



THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

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

January 9, 2017

The Honorable Neville A. James
President
Thirty-First Legislature of the Virgin Islands
Capitol Building
Charlotte Amalie, St. Thomas
U.S. Virgin Islands 00804

Dear Mr. President:

I am pleased to submit herewith the proposed “Virgin Islands Revenue Enhancement and Economic Recovery Act of 2017” to implement certain essential provisions comprising a part of the Government’s Five-Year Financial Plan for Fiscal Years 2017-2022 (the “Plan”) previously provided to the Legislature on September 21, 2016.

As you are aware, my Financial Team worked for months to develop the Plan after discussions with the financial rating agencies. This plan is designed to identify concrete proposals to close the gap in the continuing structural deficits, to curtail continuous borrowing to meet operating expenditures, and to enhance our ability to pay income tax refunds timely. To achieve these objectives, the Plan initiatives are designed to implement new revenue streams targeting specific non-essential commodities and areas of the economy that can contribute more without increasing the cost of living, of food, of medicine, of clothing and of the essential components of raising a family or operating a business. If fully implemented, the proposed revenue-generating initiatives and cost-saving measures outlined in the Plan are projected to bring us closer to eliminating the Government’s annual operating deficits, and will enhance economic growth, leading to annual operating surpluses by Fiscal Year 2021.

Since I assumed office in January 2015, I have made economic and fiscal reform the highest priority of my administration. We have already implemented a number of measures to enhance revenue collection and reduce Government operating costs. We have hired additional examiners at the Bureau of Internal Revenue to enhance income and excise tax collections. The tax on cigarettes was increased from 35% to 45%, or \$1.40 per carton. The basis of real property taxes

was changed to the current year (rather than the prior year) assessed valuations and the hotel occupancy tax was increased from 10% to 12.5%. In addition, we have identified several thousand Air Bed & Breakfast accommodations for our visitors and have worked to collect the hotel occupancy tax on these units. As you may know, the U.S. Bureau of Economic Analysis recently reported that the Virgin Islands economy grew in 2015 and entered positive growth for the first time in five (5) years; and that government spending dropped from \$910 million in 2014 to \$882 million in 2015.

Clearly, many of our actions to date have moved us forward toward our goal of reducing our structural deficit, but these initiatives alone cannot take us where we need to be. Despite these measures, earlier this year all three of the national rating agencies—S&P Global Ratings (“S&P”), Moody’s Rating Service and Fitch Investors Inc.—downgraded the Government’s Matching Fund Reserve Bonds and Gross Receipts Taxes Bonds’ credit ratings from investment grade ratings to non-investment grade ratings, impairing our ability to access the capital markets at good rates. For example, the S&P rating agency’s report (the “S&P Report”) concluded that, in the absence of any additional corrective measures, the Virgin Islands would have an annual structural imbalance of approximately \$130 million, or 13% of the fiscal 2017 budget. That shortfall does not include the amount necessary to fully fund its actuarially determined contribution to its pension system, which is only 19.6% funded. The “negative outlook” issued by S&P, “reflects [S&P’s] view that . . . the USVI’s continued fiscal challenges are likely to result in significant additional deficit financing. **We anticipate potential further deterioration in credit quality if the USVI does not take definitive action to address its current fiscal position . . .**” (*Emphasis added*).

On the other hand, the S&P Report also noted that “[a] return to stability would necessitate demonstrated improvement in the USVI’s fiscal performance and position so as to diminish its reliance on matching fund loan revenues to fund operating deficits. [This] would likely require a long-term financial plan that credibly stabilizes the USVI’s finances and provides a path to structural balance . . .”.

To that end, I am proposing the Virgin Islands Revenue Enhancement and Economic Recovery Act of 2017. My proposal is structured to address the financial challenges facing the Government and ultimately, the Territory. It is important to emphasize that the new revenues we are seeking are not from the usual source—the business community or the backs of the working people and retirees of the Virgin Islands. Rather, we are seeking these new revenues from external sources who we are now asking to make a reasonable contribution to the upkeep of our infrastructure and the preservation of our pristine environment, which they enjoy. Simply put, this bill seeks a reasonable contribution from visitors to our shores and a slight burden on our business community to collect these revenues.

The Virgin Islands Enhancement and
Economic Recovery Act of 2017

The Act consists of revenue-enhancing amendments to the Virgin Islands Code to implement a part of the initiatives set forth in Government's Five-Year Financial Plan towards attaining fiscal stability and economic growth. The revenue enhancing measures include two key areas: excise taxes on tobacco products, alcohol beverages and on sugar carbonated beverages, and the establishment of a new timeshare fee. The specific nature of each set of amendments is summarized below.

Further, in light of the recent decision of the United States Court of Appeals of the Third Circuit in connection with the VIESA Case, Section 4 of the Act enacts new revenue measures with regard to timeshares. Although the Virgin Islands Code establishes a timeshare occupancy tax of 10.5%, going forward, the Bureau of Internal Revenue ("BIR") will assess on and collect from timeshare owners the existing hotel room occupancy tax of 12.5%. Accordingly, Section 4 of the Act deletes the timeshare occupancy tax. In addition, the Act establishes a new timeshare fee, the Environmental/Infrastructure Impact Fee, in the amount of \$30.00 per day of occupancy of any timeshare in the Virgin Islands. The Act also authorizes revenues generated from the Environmental/Infrastructure Impact Fee to be allocated as follows: (i) 15% to the Virgin Islands Tourism Advertising Revolving Fund and (ii) 85% to a newly established VIESA Contingency Reserve Account.

Section 5 of the Act (i) establishes the VIESA Contingency Reserve Account to be funded solely from 85% of the collections of the Environmental/Infrastructure Impact Fee for the payment of the contingent liability of the Government resulting from the negotiated settlement by and among the Government of the Virgin Islands, Virgin Islands collective bargaining units, non-unionized Government employees and the United States District Court, and (ii) authorizes the appropriation of amounts on deposit in such VIESA Contingency Reserve Account to satisfy the Government's obligations to Government workers for salary losses in accordance with any such final settlement in connection with the VIESA Case.

I. Excise Taxes

Section 3 of the bill provides for the implementation of certain of the planned revenue initiatives outlined in the Government's Plan previously submitted to the Legislature. Section 3 significantly amends Title 33, Chapter 3, Section 42, which establishes the rates and base for certain excise taxes on imported goods. As currently in effect, the statute imposes very low tax rates on most liquor and tobacco products. Imported beers, for example, are taxed at a rate of \$2.08 (for foreign beers) or \$1.55 (for U.S. beers) per case or each twenty-four (24) bottles. Whiskies and other liquors are generally taxed at a rate of just \$6.00 per case.

The proposed increases in the excise tax rates on liquor and tobacco products will provide the dual benefits of both increasing revenue and supporting public health. Products on which we will apply the new excise tax rates will include:

- Foreign and U.S. beers, from \$2.08 and \$1.55 per case, respectively, to \$14.08 and \$11.55;
- Cigarettes, from 45% to 45% *plus* \$15 per carton;
- Carbonated beverages, from 3% plus \$0.36 per case to 3% plus \$0.36 per case *plus* \$0.01 per fluid ounce (except those in reusable canisters, which will now be taxed at 4%);
- For most spirits and liqueurs, from \$6.00 per case (or \$2.50 per wine gallon, if greater) to 10% of value; and
- For wines and brandies, from \$2.04 per case (or \$0.85 per wine gallon, if greater) to 10% of value.

Cumulatively, the proposed excise tax rate increases, are projected to generate approximately \$27 million in new revenues annually. The effective date of such amendments shall be upon enactment.

II. Timeshare Fees

Section 4 of the bill deletes the timeshare occupancy room tax. Under the current version of Title 33, chapter 3, section 54(b), hotel guests pay the room tax at a rate of 12.5%. If a time share unit is rented for a period of less than 90 days, the BIR assesses and collects the 12.5% hotel occupancy tax for each day of stay. It must be noted that no revenue has been collected under the provision of the timeshare tax, as there had been no base evaluation on which to effect the tax. Hence, by deleting the timeshare occupancy tax at the rate of 10.5% from the statutes, the loss of revenue to the Territory is zero.

Section 4 subsection 4(e) creates a new timeshare fee, the Environmental/Infrastructure Impact Fee, which shall apply to all timeshare units in the Virgin Islands. There are thousands of timeshare units in the Territory, owned and utilized by over 100,000 persons per year at a reported rate of 70% occupancy of time share units currently existing in the Territory. Under current law, there is no financial mechanism, save a real property assessment, for recouping the costs to the Territory of the infrastructure necessary to support the presence of so many welcomed visitors and timeshare owners.

The bill provides the required source for payment of such costs by imposing an "Environmental/Infrastructure Impact Fee" of \$30 on each timeshare unit for each day of occupancy. Assuming an average of 300 days of occupancy per year, the fee is projected to generate approximately \$10,500 of new revenues annually for every timeshare apartment unit, not

per owner. At approximately 2176 occupied units, the estimated revenue from this fee is estimated at \$23 million. Fifteen percent (15%) of this revenue will be allocated to the Virgin Islands Tourism Advertising Revolving Fund for the express purpose of partnering with the timeshare industry to promote timeshare or vacation club sales in the U.S. Virgin Islands. The remaining eighty-five percent (85%) of the Environmental/Infrastructure Impact Fee revenues shall be deposited to the VIESA Contingent Liability Reserve Account to fund the final negotiated settlement of the VIESA Case. Any remaining funds in the Account after satisfaction of a negotiated settlement, and any new revenue deposited in the Account subsequent to such satisfaction, shall be then deposited into the General Fund.

III. Appropriations

The Virgin Islands Revenue Enhancement and Economic Recovery Act is estimated to generate, if promptly enacted by the Legislature, approximately \$250 million over the next five fiscal years as part of the Plan. The bill also provides a source of funding for the Government's contingent liability under the VIESA Case. The amounts collected and deposited into the VIESA Contingency Reserve Account as available, are hereby appropriated for payment, solely out of such new revenues generated from eighty-five (85%) of the new Environmental and Infrastructure Impact Fee revenues provided for in the bill, to satisfy the Government's contingent obligation to such Government workers, both unionized and non-unionized, who had their salaries cut 8%, in accordance with the negotiated settlement related to the VIESA Case.

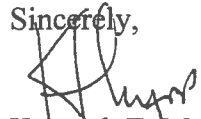
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The Virgin Islands Revenue Enhancement and Economic Recovery Act of 2017 is a measured, but necessary installment in the implementation of the Government's Five-Year Financial Plan to address its structural operating deficits and to restore the Territory to economic growth and fiscal stability. Importantly, the new revenues generated by the Environmental/Infrastructure Impact Fee will address the contingent obligations resulting from the negotiated settlement related to the U.S. Court of Appeals for the Third Circuit in the VIESA Case, which I have directed the Attorney General not to appeal. Additionally, it will restore lost wages to our hard-working Government employees, whether in or out of government, and help generate financial stability without impacting the revenue initiatives included in the Plan. These measures will provide confidence in the Government's commitment to fiscal stability and therefore ensure that the Government will have continued access to the capital markets at reasonable rates for its essential infrastructure and capital project purposes.

The timing and urgent need for action on this legislation have intensified as a result of the loss of our investment grade credit ratings following the unprecedented downgrades by all three national rating agencies. If not addressed now, it will have a material negative impact on the Government's financial condition and the well-being of all residents of the Territory. As you may recall, when we presented an overview of the five year plan to the Senate a few months ago, we indicated that we needed to asses these new initiatives beginning January 1, 2017.

Members of my financial team will be available to provide detailed testimony and answer any of your questions. I urge your attentive consideration of this legislation which is vital to the economic well-being and fiscal future of the U.S. Virgin Islands.

Sincerely,



Kenneth E. Mapp
Governor
Enclosure

BILL NO. 32- _____

**THIRTY-SECOND LEGISLATURE OF THE VIRGIN ISLANDS
OF THE UNITED STATES OF AMERICA**

SPECIAL SESSION

2017

An Act to enhance revenues for the Territory of the United States Virgin Islands as a part of the implementation of initiatives set forth in the Government's Five-Year Financial Plan (defined herein) towards attaining fiscal stability and economic growth, and for other purposes, including the establishment of a new timeshare fee and the creation of the VIREERA Contingent Reserve Account (defined herein), all through enactment of "The Virgin Islands Revenue Enhancement and Economic Recovery Act of 2017".

PROPOSED BY THE GOVERNOR

Now, Therefore, Be It Enacted By The Legislature Of The Virgin Islands:

SECTION 1. SHORT TITLE:

This Act may be cited as "The Virgin Islands Revenue Enhancement and Economic Recovery Act of 2017".

SECTION 2. TABLE OF CONTENTS:

The Table of Contents of this Act is as follows:

Title I: Amendment Relating to Excise Taxes on Certain Products

Title II: Deletion of Timeshare Room Tax; Establishment of an
Environmental/Infrastructure Impact Fee for Timeshares

Title III: Appropriations

SECTION 3. TITLE I: Amendment Relating to Excise Taxes on Certain Products

Sect. 1. Title 33, Virgin Islands Code, subtitle 1, chapter 3, section 42, subsection

(a)(I) is deleted in its entirety and the following language is inserted as follows:

- "I. (1) Beers of foreign manufacturers of 24 12 ounce containers, or the equivalent
 \$14.08
- (2) Beers manufactured in the United States of 24-12 ounce containers, or the equivalent
 \$11.55
- (3) Beers of foreign manufacturers, per reusable keg of 1382.4 ounces,
 or the equivalent \$7.98
- (4) Beers manufactured in the United States, per reusable keg of 1382.4
 ounces, or the equivalent \$5.44
- (5) Carbonated drinks in reusable canisters 4%
- (6) Self-propelled vehicles (excluding motor vehicles requiring licensing
 for highway use) and apparatuses (excluding airplanes), boats, firearms,
 ammunition and bicycles 10%
- (7) All boats, including launches, with or without auxiliary engines or
 outboard engines 3%
- (8) Marine engines (excluding outboard motors) 3%"

Sect. 2. Title 33, Virgin Islands Code, subtitle 1, chapter 3, section 42, subsection
 (a) is amended in Schedule II(2) as follows:

After "45%" insert "plus \$15.00 per carton"

Sect. 3 Title 33, Virgin Islands Code, subtitle 1, chapter 3, section 42, subsection
 (a) VIII is deleted in its entirety and amended by renumbering it as subsection (a) "VII"
 and inserts the following language to read as follows:

"VII. Carbonated Drinks (a)
 3% plus \$0.36 per case of 24 12 ounce containers, or the equivalent;

(b) plus \$.01 cent per fluid ounce added to the value of subsection (a)VII.”

Sect. 4 Title 33, Virgin Islands Code, subtitle 1, chapter 3, section 42, subsection (a) is amended by adding a subsection (VIII) to read as follows:

“(VIII) Spirits, Cruzan Rum and Tafia, Diageo Brands, Irish and Scotch Whiskies, Whiskies other than Scotch Whiskies, including Bourbon and Rye, Liqueurs and Cordials, vodka, tequila, vermouth and other wine and fresh grape beverages flavored with plants or aromatic substances, Acquavit, Bitters, Brandy and Cognac, Gin and Geneve, Kirschwasser and Ratafia, Wines, Rums, Scotch, and similar items commonly known as or referred to as distilled spirits.10%”

Sect. 5 Title 33, Virgin Islands Code, subtitle 1, chapter 3, section 42, subsection (a)(II)(1) is deleted in its entirety and remaining sections are renumbered accordingly.

Sect. 6 Title 33, Virgin Islands Code, subtitle 1, chapter 3, section 42, subsection (a) VII delete the following language:

“VII. Rums \$4.70 per case or \$1.96 per wine gallon, whichever is greater.”

Sect. 7 Title 33, Virgin Islands Code, subtitle 1, chapter 3, section 42, subsection (e)(10) is deleted in its entirety.

Sect. 8. All amendments included in this Section 3 shall be effective immediately upon enactment.

SECTION 4. Title II: Deletion of Timeshare Room Tax; Establishment of an Environmental/Infrastructure Impact Fee for Timeshares

Sect.1 Title 33, Virgin Islands Code, chapter 3, section 54(b)(2) is deleted in its entirety.

Sect.2 Title 33, Virgin Islands Code, chapter 3, section 54(b) is amended to add new subsections (2) and (3) to read as follows:

“(2) There is established a fee applicable to timeshares, and such fee shall be known as the “Environmental/Infrastructure Impact Fee”. For purposes of this section, the term “Environmental/Infrastructure Impact Fee” means the new occupancy/lodging fee that is levied on timeshare owners/users by the Virgin Islands Government per night of occupancy described in subsection (3) below.

(3) The Environmental/Infrastructure Impact Fee shall be assessed, collected, managed, and dispersed in the following manner:

- a) Each timeshare unit shall be assessed an Environmental/Infrastructure Impact Fee of \$30.00 per day of occupancy.
- b) The timeshare plan manager shall be responsible for collecting the Environmental/Infrastructure Fee, filing the tax returns and paying the fee, plus any applicable interest or penalties, as required under Title 33, Virgin Islands Code, chapter 3, section 54(b), to the V.I. Bureau of Internal Revenue. The timeshare association shall be responsible for any and all assessments or liens.
- c) The timeshare plan manager shall prepare and maintain the Environmental/Infrastructure Fee worksheet and shall produce it upon request by the V.I. Bureau of Internal Revenue or the Internal Revenue Service.
- d) Fifteen percent (15%) of the Environmental/Infrastructure Impact Fee revenue collected pursuant to this section shall be allocated to the V.I. Tourism Advertising Revolving Fund.
- e) Eighty-five percent (85%) of the Environmental/Infrastructure Impact Fee revenue collected pursuant to this section shall be deposited to a contingency reserve account established under Section 5 below (the “VIESA Contingency Reserve Account”) pursuant to Section 5 of this Act until such contingent obligation described therein is satisfied. Any funds remaining in the Account after satisfaction of such contingent obligation, and any new revenue collected from the Environmental/Infrastructure Impact Fee pursuant to this Section 54(b)(3)(e) (i.e., the portion of such revenues not allocated to the V.I. Tourism Advertising Revolving Fund) subsequent to satisfaction of such obligation, shall be deposited into the General Fund.

Sect. 3. All amendments included in this Section 4 shall be effective immediately upon enactment.

SECTION 5. Title III: Appropriations

Sect. 1 There is hereby established the VIESA Contingency Reserve Account for the purpose of funding a negotiated settlement by and among the Government of the Virgin Islands, the collective bargaining units of the Virgin Islands, including, but not limited to, the United States Paper and Forestry Rubber Manufacturing Allied Industrial and Service Workers International Union AFL-CIO-CLC, non-unionized Government employees and the United States District Court of the Third Circuit, all in connection with United States Court of Appeals for the Third Circuit, in the matter of *United Steel Paper and Forestry Rubber Manufacturing Allied Industrial and Service Workers International Union AFL-CIO-CLC v. Government of the Virgin Islands; Governor of the Virgin Islands; Angel Dawson, Finance Commissioner; Debra Gottlieb, Director of Management and Budget, App. No. 14-4357*; and *St. Croix Federation AFT Local 1826; Rosa Soto-Thomas v. Governor of the Virgin Islands; V.I. Commissioner of Finance Angel Dawson, Jr.; Director of VIOMB Debra Gottlieb; 29th Legislature of the Virgin Islands; Virgin Islands Department of Education; Government of the Virgin Islands, App. No. 14-4358* (the “VIESA Case”) in a principal amount not to exceed the final negotiated settlement amount. Further, amounts on deposit in the VIESA Contingency Reserve Account are hereby appropriated as such amounts are collected and deposited therein, for payment of such negotiated settlement.

Sect. 2 Pursuant to Title I herein, all new revenue earned pursuant to the increases in excises taxes described herein, shall be deposited to the General Fund and revenue earned under Title II herein, shall be used to pay the obligations authorized in subsection 1 immediately above, except as may otherwise be provided by the Director of the Office of Management and Budget acting in its sound discretion. Further, the Government of the Virgin Islands shall satisfy the

contingent liability in connection with settlement of the VIESA Case solely from amounts, including interest earned thereon, deposited in the VIESA Contingent Liability Reserve Account.

BILL SUMMARY

The Act consists of revenue-enhancing amendments to the Virgin Islands Code to implement a part of the initiatives set forth in Government's Five-Year Financial Plan towards attaining fiscal stability and economic growth. The revenue enhancing measures include two key areas: excise taxes on tobacco products, alcohol beverages and on sugar carbonated beverages, and the establishment of a new timeshare fee. The specific nature of each set of amendments is summarized below.

Further, in light of the recent decision of the United States Court of Appeals of the Third Circuit in connection with the VIESA Case, Section 4 of the Act enacts new revenue measures with regard to timeshares. Although the Virgin Islands Code establishes a timeshare occupancy tax of 10.5%, going forward, the Bureau of Internal Revenue ("BIR") will assess on and collect from timeshare owners the existing hotel room occupancy tax of 12.5%. Accordingly, Section 4 of the Act deletes the timeshare occupancy tax. In addition, the Act establishes a new timeshare fee, the Environmental/Infrastructure Impact Fee, in the amount of \$30.00 per day of occupancy of any timeshare in the Virgin Islands. The Act also authorizes revenues generated from the Environmental/Infrastructure Impact Fee to be allocated as follows: (i) 15% to the Virgin Islands Tourism Advertising Revolving Fund and (ii) 85% to a newly established VIESA Contingency Reserve Account.

Section 5 of the Act (i) establishes the VIESA Contingency Reserve Account to be funded solely from 85% of the collections of the Environmental/Infrastructure Impact Fee for the payment of the contingent liability of the Government resulting from the negotiated settlement by and among the Government of the Virgin Islands, Virgin Islands collective bargaining units, non-unionized Government employees and the United States District Court, and (ii) authorizes the appropriation of amounts on deposit in such VIESA Contingency Reserve Account to satisfy the Government's obligations to Government workers for salary losses in accordance with any such final settlement in connection with the VIESA Case.

I. Excise Taxes

Section 3 of the bill provides for the implementation of certain of the planned revenue initiatives outlined in the Government's Plan previously submitted to the Legislature. Section 3 significantly amends Title 33, Chapter 3, Section 42, which establishes the rates and base for certain excise taxes on imported goods. As currently in effect, the statute imposes very low tax rates on most liquor and tobacco products. Imported beers, for example, are taxed at a rate of \$2.08 (for foreign beers) or \$1.55 (for U.S. beers) per case or each twenty-four (24) bottles. Whiskies and other liquors are generally taxed at a rate of just \$6.00 per case.

The proposed increases in the excise tax rates on liquor and tobacco products will provide the dual benefits of both increasing revenue and supporting public health. Products on which we will apply the new excise tax rates will include:

- Foreign and U.S. beers, from \$2.08 and \$1.55 per case, respectively, to \$14.08 and \$11.55;
- Cigarettes, from 45% to 45% *plus* \$15 per carton;
- Carbonated beverages, from 3% plus \$0.36 per case to 3% plus \$0.36 per case *plus* \$0.01 per fluid ounce (except those in reusable canisters, which will now be taxed at 4%);
- For most spirits and liqueurs, from \$6.00 per case (or \$2.50 per wine gallon, if greater) to 10% of value; and
- For wines and brandies, from \$2.04 per case (or \$0.85 per wine gallon, if greater) to 10% of value.

Cumulatively, the proposed excise tax rate increases, are projected to generate approximately \$27 million in new revenues annually. Such amendments shall take effect immediately upon enactment.

II. Timeshare Fees

Section 4 of the bill deletes the timeshare occupancy room tax. Under the current version of Title 33, chapter 3, section 54(b), hotel guests pay the room tax at a rate of 12.5%. If a time share unit is rented for a period of less than 90 days, the BIR assesses and collects the 12.5% hotel occupancy tax for each day of stay. It must be noted that no revenue has been collected under the provision of the timeshare tax, as there had been no base evaluation on which to effect the tax. Hence, by deleting the timeshare occupancy tax at the rate of 10.5% from the statutes, the loss of revenue to the Territory is zero.

Section 4 subsection 4(e) creates a new timeshare fee, the Environmental/Infrastructure Impact Fee, which shall apply to all timeshare units in the Virgin Islands. There are thousands of timeshare units in the Territory, owned and utilized by over 100,000 persons per year at a reported rate of 70% occupancy of time share units currently existing in the Territory. Under current law, there is no financial mechanism, save a real property assessment, for recouping the costs to the Territory of the infrastructure necessary to support the presence of so many welcomed visitors and timeshare owners.

The bill provides the required source for payment of such costs by imposing an “Environmental/Infrastructure Impact Fee” of \$30 on each timeshare unit for each day of occupancy. Assuming an average of 300 days of occupancy per year, the fee is projected to generate approximately \$10,500 of new revenues annually for every timeshare apartment unit, not

per owner. At approximately 2176 occupied units, the estimated revenue from this fee is estimated at \$23 million annually. Fifteen percent (15%) of this revenue will be allocated to the Virgin Islands Tourism Advertising Revolving Fund for the express purpose of partnering with the timeshare industry to promote timeshare or vacation club sales in the U.S. Virgin Islands. The remaining eighty-five percent (85%) of the Environmental/Infrastructure Impact Fee revenues shall be deposited to the VIESA Contingent Liability Reserve Account to fund the final negotiated settlement of the VIESA Case. Any remaining funds in the Account after satisfaction of a negotiated settlement, and any new revenue collected from the Environmental/Infrastructure Impact Fee pursuant to Section 54(b)(3)(e) (i.e., the portion of such revenues not allocated to the V.I. Tourism Advertising Revolving Fund) subsequent to satisfaction of such obligation, shall be deposited into the General Fund. The effective date of the timeshare amendments shall be upon enactment.

III. Appropriations

The Virgin Islands Revenue Enhancement and Economic Recovery Act is estimated to generate, if promptly enacted by the Legislature, approximately \$250 million over the next five fiscal years as part of the Plan. The bill also provides a source of funding for the Government's contingent liability under the VIESA Case. The amounts collected and deposited into the VIESA Contingency Reserve Account as available, are hereby appropriated for payment, solely out of such new revenues generated from eighty-five percent (85%) of the new Environmental and Infrastructure Impact Fee revenues provided for in the bill, to satisfy the Government's contingent obligation to such Government workers, both unionized and non-unionized, who had their salaries cut 8%, in accordance with the negotiated settlement related to the VIESA Case.