

U.S. VIRGIN ISLANDS
OFFICE OF MANAGEMENT & BUDGET



FISCAL YEAR 2021

1st QUARTER REVENUE & EXPENDITURE REPORT

UNITED STATES VIRGIN ISLANDS

FISCAL YEAR 2021
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December 31, 2020

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Content and Purpose

This quarterly report contains an overview of the Territory's actual collection of General Fund revenues and expenditures for the first quarter of FY 2021, as compared to FY 2020. This report will highlight any notable trends. This report will give some initial insights into the impact of the economic consequences imposed by the COVID-19 pandemic.

The purpose of this quarterly public report on the Territory's revenues is twofold. Firstly, it ensures that the Territory is consistently monitoring its revenues and expenditures to allow for proactive responses to unanticipated changes or emerging trends. Secondly, these reports lend credibility to the Government's efforts at increasing transparency of the Territory's finances. It is the Office of Management and Budget's (OMB) belief that the government is accountable to its taxpayers to use revenues collected in an efficient and effective manner. These reports provide taxpayers with the information they need to hold the government to this standard.

The COVID-19 Pandemic has created a new norm for the territory, the pace of collections for the first quarter are at a decline. The Territory has seen a decrease in collections for three out of the five General Fund Categories compared to the same period in FY 2020. This first quarter report will focus entirely on the performance of the major revenue and expenditure categories for the General Fund. For all other major funds, a listing of the fund balance and legislative authority establishing those funds can be found in the Budget Book published on OMB's website. Subsequent iteration of the report will endeavor to include analysis of collections beyond the General Fund and a comparable exploration of the Territory's expenditures from said funds.

Timeframe and Limitations

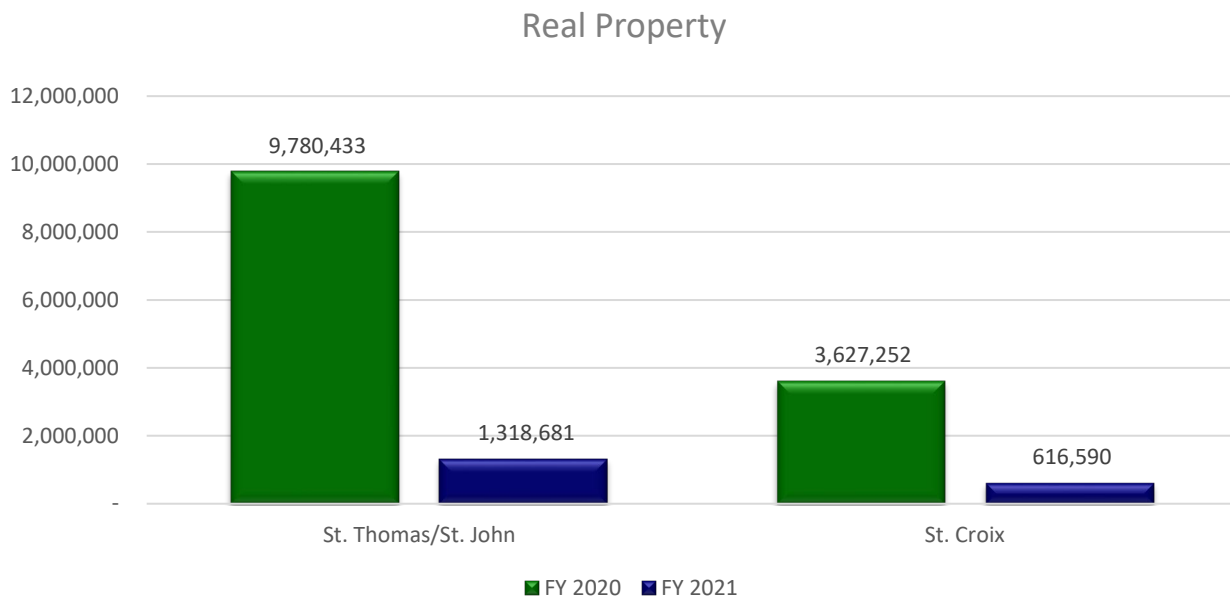
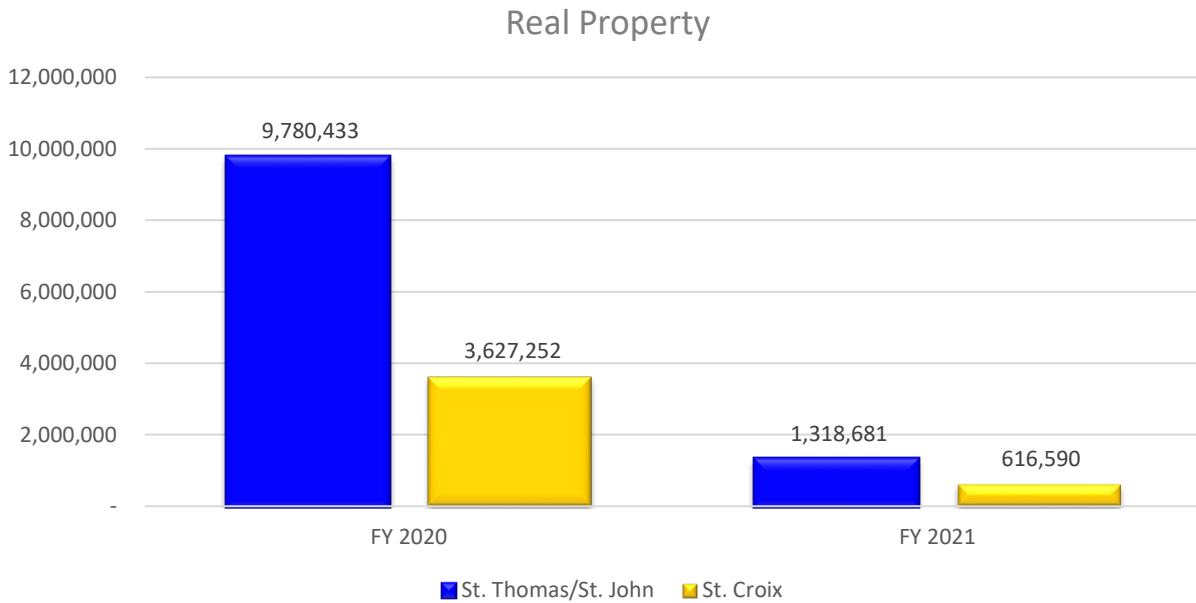
The information provided in this report are the most accurate available as of the date of composition. Furthermore, the report does not purport to be audited financial statements and as such, the numbers are preliminary and subject to change. The information provided here are not final. For final numbers, please refer to the Financial Audit Report from the Department of Finance.

Summary of major revenue categories of General Fund

The major revenue categories explored here are Real Property, Individual Income, Corporate Income, Excise Tax and Gross Receipts. These revenue streams have historically been the most significant contributors to the General Fund. Revenues outside operating income is considered to the extent they provide a complete picture of the Territory's General Fund collections; specifically, the transfers to the General Fund.

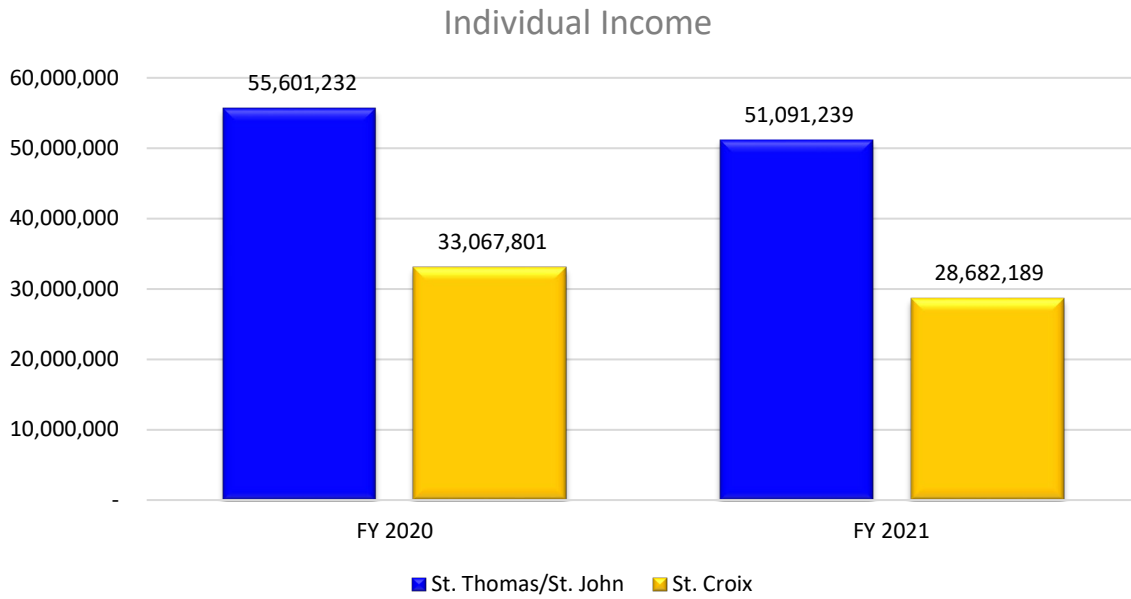
REAL PROPERTY

Compared to FY 2020, Real Property Tax collections in first quarter FY 2021 decreased 86%. Collections are down in both districts; STT/STJ saw a decrease of 87% and STX a decrease of 83% when compared to FY 2020. In an effort to bolster collections, Lt. Governor Roach ordered to waive all interest and penalties on real property tax until June 30, 2021 in the 4th quarter of FY 2020, however, we anticipate a continued negative impact on collections over the next two quarters.



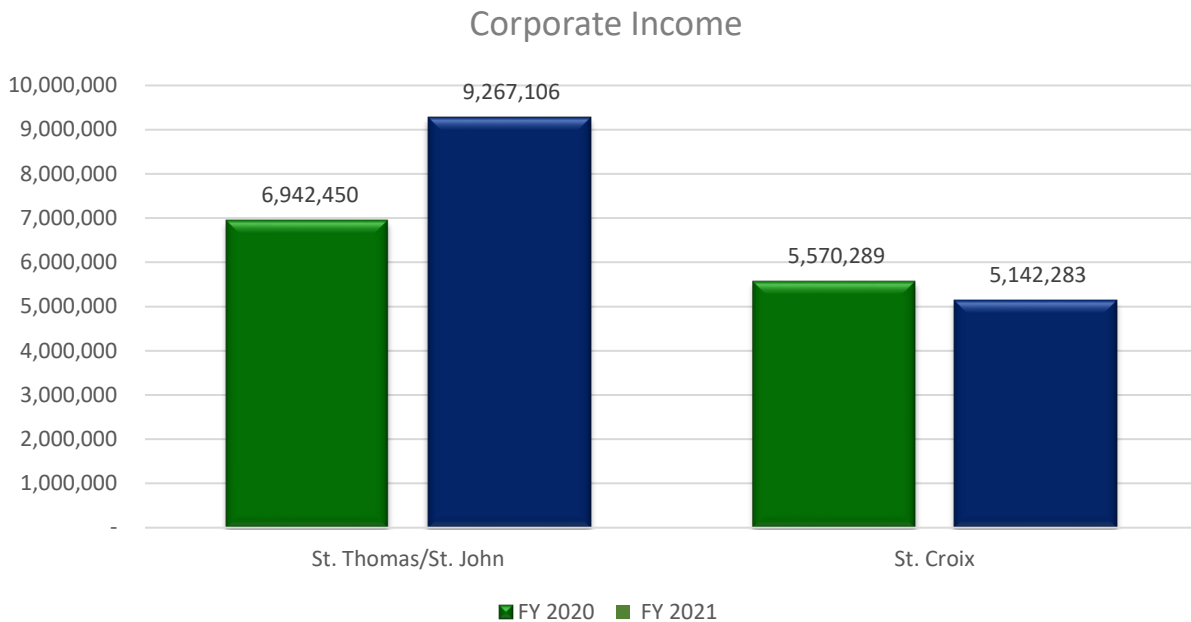
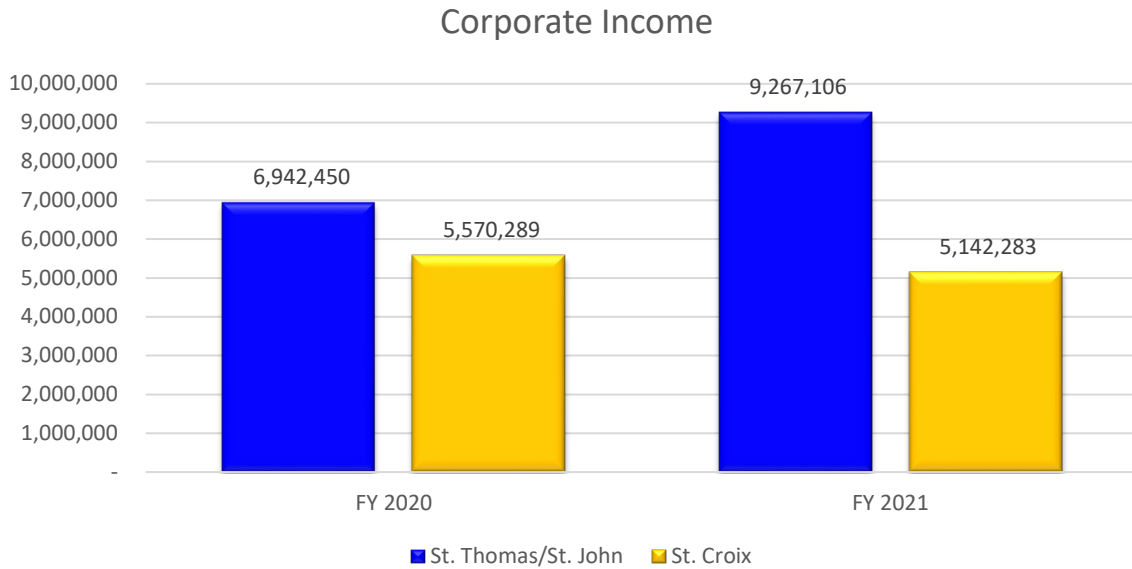
INDIVIDUAL INCOME

Individual Income collections decreased 10% in first quarter FY 2021 compared to first quarter FY 2020. For the first quarter, both districts decreased in collection compared to FY 2020. STT/STJ decreased by 8% and STX decreased by 13%. With the continued decrease in unemployment and recovery projects coming online, there is a reasonable expectation that Individual Income collections will increase.



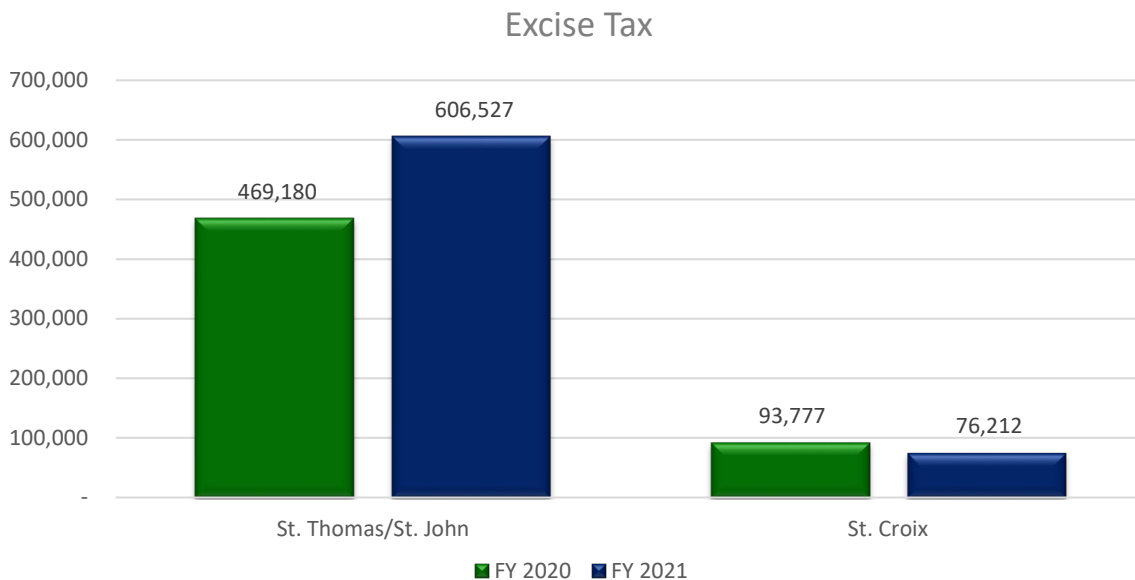
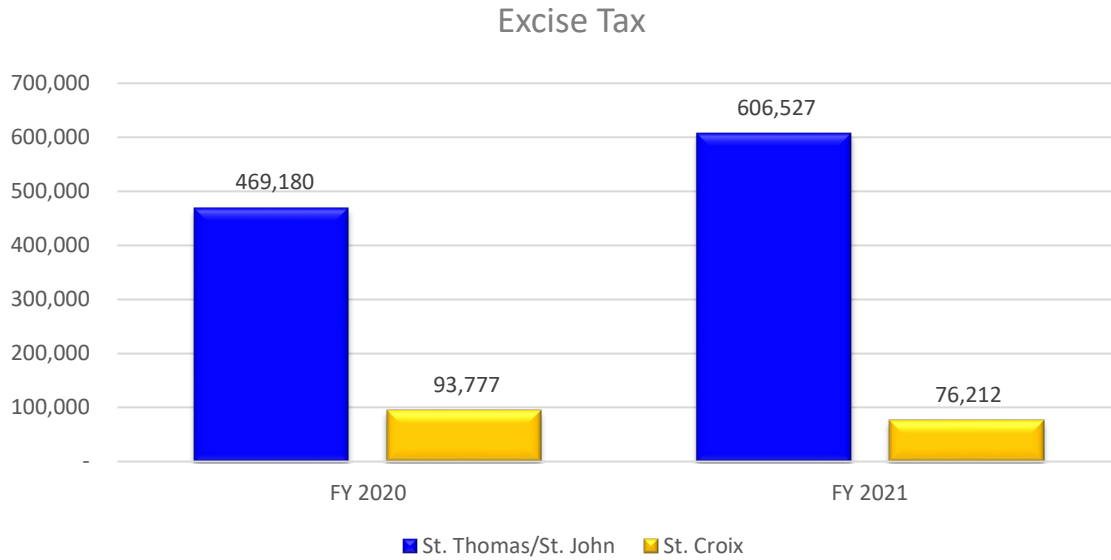
CORPORATE INCOME

The first quarter performance for Corporate Income has increased by 15% compared to FY 2020. The STT/STJ District saw a 33% increase in first quarter collections in FY 2021 compared to first quarter FY 2020. On the other hand, the St. Croix District experienced a slight decrease of 8%.



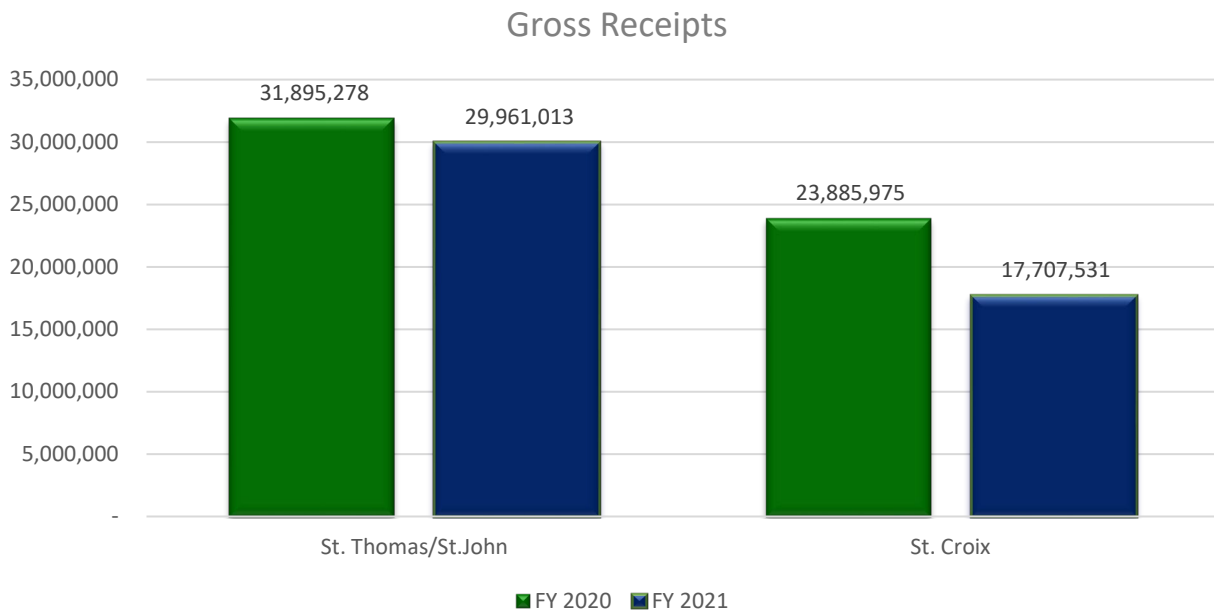
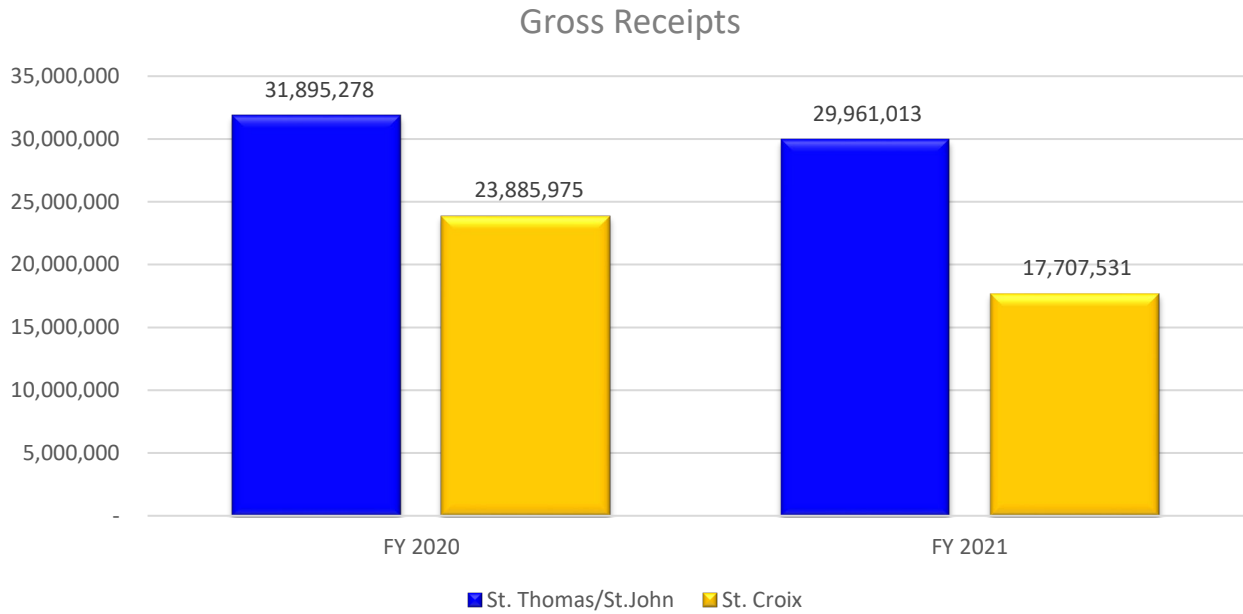
TRADE AND EXCISE

Mandated collections of Trade and Excise Tax continues to be halted. STT/STJ District saw collections increase by 29% and STX District a decrease of 19% compared to FY 2020. First quarter FY 2021 reveals an overall 21% increase compared to FY 2020. According to Director Lee from the Bureau of Internal Revenue, approximately \$90.7 million has been lost since the halt was imposed by the courts.



GROSS RECEIPTS

The first quarter collections for Gross Receipts Tax (GRT) in FY 2021 decreased by 15% as compared to FY 2020. There was a reduction in collections for both districts. The STT/STJ district decreased 6% and STX district by 26%. With the increase of non-residential construction on both islands, there is anticipation that gross receipt collections will increase over the next quarter or two.



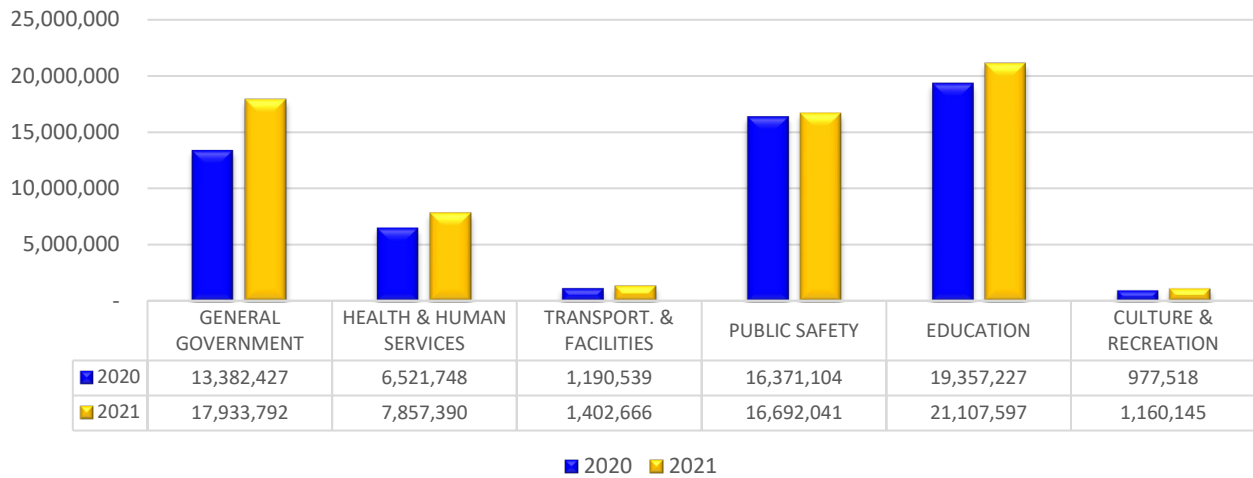
EXPENDITURES

As with previous iterations of this report, the expenditures presented in this report reflect amounts appropriated for General Fund. This report examines the Lapsing portion of the General Fund. In subsequent reports, efforts will be made to include the Non-Lapsing element of the General Fund. The expenditures are analyzed by budget category based on the applicable function of government. While inferences can be made regarding the trajectory of expenditures based on the data presented, expenditures are cyclical and therefore fluctuate. Also, while salaries are a bit more predictable and therefore more suitable to determine effects, caution is still advised given the preliminary nature of the data.

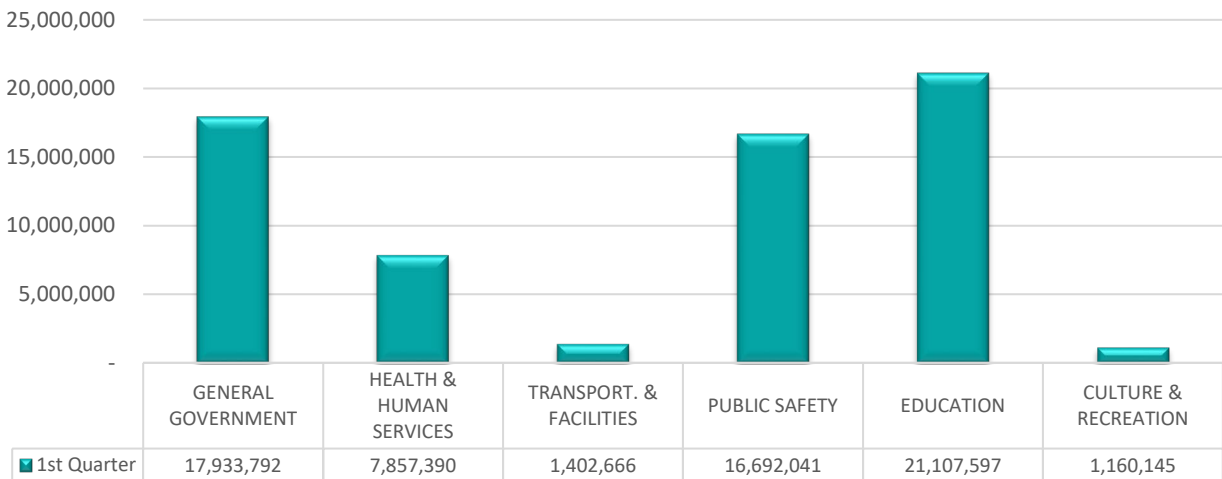
SALARIES

Actual salaries across all function of government increased 14.45% for first quarter FY 2021 as compared to first quarter FY 2020. The most significant increase of 34.01% occurred in General Government. Another notable increase occurred in Health and Human Services at 20.48%. The increase can be attributed to the utilization of the Families First Coronavirus Response Act (FFCRA) by employees during the third quarter.

Salaries

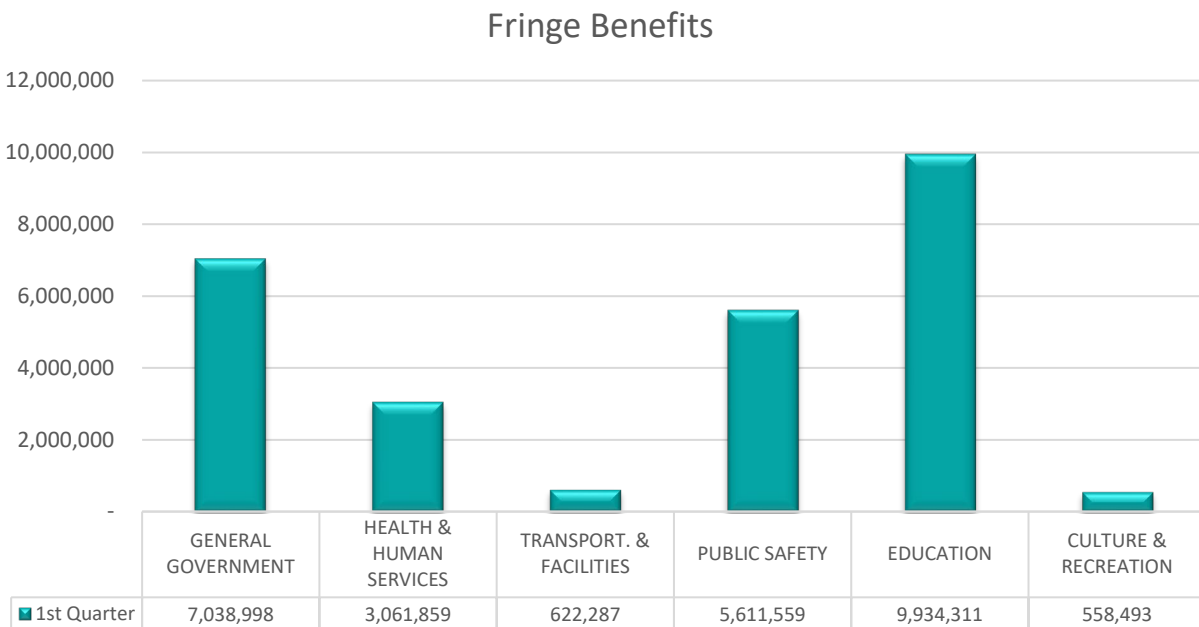
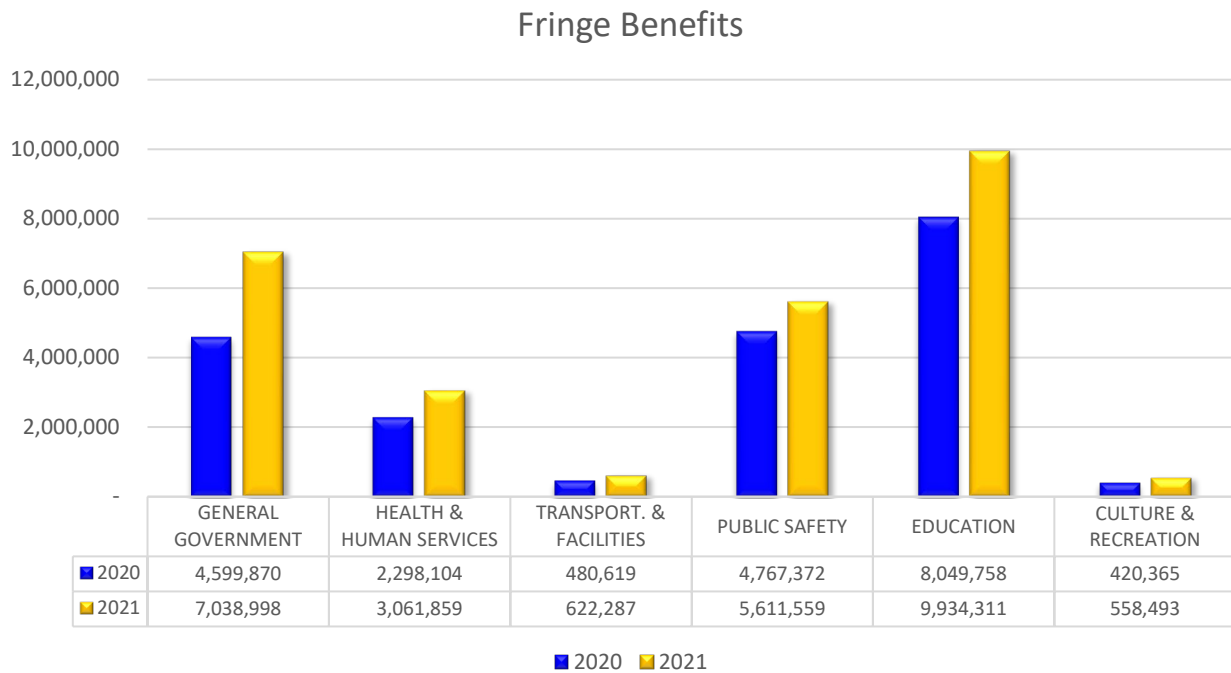


Salaries



FRINGE BENEFITS

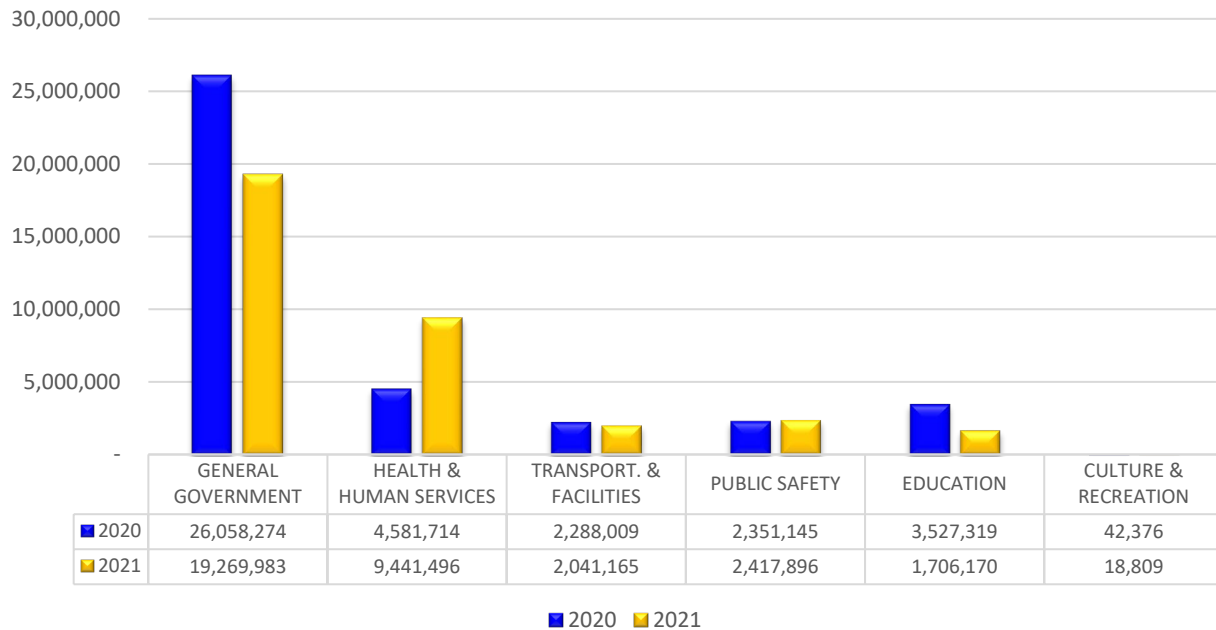
Fringe Benefits increased by 30.13% in first quarter FY 2021 compared to first quarter FY 2020. The most significant increase was in General Government at 53.03% and Health and Human Services at 33.23%. Other notable increases were Culture and Recreation at 32.86%, Transport & Facilities at 29.48%, Education at 23.41% and Public Safety at 17.71%.



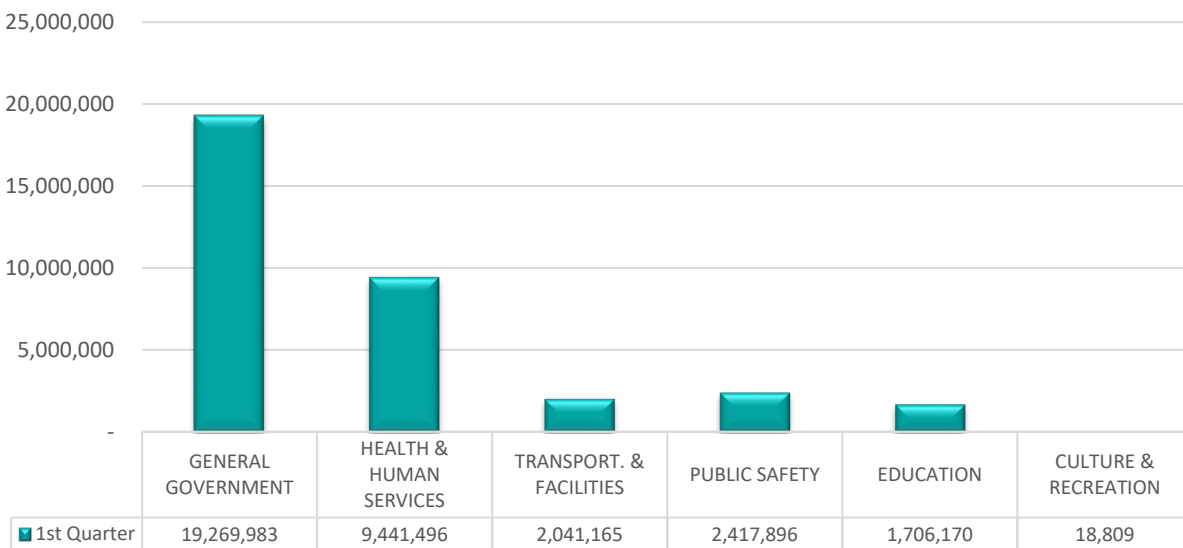
OTHER SERVICES

Other Services saw an overall decrease of 10.8% in first quarter FY 2021 compared to the same quarter in FY 2020. Notable decreases were in Culture & Recreation at 55.61%, Education at 51.63%, General Government at 26.05%, and Transport & Facilities at 10.79%. The most substantial increase occurred in Health & Human Services at 106.07%.

Other Services



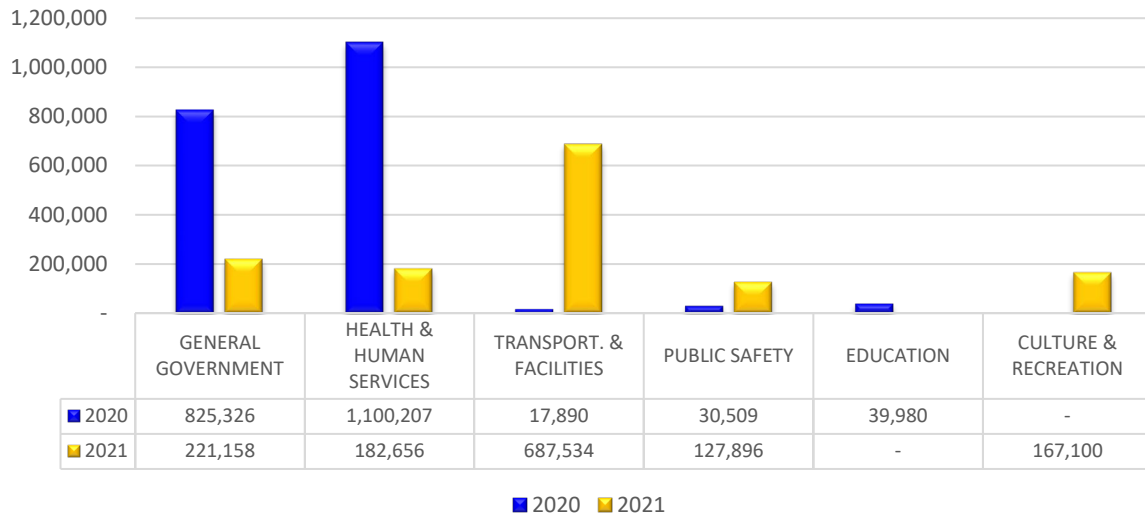
Other Services



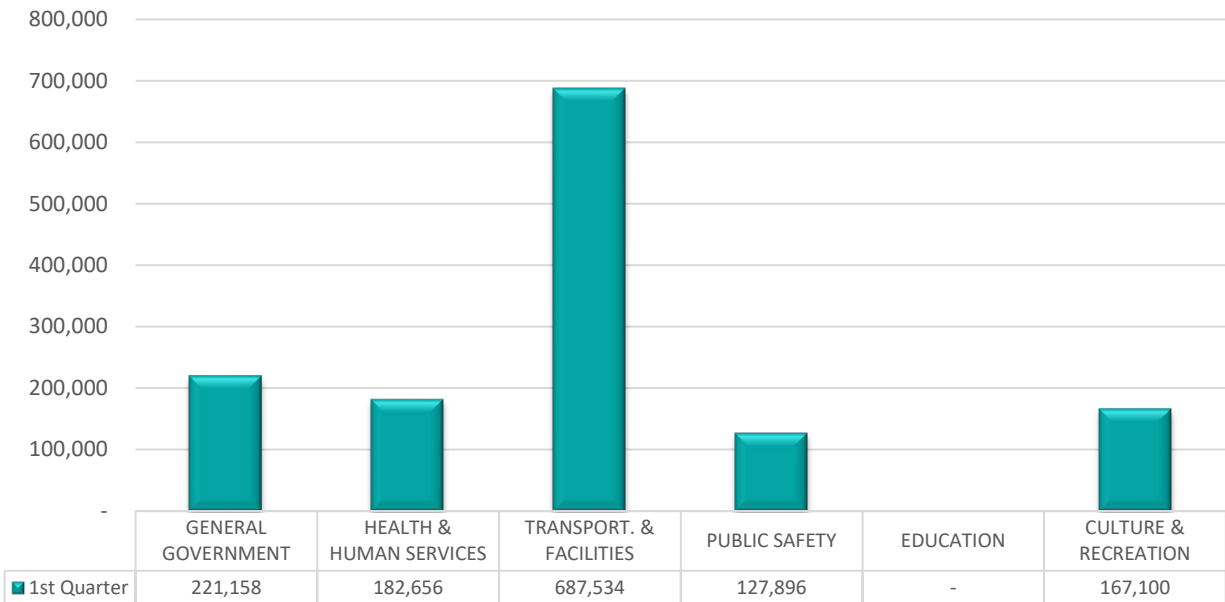
CAPITAL PROJECTS

Capital projects decreased 31.16% in first quarter FY 2021 as compared to FY 2020. The most notable decreases were seen in Health & Humans Services at 502.34% and General Government at 273.18%. The most substantial increases occurred with Culture & Recreation by 100%, Transport and Facilities at 97.40% and Public Safety at 76.15%.

Capital Projects



Capital Projects



SUMMARY

With the continued impact of Covid-19, the Territory saw an overall decrease of 14% in Total Operating Income. Specifically, Total Taxes decreased by 15% while Total Other Revenues increased by 8%. Overall, this represented a 25% reduction in Total Revenue collections for first quarter FY 2021 when compared to FY 2020. The most notable decrease was seen in Real Property at 86%, Fines, Forfeits & Permits at 29%, and Environmental/Infrastructure Impact Fee at 44%. By contrast the most notable increases are Miscellaneous Revenues at 491%, Corporate Franchise at 69%, Excise Tax at 21%, and Gross Receipts at 15%. The Total Revenues as of December FY 2021 was \$156.2M compared to \$208.4M for FY2020. From a cash flow perspective, at the end of the first quarter FY 2021, specifically the week ended January 1, 2021, the Territory had a negative cash flow of \$7.8 million and a positive cash balance of \$64.8 million with 24 days cash on hand. These collections ultimately reflect a slowdown of the Territory's collections.