

Committee on Resources

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Testimony
Before the Committee on Resources
United States House of Representatives

H.R. 3589, "To create the Office of Chief Financial Officer
Of the Government of the Virgin islands"

June 16, 2004

My name is Holland L. Redfield, II, National Committeeman of the Republican Party of the Virgin Islands and a former 6-term senator in the Virgin Islands Legislature. On behalf of the Republican Party of the Virgin Islands and thousands of Virgin Islanders who could not be here, I want to thank the committee for this opportunity to place on record the position of the Republican Party on Bill No. HR 3589 sponsored by Delegate Donna Christian Christiansen, and let me add that I would like to thank the delegate for her political courage in sponsoring this vitally needed legislation.

Mr. Chairman, I had mixed feelings in stepping into the middle of this issue as it has become a very contentious and emotional proposal. There appears to be a lack of reasoning among those who are in opposition to this legislation. It is ironic that the greatest debate is taking place within the Democratic Party. There is no question when anyone looks at this issue that this Government is on the brink of bankruptcy. The institutions that are charged with the responsibilities of sound fiscal management clearly have failed.

Mr. Chairman, this clearly is not a partisan issue. Finger pointing will not make it go away. The financial survival of this territory is at stake. Currently, our deficit is between 80-100 million dollars. Our accumulated debt is around 1 billion dollars. Our unfunded liability to the Government Employees Retirement System is approaching one billion. Our per capita debt based on a population of 108,000 is \$1,058.81 per person, giving the Virgin Islands the distinction of the highest per capita debt in the nation. Just last Friday, our Water and Power Authority had to borrow 5 million dollars to pay fuel cost to avoid interruption of services and on the same day, our hospital on St. Thomas threatened to close their doors if a dispute with the central Government for millions of dollars was not resolved.

Clearly, the Government of the Virgin Islands is in denial. One cannot correct this problem unless there is political will and intestinal fortitude to make the hard decision. It is unfortunate that those that have within their means the constitutional authority to correct these problems have merely compounded this problem over a period of years, by putting their heads into the sand. There has been a strategy of borrowing ourselves back to prosperity, which is contrary to any logical economic theory. To underscore this, on two separate occasions we had to borrowed millions of dollars for our operating budget, just to meet payroll.

Here is what our politicians are faced with. There are three solutions. You increase revenues by taxation, which has become politically unacceptable and economically impracticable; or cut expenditures, with a budget of over 90% dedicated to personal services. Clearly that means layoffs, or the third option which I believe is most acceptable, that of growing our economic base.

That has become difficult in a community that has historically great difficulty at arriving at a consensus and to accept change. We just say no to change. The leadership has not in the past, been able to balance these three options and without HR 3589, clearly our staggering deficit will continue. There are those that are going to be testifying that they are adamantly opposed to this legislation. Their underlying argument is that we can solve this problem ourselves. That outside interference in the internal affairs of this Government is not welcomed. Let there be no mistake, this legislation will be fought to the death by its detractors.

Clearly, this legislation is not a new idea. Other communities have had to face similar fiscal problems such as Washington D.C. and the City of New York. The same resistance and the same arguments that you are going to hear today will echo in these halls.

The Republican Party of the Virgin Islands is in support of this legislation in principle. However, we felt that this legislation has not gone far enough. We feel that the Secretary of the Interior should select the CFO. It is our strong belief that the traditional advice and consent verbiage should be left out of this Legislation. The independence of the CFO would be largely left to the mercy of the same local politicians who have gotten us to this point and have created this problem through inaction.

As a former legislator, I understand that good politics is the art of compromise and further, for this legislation to work, all stakeholders must be on board. I want to make it clear that there is enough blame to go around, including myself as former legislature. Previous and current administrations have made significant efforts to address these problems. Governor Turnbull has made extraordinary efforts to have expenditures more in line with revenues. The legislature, when confronted with the Chief Executive, acting responsibly, the legislature has overridden the Governor's veto. Unfortunately, the Legislatures, past and present, because of limited political insulation, have made the easy choices based on their electability. In that light, I propose for your consideration, an amendment that could lead to a compromise.

After this proposed legislation has been fine tuned, there should be an amendment to create a provision that will encompass a sunrise and sunset provision. This would give the executive and legislative branches of the Government an opportunity within 180 days to bi-laterally balance the budget, and institute corrective legislation to address this economic crisis.

Mr. Chairman, it is my recommendation that within the context of this legislation that the Government of the Virgin Islands and the U.S. Government enter into a Memorandum of Understanding that will set forth the threshold and targets that would be considered acceptable.

If the Virgin Islands Government met these agreed upon requirements, within 180 days the legislation would not take effect. If the Government failed to meet these requirements, the legislation would automatically be triggered.

I strongly believe that this should satisfy all parties regarding this legislation. Those that are convinced that we don't need this legislation will have the opportunity to act responsibly and prove it. For those that are in support of this legislation and wanted to go into effect immediately, they will know that if the Executive and Legislative Branches of the Government cannot meet these requirements that the bill will have its full force and effect after 180 days.

I believe that this is a win-win situation for all the stakeholders in the Virgin Islands. In closing, Mr. Chairman, the Virgin Islands people are hard working and proud. We have suffered two decades of natural disasters in the form of hurricanes and a stateside recession that has hit our tourism industry hard. With the help of this congress, our best days are yet to come.