absorbed or the federal program will have to be reduced or eliminated entirely.

Federal BBEDCA legislation allows federal administrative expenses, including personnel compensation, travel, transportation, communication, equipment, supplies, materials, and other expenses to be subject to sequestration. Government entities with exempt programs must obtain guidance either from OMB or the federal agency. Depending on the requirements of the federal funded program, alternative funding may be required to maintain the required level of service provided. Federal sequestration automatic reductions are intended to be implemented annually, so the impact for the current fiscal year would be greater, since the entire annual spending cut is spread over the remainder of the fiscal year.

Sequestration or any other congressionally legislated deficit reduction strategy, will undoubtedly impact the Virgin Islands economy directly or indirectly. Until the U.S. economy returns to a stronger growth path, simply sustaining federal tax cuts and automatic reductions is not a viable deficit reduction strategy. The tax increases and spending cuts would abruptly stop the current U.S. economic recovery. Recent gains in U.S. employment, an indicator of economic growth, have been achieved from ongoing fiscal and monetary measures. Higher taxes and reduced government spending will impede the current economic recovery.

Expiration of Federal Tax Cuts Impact on the Government of the Virgin Islands Tax Revenues

Beginning in January 2013, federal tax cuts enacted in 2001 and expanded in 2003 and 2010 will either expire or be modified. If the federal tax cuts expire, the top individual rate will rise from 35% to 39.6%, while lower rates will rise in sync, as the 10% bracket disappears and the employee share of the Social Security payroll tax would revert to 6.2 percent from the current 4.2 percent. For investors and business owners, capital gains will be taxed higher at 20% and dividends will be treated as ordinary income.

In addition, new limits on itemized deductions will raise individual and corporate capital gains rate by an additional estimated 1.2%. The estate tax will return to a $1 million exemption with a 55% top rate parameter. The child tax credit will be reduced by half and will no longer be refundable. The marriage penalties for joint filers will increase, and various tax benefits for education, retirement savings, and low-income individuals will disappear. The Alternative Minimum Tax ("AMT") will revert back to $45,000 from $74,450 which applies to 4 million taxpayers and a third of Virgin Islands filers. If it is not modified retroactively, the numbers will increase to over 30 million in 2012. Standard tax "extenders," such as the R&D tax credits, personal and state and local sales tax deductions, will also expire in 2012.

As with most U.S. jurisdictions, including the Territory, the fiscal impact of expiring federal income tax cuts is unknown due to the vast amount of uncertainty involved in the potential legislative outcome. For Virgin Islands residents, personal and corporate income tax rates mirrors the U.S. federal system, so the ongoing taxation policy issues related to expiring federal tax cuts have a direct impact on local tax revenues. In addition, averaging annual taxable income statistics by taxable income quintile to analyze the fiscal impact of the expiring federal income and corporate tax cuts, personal and corporate income taxes would increase if the tax cuts were sustained beginning in January 2013 for the Territory.

The Tax Policy Center ("TPC"), analyzed the tax implications of the "looming fiscal cliff" and concluded, barring any legislative action, taxes will increase for over 90% of all taxpayers beginning in 2013, averaging 4%, depending on the taxable income level. Table 5 displays the average annual tax collection by taxable income quintile. The effective tax rate is the current rate taxpayers, within each quintile, are assessed. TPC estimated the tax rate for the expiring federal tax cut, by income quintile, in Table 5.

On average, the fiscal impact of the expiring tax cuts is 4%. Applying this average to total tax collected by quintile, close to $14 million in tax revenues can be attributed to the expiration of the tax cuts. If TPC estimated tax rate or the full rate of estimated expiring tax by quintile was applied, more than $18 million additional tax revenues could be realized. Local taxpayers included in the fifth quintile, having taxable incomes averaging over the $250,000 tax cut threshold, fund a major portion of total tax collections in the Territory. The number of taxpayers in the fifth quintile continues to decline, resulting from Congressional legislation that severely impacts the Economic Development Commission program and tax revenues. To estimate the impact of the tax cuts, the 4% average was applied to the estimated amount of income taxes that anticipated for Fiscal Year 2013, approximately $380 to $400 million. Using this method, which may understate the impact based on Table 5 analysis, $10 million to $13 million in additional tax revenues can be attributed to the expiring federal tax cuts.

Overall tax revenues may fluctuate depending on ongoing tax policies that eliminate existing tax brackets or limit credits and deductions utilized by local taxpayers. From an economic viewpoint, increased income taxes may reduce overall tax collections, reduced disposable income lowers personal and business consumption, thus negating the tax revenue increase received from the expiring tax cuts. If the expiring tax cuts, reduced credits, exemptions and deductions, including the AMT, are implemented for the 2012 tax year, the tax increase may induce taxpayer noncompliance, especially at higher income levels.

Fiscal Impact to the Virgin Islands Economy

The Virgin Islands is currently experiencing high unemployment at 13.0% for November 2012, 16.3% for St. Croix district, and 10.0% for St. Thomas-St. John district, and it is safe to say fiscal and economic concerns related to the legislated federal spending cuts and expiring tax cuts will hamper economic growth efforts. As the local income tax mirrors the federal rules, if tax revenues increase by $10 million to $15 million, given the economic effects of the tax increases, these additional revenues may not fully offset the loss in federal spending cuts that are estimated to exceed $10 million to $12 million, depending on final federal legislation. If local unemployment continues to increase, the impact of eliminating extended unemployment benefits provided in the Middle Class Tax Relief and Job Creation Act of 2012 will have a significant impact on the families of dislocated workers.

The Congressional Budget Office surmised reducing the federal deficit would potentially lower future interest payments on the federal debt but, in the short term, would reduce U.S. economic growth by 0.5 % and raise the current unemployment rate to above 9% by the end of 2013 and possibly continuing into 2014. While the fiscal impact of the expiring tax cuts and federal automatic sequestration cuts are offset, applying estimated decline in U.S. GDP to the Virgin Islands $2 billion tourism and government GDP components would equal a potential loss in economic output exceeding $100 million annually if the U.S. economy contracts and unemployment increases as the CBO predicts. Tourism, trade and investment demand will falter as the Territory is attempting to recover from the St. Croix refinery closure, as it simultaneously recovers from the Great Recession.

The economic ramifications of the impending fiscal cliff, the combined federal tax increases totalling over $400 billion and spending cuts of approximately $109 billion that may occur in January 2013 will have an immediate and long lasting impact on the Virgin Islands economy and social system. Federal funds support vital services in the Territory; these services are exempt from sequestration reductions but expenses associated with delivering these services, such as personnel costs and direct operating costs, are subject to automatic spending cuts and may warrant General Fund or other local resource funding to maintain the level of service to residents in dire need.

The expiring tax cuts could potentially raise additional tax revenues from 90% of all taxpayers including low, middle and high wage earners in the Territory. The additional taxes will lower disposable income that may lower consumption and impact other tax revenues. Overall government consumption is reduced from the across-the-board federal spending cuts. On the national level, if the combined $500 billion in spending cuts and tax increases do occur, U.S. economic growth will decline as consumers' disposable income declines, altering tourism and business investment demand that has been steadily increasing in the Virgin Islands during the current economic recovery period. A fiscal cliff induced U.S. recession would have immediate and long term economic implications both fiscally and financially for the Virgin Islands, as local business and government expenditures decline in 2013 and the entire decade.

Table 1: Total Virgin Islands Federal Grant Funding Sequester By Government Entity For Fiscal Year 2013

Government Entity	Federal Grant Budget	Estimated Federal Sequester	Total Federal Exempt	Adjusted Federal Grant Budget	Adjusted Federal Sequester	Residual Federal Budget
Board of Education	$1,000,000	$82,000		$1,000,000	$82,000	$918,000
Bureau of Corrections	$400,000	$32,800	$400,000	$0	$0	$400,000
Department of Planning & Nat. Resources	$11,340,415	$929,914		$11,340,415	$929,914	$10,410,501
Department Human Services	$44,922,726	$3,683,664	$23,789,765	$21,132,961	$1,732,903	$43,189,823
Department of Agriculture	$270,000	$22,140		$270,000	$22,140	$247,860
Department of Education	$38,622,187	$3,167,019	$6,506,527	$32,115,660	$2,633,484	$35,988,703
Department of Health	$17,867,057	$1,465,099		$17,867,057	$1,465,099	$16,401,958
Department of Justice	$5,315,081	$435,837		$5,315,081	$435,837	$4,879,244
Department of Labor	$7,346,887	$602,445	$2,147,734	$5,199,153	$426,331	$6,920,556
Department of Public Works	$21,620,468	$1,772,878	$2,016,000	$19,604,468	$1,607,566	$20,012,902
Emergency Management Ag.	$2,309,301	$189,363		$2,309,301	$189,363	$2,119,938
Office of the Adjutant General	$5,354,486	$503,322		$5,354,486	$503,322	$4,851,164
Office of the Governor	$262,202	$21,501		$262,202	$21,501	$240,701
Office of the Lt. Governor	$41,275	$3,385		$41,275	$3,385	$37,890
Police Department	$4,960,637	$406,772		$4,960,637	$406,772	$4,553,865
	=========	========	========	========	=======	========
Total	$161,632,722	$13,318,137	$34,860,026	$126,772,696	$10,459,615	$151,173,107

Source: Annual Executive Budget, Fiscal Year 2013, Government of the U.S. Virgin Islands, Under Threat and OMB P.L.112-155

Table 2: U.S. Virgin Islands Federal Grant Funding Budgeted By Government Entity For Fiscal Year 2013

Government Entity	Total Federal Budget	General Fund Total Budget	% Federal Grant	Federal Funded Positions	Total Agency Positions	% Federal Funded
Office of the Adjutant General	$5,354,486	$6,802,416	79%	48	51	94%
Department of Planning & Natural Resources	$11,340,415	$22,232,034	51%	23	245	9%
Department of Public Works	$21,620,468	$43,701,515	49%	3	278	1%
Department of Labor	$7,346,887	$14,892,115	49%	30	155	19%
Department Human Services	$44,922,726	$105,300,521	43%	430	897	48%
Department of Health	$17,867,057	$44,549,705	40%	122	469	26%
Emergency Management Agency	$2,309,301	$6,688,750	35%	16	77	21%
Department of Justice	$5,315,081	$18,429,443	29%	45	178	25%
Board of Education	$1,000,000	$4,469,468	22%	0	1	0%
Department of Education	$38,622,187	$209,640,461	18%	326	2,705	12%
Department of Agriculture	$270,000	$3,066,354	9%	1	55	2%
Police Department	$4,960,637	$58,131,778	9%	23	761	3%
Office of the Governor	$262,202	$9,312,645	3%	1	104	1%
Bureau of Corrections	$400,000	$26,196,230	2%	0	357	0%
Office of the Lt. Governor	$41,275	$7,389,631	1%	0	121	0%
	=========	=========		=====	=====	
Total	$161,632,722	$580,803,066		1,068	6,454	17%

Source: Annual Executive Budget, Fiscal Year 2013, Government of the U.S. Virgin Islands

Table 3: U.S. Virgin Islands Federal Grant Funding Budget Categories By Government Entity For Fiscal Year 2013

Government Entity	Federal Grant Budget	Personnel Services	Capital Outlays	Fringe Benefits	Supplies	Other Services & Charges	Utilities
Board of Education	$1,000,000					$1,000,000	
Bureau of Corrections	$400,000		$150,000			$250,000	
Department Human Services	$44,922,726	$12,860,495	$50,000	$5,771,008	$943,836	$25,165,296	$132,091
Department of Agriculture	$270,000	41,730		17,942	19,764	190,564	
Department of Education	$38,622,187	$13,055,618	$81,060	$4,780,362	$5,967,666	$14,737,481	0.1%
Department of Health	$17,867,057	$5,122,034	$138,595	$1,889,235	$6,314,446	$4,349,328	$53,419
Department of Justice	$5,315,081	$2,004,989	$35,000	$744,086	$137,815	$2,350,791	$42,400
Department of Labor	$7,346,887	$3,396,574		$1,021,622	$106,477	$2,745,214	$77,000
Department of Plan.& Nat. Res.	$11,340,415	$5,763,378	$177,016	$1,993,992	$509,631	$2,808,897	$87,500
Department of Public Works	$21,620,468	$125,350	$21,306,773	$51,612		$136,733	
Emergency Management Ag.	$2,309,301	$712,691	$134,103	$262,008	$56,916	$1,143,583	
Office of the Adjutant General	$5,351,535	$1,496,662	$750,625	$641,058	$283,963	$1,242,718	$936,509
Office of the Governor	$262,202	$95,381		$30,165	$10,000	$123,356	$3,300
Office of the Lt. Governor	$41,275		$3,500		$2,500	$35,275	
Police Department	$4,960,637	$1,497,320	$565,000	$404,814	$148,922	$2,344,581	
	=========	=========	======	========	=======	=========	========
Total Federal Funds	$161,629,771	$46,172,222	$23,391,672	$17,607,904	$14,501,936	$58,623,817	$1,332,219

Source: Annual Executive Budget, Fiscal Year 2013, Government of the U.S. Virgin Islands

Table 4: U.S. Virgin Islands Projected Federal Grant Funding Outlay Percentages By Government Entity For Fiscal Year 2013

Government Entity	Federal Grant Budget	Personnel Services	Capital Outlays	Fringe Benefits	Supplies	Other Services & Charges	Utilities
Board of Education	$1,000,000	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
Bureau of Corrections	$400,000	0.0%	37.5%	0.0%	0.0%	62.5%	0.0%
Department Human Services	$44,922,726	28.6%	0.1%	12.8%	2.1%	56.0%	0.3%
Department of Agriculture	$270,000	15.5%	0.0%	6.6%	7.3%	70.6%	0.0%
Department of Education	$38,622,187	33.8%	0.2%	12.4%	15.5%	38.2%	0.0%
Department of Health	$17,867,057	28.7%	0.8%	10.6%	35.3%	24.3%	0.3%
Department of Justice	$5,315,081	37.7%	0.7%	14.0%	2.6%	44.2%	0.8%
Department of Labor	$7,346,887	46.2%	0.0%	13.9%	1.4%	37.4%	1.0%
Department of Plan.& Nat. Res.	$11,340,415	50.8%	1.6%	17.6%	4.5%	24.8%	0.8%
Department of Public Works	$21,620,468	0.6%	98.5%	0.2%	0.0%	0.6%	0.0%
Emergency Management Ag.	$2,309,301	30.9%	5.8%	11.3%	2.5%	49.5%	0.0%
Office of the Adjutant General	$5,351,535	28.0%	14.0%	12.0%	5.3%	23.2%	17.5%
Office of the Governor	$262,202	36.4%	0.0%	11.5%	3.8%	47.0%	1.3%
Office of the Lt. Governor	$41,275	0.0%	8.5%	0.0%	6.1%	85.5%	0.0%
Police Department	$4,960,637	30.2%	11.4%	8.2%	3.0%	47.3%	0.0%
	=========	=====	=====	=====	=====	=====	=====
Total Federal Grant Funding	100%	28.6%	14.5%	10.9%	9.0%	36.3%	0.8%
Total Government General Fund	100%	45.1%	0.2%	21.9%	1.9%	25.9%	5.0%

Source: Annual Executive Budget, Fiscal Year 2013, Government of the U.S. Virgin Islands

Table 5: U.S. Virgin Islands Estimated Tax Collections Adjustments For Expiring Federal Tax Cuts By Income Quintile

Income Quintile	Number of Filers	Median Gross Income	Total Adjusted Gross Income	Total Tax Collected	Effective Tax Rate	Expired Tax Cut Rate	Average Tax Cut Increase	Total Full Tax Cut Increase
Lowest	6,139	$10,000	$84,474,326	$2,803,749	3.9%	3.7%	$112,150	$103,739
Second	12,259	$30,000	$355,223,755	$20,500,193	5.8%	4.1%	$820,008	$840,508
Third	8,828	$55,000	$465,576,254	$43,830,504	9.0%	3.8%	$1,753,220	$1,665,559
Fourth	3,560	$85,000	$295,168,448	$34,659,308	11.8%	4.2%	$1,386,372	$1,455,691
Fifth	3,399	$400,000	$1,148,223,905	$243,219,886	21.4%	5.8%	$9,728,795	$14,106,753
	======		==========	=========			========	========
Total	34,184		$2,348,666,689	$345,013,639			$13,800,546	$18,172,250

Source: U.S. Virgin Islands Bureau of Internal Revenue and Urban-Brookings Tax Policy Center, Table T12-0207

Appendix: Detailed Virgin Islands Federal Grant Projected Funding Budget Grants By Government Entity and Grant Type For Fiscal Year 2013

Government Entity	Federal Grant Budget	CFDA Code	Grant Type	Grant Value	Federal Exempted	Adjusted Budget	Total Federal Sequester	Residual Budget
Department of Justice	$5,315,081	16.755	Program Grants	$814,495		$814,495	$66,789	$747,706
		93.563	Child Support	$4,500,586		$4,500,586	$369,048	$4,131,538
Bureau of Corrections	$400,000	15.875	ESPD_Territories	$400,000	$400,000	$0	$0	$400,000
Office of the Governor	$262,202	81.041	Energy	$155,000		$155,000	$12,710	$142,290
		81.042	Weather	$56,290		$56,290	$4,616	$51,674
		93.525	ACA Exchanges	$50,912		$50,912	$4,175	$46,737
Emergency Management Ag.	$2,309,301	97.209	Flood Mitigation	$112,500		$112,500	$9,225	$103,275
		97.042	EMPG	$919,000		$919,000	$75,358	$843,642
		97.067	Homeland	$640,301		$640,301	$52,505	$587,796
		97.092	Flood	$637,500		$637,500	$52,275	$585,225
Office of the Adj. General	$5,354,486	12.401	Master Coop. Agreement	$5,354,486		$5,354,486	$503,322	$4,851,164
Office of the Lt. Governor	$41,275	93.779	Medicare	$41,275		$41,275	$3,385	$37,890
Board of Education	$1,000,000	84.378	College Grant Program	$1,000,000		$1,000,000	$82,000	$918,000
Department of Labor	$7,346,887	17.002	Labor Force Statistics	$363,324		$363,324	$29,793	$333,531
		17.005	Comp, Working Conditions	$57,000		$57,000	$4,674	$52,326
		17.207	Wagner-Peyser	$1,466,984		$1,466,984	$120,293	$1,346,691
		17.225	Unemployment Insurance	$2,147,734	$2,147,734	$0	$0	$2,147,734
		17.235	Senior Employment	$1,010,475		$1,010,475	$82,859	$927,616
		17.258	WIA	$2,040,270		$2,040,270	$167,302	$1,872,968
		17.503	Occp. Safety & Health	$202,100		$202,100	$16,572	$185,528
		17.804	Veteran's Program	$59,000		$59,000	$4,838	$54,162
Department of Education	$38,622,187	10.555	Nat. School Lunch Program	$6,145,055	$6,145,055	$0	$0	$6,145,055
		10.561	Child Nutrition	$361,472	$361,472	$0	$0	$361,472
		10.599	Food Assistance & Nutrition	$1,985,324		$1,985,324	$162,797	$1,822,527
		84.027	Special Education	$9,348,314		$9,348,314	$766,562	$8,581,752
		84.403	Consolidated Outlying Ares.	$20,664,522		$20,664,522	$1,694,491	$18,970,031
		84.041	Special Federal Funds	$117,500		$117,500	$9,635	$107,865
Police Department	$4,960,637	16.523	Juvenile	$160,733		$160,733	$13,180	$147,553
		16.575	Crime	$1,499,837		$1,499,837	$122,987	$1,376,850
		16.738	Justice Assistance	$1,672,058		$1,672,058	$137,109	$1,534,949
		20.699	State & Community	$1,628,009		$1,628,009	$133,497	$1,494,512
Department of Public Works	$21,620,468	15.875	ESPD of Territories	$2,016,000	$2,016,000	$0	$0	$2,016,000
		20.205	Highway	$18,200,000		$18,200,000	$1,492,400	$16,707,600
		20.507	Urban	$981,306		$981,306	$80,467	$900,839
		20.521	Capital Assistance E&D	$423,162		$423,162	$34,699	$388,463
Department of Health	$17,867,057	10.557	Nutrition	$7,200,527		$7,200,527	$590,443	$6,610,084
		84.181	Special Education	$759,289		$759,289	$62,262	$697,027
		93.069	Healthcare Related	$1,086,970		$1,086,970	$89,132	$997,838
		93.217	Family Planning	$885,504		$885,504	$72,611	$812,893
		93.243	Substance Abuse	$792,000		$792,000	$64,944	$727,056
		93.268	Immunizations	$1,603,990		$1,603,990	$131,527	$1,472,463
		93.283	CDC Assistance	$728,841		$728,841	$59,765	$669,076
		93.889	Bioterrorism	$347,335		$347,335	$28,481	$318,854
		93.917	HIV Care	$1,917,035		$1,917,035	$157,197	$1,759,838
		93.999	Block Grants	$2,545,566		$2,545,566	$208,736	$2,336,830
Depart.of Human Services	$44,922,726	10.561	SNAP	$5,705,765	$5,705,765	$0	$0	$5,705,765
		16.576	Crime	$128,000		$128,000	$10,496	$117,504
		84.126	Disability, Rehab. & Living	$2,191,757		$2,191,757	$179,724	$2,012,033
		93.048	Medicare Patrol	$95,000		$95,000	$7,790	$87,210
		93.558	TANF	$3,554,000	$3,554,000	$0	$0	$3,554,000
		93.575	Child Care	$8,015,027		$8,015,027	$657,232	$7,357,795
		93.006	Head Start	$9,366,679		$9,366,679	$768,068	$8,598,611
		93.077	Medicare Prescription	$1,061,362		$1,061,362	$87,032	$974,330
		93.778	Medical Assistance	$14,530,000	$14,530,000	$0	$0	$14,530,000
		94.002	Foster/Grand	$275,136		$275,136	$22,561	$252,575
Depart. of Plan. & Nat. Res.	$11,340,415	11.407	Fisheries/Coast	$4,458,081		$4,458,081	$365,563	$4,092,518
		15.622	Historical Preservation	$597,347		$597,347	$48,982	$548,365
		66.454	Water Quality	$1,643,297		$1,643,297	$134,750	$1,508,547
		66.605	Performance Partnership	$3,520,381		$3,520,381	$288,671	$3,231,710
		66.804	Underground Storage	$270,855		$270,855	$22,210	$248,645
		66.817	Tribal	$100,000		$100,000	$8,200	$91,800
		97.012	Boat Safety	$750,454		$750,454	$61,537	$688,917
Department of Agriculture	$270,000	10.675	Forestry Assistance	$270,000		$270,000	$22,140	$247,860
	==========			==========	=========	==========	=========	==========
Total	$161,632,722			$161,632,722	$34,860,026	$126,772,696	$10,459,615	$151,173,107

Source: Annual Executive Budget, Fiscal Year 2013, Government of the U.S. Virgin Islands, Under Threat and OMB P.L.112-155