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Press Contact
Richard Motta
340-474-2399
www.vi.gov
richard.mottajr@go.vi.gov

# Spring Revenue Estimating Conference Reports Positive Outlook; USVI's GDP Outperforms Those of Mainland, Other Territories

*Among the highlights: Hotel revenues are up 75%; 1st Quarter 2022 visitors are almost double the same period in 2021; unemployment hits lowest level in years at 7.9%; refinery restart and Marriott's return expected to provide major additional boost to Government finances*

U.S. VIRGIN ISLANDS — Governor Albert Bryan Jr. on March 25 attended the Office of Management and Budget's (OMB) 2022 Spring Revenue Estimating Conference, which is mandated by law to be held twice a year for the Government of the Virgin Islands' (GVI) revenue-generating agencies to report their financial forecasts.

According to presentations from 21 revenue-generating GVI agencies, autonomous entities and, for the first time the Chambers of Commerce from both districts, the financial outlook for the U.S. Virgin Islands is stable and growing, with revenues on par with, or better than, pre-COVID levels.

Bolstering the projections for positive revenue increases, which are forecast to trend into Fiscal Years 2023 and 2024:

- The Territory's Gross Domestic Product (GDP) remains stronger than that of the U.S. Mainland in the aftermath of the pandemic.
- Tourism's strong rebound, with hotel revenues in the 1st Quarter of 2022 growing by 75% and the number of visitors almost doubling compared with the same period last year.
- Unemployment has dropped back to pre-COVID levels at 7.9%
- Dozens of upcoming private sector and GVI capital projects, including the reopening of the Marriott on St. Thomas and the restart of the Limetree Bay Refinery on St. Croix, are forecast to substantially boost revenues in FY 2023 and 2024.

Throughout the daylong conference, the Governor reiterated that the Territory's economy is stable and growing, and the biggest hurdle he faces is finding workers to fill the many jobs currently available and that will be created by the dozens of recovery projects already underway and that will be started throughout Fiscal Year 2022.

Governor Bryan opened the conference with brief remarks about the importance of hearing the revenue forecasts twice a year.

"It gives us a sneak preview of what's to come and it gives us an opportunity to do even better than what we see and hear today," the Governor said.

Governor Bryan also talked about the bleak financial outlook when he was Labor Commissioner in the DeJongh Administration and the transformative impact the Bryan-Roach Administration has had since the HOVENSA refinery closed and GVI employees were being laid-off while other government workers had to take an 8% pay cut to keep the GVI solvent.

"Now as Governor, when I see the tremendous amount of opportunities available," the Governor said. "We have so much possibility; the problem is we're running out of people to make those possibilities happen.

"Today, when you look at these projects and these opportunities, we have to figure out not only how to get them done, but how to surpass our goals and how to bring in and encourage people to help them to do this," Governor Bryan said. "Money is not the problem. The problem is having the people to effectuate and execute the work. We're all one big orchestra, and my job is to get to play beautiful music."

Bureau of Economic Research Director Allison DeGazon provided an overview of the economic outlook for the first three quarters of 2022 and said that the USVI economy not only survived the financial impact of the COVID-19 pandemic but is flourishing in its aftermath.

Among the high points of the BER economic outlook is:

- The most recent data for the USVI's Gross Domestic Product showed a decline of 2.2% in 2020 in the wake of the COVID pandemic, while the GDP of the U.S. overall dropped 3.5% and the U.S. Territories showed a decline of about 10-12%. "This Administration's policies and the management of the COVID pandemic steadied the Territory to ensure as little declination of the GDP as possible," she said.
- Comparing the 1st Quarter visitor arrivals for several years, in 2016 the Territory had 170,000 arrivals compared with 148,000 in 2020; 200,000 in 2021; and 388,000 in 2022 to date. "Overall, we continue to see an increase in travel to the islands, and with the further relaxation of the Covid restrictions, we can expect a strong resurgence of Tourism," Director DeGazon said.
- The number of direct airline carrier seats is growing after a sudden drop in 2020 due to the pandemic. In 2022, the number of direct flight seats are already above the previous three years during the first three months.
- Hotel guest registrations declined in 2020 because of the pandemic but showed strong growth in 2021 and that growth has continued into 2022. Hotel revenues are up 75%.
- Private residential building has increased because of an influx of Small Business Administration funding, various stimulus payments and the Bryan-Roach Administration's release of several years of back income tax refunds to residents. "As we see government projects increase and road construction continue throughout the Territory, we can expect to see a more significant increase," Director DeGazon said.
- Based on the first three months of 2022, the rate of inflation is expected to taper off to about 7% from its increase in 2020 and 2021 to 7.6%.
- Unemployment has fallen to 7.9% in December 2021, the lowest it has been since March 2020.

Other agencies gave more detailed outlooks specific to their projected revenue streams.

**Office of Disaster Recovery**

ODR Director Adrienne Williams-Octalien said her agency is projecting a total of about $8 billion in disaster recovery funds, which includes funding from federal sources such as the FEMA Public Assistance and Hazard Mitigation Grant Program, HUD Community Development Block Grant Disaster Recovery (CDBG-DR) and U.S. Department of Transportation's Federal Highway Emergency Relief Program. Additional funding is still expected as approvals for other major projects are pending.

"Right now, we have $8 billion that's anticipated and $6 billion of that has been allocated, and when we say allocated, it means it has been set aside for the Territory. And of that, $5 billion has been obligated; obligated means we have access to those funds, and of those funds, $2.6 billion has been expended," Director Williams-Octalien said.

The Director also said that over 200 projects are expected to be in the design and construction phases during FY23 and FY24, and the USVI will collect tax revenues from those projects based on contractors' Gross Receipts taxes. Recovery projects also impact other forms of revenue, such as licenses, permits, fees, housing and spend within the community and the economy.

**Tax Collection**

"The reality of what we are experiencing right now in the V.I. is we are busy. We are generating funds beyond what my very conservative nature would have predicted," Bureau of Internal Revenue (BIR) Director Joel Lee said to open his presentation, noting that the spring estimates are done before tax filings are complete for the current year.

Director Lee also said the Territory is getting out of the COVID "slumps" and he expects to see exponential growth in the actual revenues that are collected.

BIR is forecasting increases in tax collections across the board, including:

- 2021 actual individual and corporate income tax collections of about $512 million are projected to rise to about $565 million in FY2022 and to $622 million in FY2023.
- 2021 Gross Receipts Tax collections of about $242 million are projected to rise to about $266 million in FY2022 and to $292 million in FY2023.
- 2021 actual excise tax collections of about $20.1 million are projected to rise to about $40.6 million in FY2022 and to $45 million in FY2023.
- 2021 actual tax contributions to the General Fund of about $779 million are projected to rise to about $877 million in FY2022 and to $965 million in FY2023.
- 2021 actual special funds collections (road, fuel, hotel and other taxes and funds) of about $52 million are projected to rise to about $62 million in FY2022 and to $68 million in FY2023.

**Department of Tourism**

Tourism Commissioner Joe Boschulte proclaimed that the U.S. Virgin Islands is "dominating the Caribbean" Tourism industry and he thanked Governor Bryan and Health Commissioner Justa Encarnacion for their consistent management of the COVID virus locally.

"Without that courage to make some of the decisions that were made in June 2020, we would not be as fortunate as we are today," Commissioner Boschulte said. "Because we made these decisions to be open and be responsible, that's paying dividends today as we see in the numbers."

Among the highlights of Tourism's presentation:

- Air arrivals in 2021 – during the pandemic – were up 97% from 2020, and up 3.5% from 797,000 air arrivals in 2016, the second highest recorded years.
- Average weekly air capacity for Winter 2022 is 200+ flights (6,500+ seats) to St. Croix and 345+ flights (2,100+ seats) to St. Thomas.

- Incoming flights continue to remain full, with airlines reporting strong load factors above 80% to the Territory.
- In 2021, the Travel Screening Portal processed over 1.1 million submissions – 1,064,421 air travelers and 37,796 Marine travelers.
- There are 8,400+ existing accommodations in the Territory – 2,600+ traditional units; 900+ villas; and 4,700 Airbnb/VRBO-type units. Reopening of Marriott on St. Thomas is expected to add 478 more units later in 2022.)
- Average occupancy in the USVI in 2021 was 70% compared with 42% for the rest of the Caribbean, and the average daily rate in the USVI was double that of the rest of the Caribbean, which indicates that travelers are willing to spend more to stay in the USVI.
- Since cruises resumed in June 2021 and through December 2021, there have been 269 cruise calls to St. Thomas and 34 cruise calls to St. Croix, with a total of 122,035 cruise passengers visiting in 2021.
- Hotel tax collections have rebounded to $35 million in 2021, compared with $18 million in 2020 and $21 million in 2019.
- Tourism revenue is projects to grow 1.5% in 2022, 3.5% in 2023 and 6% in 2024, with projected revenue of $36 million in 2023 and $38 million in 2024.

**Property Tax**
For FY2023, the Office of the Tax Collector issued a forecast with a 5% projected increase in revenue from $58 million in FY2022 to $61 million.

The Office of the Tax Collector issued a similar projection with a 5% projected increase in revenue for FY20204 to $64 million.

**Other agencies**
Other agencies that presented at the 2022 Spring Revenue Estimating Conference were:
- Department of Public Works
- Virgin Islands Housing Finance Authority
- Department of Planning and Natural Resources
- Office of the Lieutenant Governor
- Department of Licensing and Consumer Affairs
- Bureau of Motor Vehicles
- Department of Property and Procurement
- Virgin Islands Police Department
- Department of Labor
- Virgin Islands Port Authority
- Virgin Islands Water and Power Authority
- Economic Development Authority
- University of the Virgin Islands
- UVI Research and Technology Park
- Virgin Islands Public Finance Authority
- St. Thomas-St. John Chamber of Commerce
- St. Croix Chamber of Commerce

Video of OMB's 2022 Spring Revenue Estimating Conference is available at the Government House Face book page (facebook.com/GovernmentHouseUSVI) and the OMB website (www.omb.vi.gov).

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