81st Congress } HOUSE OF REPRESENTATIVES { Report
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AUTHORIZING THE GOVERNMENT OF THE VIRGIN ISLANDS OR ANY MUNICIPALITY THEREOF TO ISSUE BONDS AND OTHER OBLIGATIONS

May 26, 1949.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. Redden, from the Committee on Public Lands, submitted the following

REPORT

[To accompany H. R. 4586]

The Committee on Public Lands, to whom was referred the bill (H. R. 4586) to authorize the government of the Virgin Islands or any municipality thereof to issue bonds and other obligations, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

The amendments are as follows:

Page 2, line 4, strike out the words "the government of the Virgin", all of lines 5, 6, and 7, and the words "by its authority." on line 8. and insert in lieu thereof the following:

any municipality thereof shall be incurred in excess of 10 per centum of the aggregate assessed valuation of the taxable real property in such municipality and that no public indebtedness of the government of the Virgin Islands shall be incurred in excess of 10 per centum of the aggregate assessed valuation of the taxable real property in the islands. Bonds issued pursuant to this Act shall bear such date or dates, may be in such denominations, may mature in such amounts and at such time or times, not exceeding thirty years from the date thereof, may be payable at such place or places, may be sold at either public or private sale. may be redeemable (either with or without premium) or nonredeemable, may carry such registration privileges as to either principal and interest, or principal only, and may be executed by such officers and in such manner, as shall be prescribed by the government of the Virgin Islands or of the municipality issuing the bonds. In case any of the officers whose signatures appear on the bonds or coupons shall cease to be such officers before delivery of such bonds, such signature, whether manual or facsimile, shall, nevertheless, be valid and sufficient for all purposes, the same as if such officers had remained in office until such delivery. The bonds so issued shall bear interest at a rate not be exceed 4 per centum per annum, payable semiannually. All such bonds shall be sold for not less than the principal amount thereof plus accrued interest.

Page 2, line 9, following the word "thereof" insert the words:

, including specifically interest thereon, Page 2, line 14, change the period to a colon and add the following:

Provided, further, that the government of the Virgin Islands and any municipality thereof shall be obliged to levy and collect sufficient taxes for servicing any of the outstanding bonds, even if such taxation is required at a rate in excess of or in addition to the tax or tax rate of 1.25 per centum of the assessed value which is provided for in section 1401 (b) of Title 48, U. S. C., 1946 edition.

EXPLANATION OF THE BILL

H. R. 4586 provides express statutory authorization for the government of the Virgin Islands or any of its municipalities to issue bonds and other obligations. The indebtedness would be limited to 10 percent of the aggregate tax valuation of the real and personal property within the area governed by the issuing authority.

The provisions specifically empowering municipalities to borrow for public purposes appear in all State constitutions and the Organic Acts of Hawaii, Alaska, and Puerto Rico, but not in the Organic Act of the Virgin Islands. The lack of any such express authorization has handicapped the government of the Virgin Islands in its efforts to finance public improvements.

For example, the municipality of St. Thomas and St. John has applied to the Reconstruction Finance Corporation for a loan of $100,000 to aid in financing the construction of an alternating current electric distribution system in St. Thomas and the conversion of the present system from direct to alternating current. The RFC rejected the application on November 2, 1948, solely because of doubt as to whether the organic act specifically authorized the municipality to issue bonds or incur obligations. The enactment of H. R. 4586 will remove all uncertainty as to the municipality's legal authority to take such action.

The committee has adopted clarifying amendments approved by the Reconstruction Finance Corporation and the Department of the Interior. The first is intended to facilitate the sale of the bonds by the RFC at a subsequent date, the second would exempt taxation of the bonds as well as the interest, and the third would permit an increased rate of taxation in the Virgin Islands should such a step be necessary to meet the bonded indebtedness. The present property tax there is only 1.25 percent of the assessed valuation.

The Congress in the past has granted similar authority to the local governments and to municipalities in Hawaii, Alaska, and Puerto Rico. This bill contemplates no change in congressional policy.

Pertinent comments from the favorable report of the Department of the Interior are set forth below and explain in detail the purpose of the bill:

I recommend that the bill be enacted with certain perfecting amendments as hereinafter indicated.

The proposed bill would authorize the government of the Virgin Islands or any municipality thereof to issue bonds and other obligations when necessary to anticipate taxes and revenues, and to construct, improve, extend, repair, reconstruct, and operate all types of public works and public utilities. However, the public indebtedness of the government of the Virgin Islands or any municipality thereof would be limited to 10 percent of the aggregate tax valuation of the real and personal property within the area governed by its authority.

Section 19 of the Organic Act of the Virgin Islands (49 Stat. 1807; 48 U. S. C., 1946 ed., sec. 1405r), provides in part that "The legislative power of the Virgin Islands shall extend to all subjects of local application not inconsistent with this act or the laws of the United States made applicable to said islands * * *."

Because there is some authority for the proposition that the power to issue bonds and other obligations may not be implied from a general grant of broad legislative power, but must be granted expressly, the government of the Virgin Islands has found itself handicapped by the absence of any such express authorization. Specifically, the Reconstruction Finance Corporation on November 2, 1948, rejected an application by the municipality of St. Thomas and St. John for a loan of $100,000 to aid in financing construction of an alternating current electric distribution system in St. Thomas, together with conversion of the present electric distribution system from direct to alternating current. The chairman stated in his letter to Governor Hastie of the Virgin Islands that the only obstacle to favorable action upon the application and to the purchase by the Reconstruction Finance Corporation of the securities offered by the municipality of St. Thomas and St. John was the substantial legal question or doubt as to whether the Congress had, by the organic act, authorized the municipality to issue bonds or incur obligations. If this legal question were to be eliminated by the enactment of legislation expressly authorizing the issuance of bonds, the Reconstruction Finance Corporation would be glad to reconsider the application.

I urge the enactment of this legislation with the proposed amendments at the earliest possible date in order to remove any uncertainty as to the legal authority of the government of the Virgin Islands and the municipalities thereof to issue bonds and other obligations. Prompt enactment of this legislation is essential if the government of the Virgin Islands is to be able not only to borrow from the Reconstruction Finance Corporation for a much needed electric distribution project, but also to plan and finance other urgently needed community projects in the future. It should be noted that the Congress has in the past granted similar express authority to issue bonds and other obligations to the local governments and to municipalities in Hawaii, Alaska, and Puerto Rico. Enactment of this legislation, therefore, would be entirely consistent with congressional policy with respect to this matter in other Territorial areas.

The changes to the bill which I submit for your consideration are in the nature of perfecting amendments and amendments which would increase the marketability of bonds and other obligations which may be issued by the government of the Virgin Islands or municipalities thereof.

The Committee on Public Lands unanimously recommends the prompt enactment of H. R. 4586 as amended.

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The Committee on Public Lands unanimously recommends the prompt enactment of H. R. 4556 as amended.

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