



OFFICE OF THE GOVERNOR
UNITED STATES VIRGIN ISLANDS

BUREAU OF ECONOMIC RESEARCH

2019 BUDGET HEARING



BUILDING A RESILIENT AND SUSTAINABLE USVI ECONOMY

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DIRECTOR
JULY 17, 2018



OFFICE OF THE GOVERNOR
UNITED STATES VIRGIN ISLANDS

BUREAU OF ECONOMIC RESEARCH

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VISION STATEMENT:

Bureau of Economic Research, (BER) vision is to provide reliable and quality statistics to enhance the social and economic development of the U.S. Virgin Islands.

MISSION STATEMENT:

The mission of the Bureau of Economic Research, (BER) is to provide information on the state of the economy of the US Virgin Islands in support of both public-sector and private-sector decision-making. One of its most important functions is the production of routine statistical reports. In any given month, the Bureau of Economic Research produces and distributes hundreds of indicators relevant to the United States Virgin Islands economy. The Bureau also regularly conducts special research projects, in the form of briefing papers and special analyses or surveys.

Information compiled and produced by the Bureau of Economic Research is used in many ways. Government agencies use the Bureau's data for operational planning and is documented for federal grant applications, bond issues, database development, impact analysis and forecasting. Local businesses and prospective investors typically rely on the Bureau of Economic Research information for feasibility analysis to establish new businesses or expand existing ones. Students and other researchers are also regular consumers of our research products.

The Bureau of Economic Research is a major provider of technical assistance in the areas of economic development planning, financing, special project management, general economic analyses and information management. Most of these efforts are funded through federal grants obtained by the Bureau of Economic Research. Since 1991 the Bureau of Economic Research has managed 32 different grant projects totalling \$7 million in award value.

The Bureau is the Territory's lead agency responsible for collaborating with the U.S. Census Bureau in the conduct of the U.S. Virgin Islands Economic Census, and the U.S. Department of Commerce Economic Development Administration (USDOC-EDA) in its efforts to foster economic development.

**OFFICE OF THE GOVERNOR
BUREAU OF ECONOMIC RESEARCH
FISCAL YEAR 2019 BUDGET HEARING
BEFORE THE
COMMITTEE OF FINANCE
32ND LEGISLATURE OF THE UNITED STATES VIRGIN ISLANDS
JULY 17, 2018**

Good Morning Honorable Chairman Kurt A. Violet, members of the Committee on Finance and other members of the 32nd Legislature present, legislative staff, members of the media, listening and viewing audience. I am Bernadette V.M. Melendez, the Director of the Bureau of Economic Research, Office of the Governor and joining me is Mr. Donnie E. Dorsett, Senior Policy Analyst. We appear before you to present the Fiscal Year 2019 Budget on behalf of the Bureau of Economic Research (BER).

I am giving testimony in support of the Bureau's Fiscal Year 2019 Budget request. The Bureau's Fiscal Year 2019 budget request includes \$522,489 from the general fund and \$150,000 from the Tourism Revolving Fund for a total funding request of \$672,489.

Funding source	FY 2019
General fund	\$522,489
Tourism revolving fund	\$150,000
Total	\$672,489

I will highlight the components of the Bureau's Fiscal Year 2019 budget request. In addition, I will also provide an update of the Bureau's accomplishments and future goals. The requested fiscal and financial resources are required to fund our mandatory costs and planned initiatives for the ongoing operations of the Bureau.

The Fiscal Year 2019 budget for the Bureau is detailed as follows:

Bureau of Economic Research Expenditure Distribution Fiscal Year 2019			
Personal services	\$302,000		\$302,000
Fringe benefits	\$124,989		\$124,989
Supplies	\$17,200		\$17,200
Utilities	\$39,000		\$39,000
Other services	\$39,300	\$150,000	\$189,300
Total funding	\$522,489	\$150,000	\$672,489

The Bureau of Economic Research plays a critical role in promoting the Territory's economic growth and provides vital data and information on the state of the economy. To support this mission, the funding level requested will enable us to continue to produce, compile and analyze the territory's economic, fiscal, financial, and tourism indicators. These indicators are important sources of information that are utilized in impact analysis, economic development assessments and business decision-making by public and private sector officials, as well as academic and research institutions.

The Bureau is also a major provider of technical assistance in the areas of economic research, development analysis, grant evaluation and financing, project management, fiscal and financial analyses, and statistical information analysis and management. The Bureau's performance goals are to provide timely, quality and relevant economic, fiscal, financial, tourism, trade, and development-related information pertinent to the Territory in support of both public and private policy decision making.

With the FY 2019 budget, the BER seeks to advance the core tenets of its mission and maintains our role in providing current and policy-relevant information on important issues affecting our economy and its people.

To describe our efforts, I would like to summarize some of our major accomplishments during FY 2018.

Major Accomplishments for Fiscal Year 2018

- *Updated annual estimate of Territorial Gross Domestic Product ("GDP") for 2016 which was released by the Bureau of Economic Analysis (BEA) in December 1, 2017.*
- *Produced monthly calculations of the Consumer Price Index, (CPI).*
- *Produced annual, quarterly and monthly tourism and economic reports.*
- *2016 – 2017 Comprehensive Economic Development Strategy, (CEDS) update.*
- *Planning meetings with major tourism industry stakeholders for the creation of the U.S. Virgin Islands Tourism Master Plan (USVI-TMP).*
- *Submission of an Economic Disaster Assistance grant application to the U.S. Department of Commerce, Economic Development Administration to support the refocus of the 2016 – 2017 CEDS Plan and the USVI TMP because of the hurricanes impact on the Territory's infrastructure and economy.*

The Bureau currently has five (5) unclassified positions. The Bureau will accomplish the following goals in FY 2019:

Bureau of Economic Research Goals for Fiscal Year 2019

- *Revise annual estimates of Territorial Gross Domestic Product and estimate 2017.*
- *Implement a new Consumer Price Index, (CPI) market basket and improve the production of monthly calculations of the CPI.*
- *Produce annual, quarterly and monthly tourism and economic reports.*
- *Guide the implementation of the 2016-2017 Comprehensive Economic Development Strategy, (CEDS) Plan.*
- *Preparation of the U.S. Virgin Islands Tourism Master Plan (TMP) in partnership with the U.S. Virgin Islands Department of Tourism and Industry Stakeholders.*
- *Assist in the conduct of the 2017 Economic Census of Island Areas for the Territory in partnership with the U.S. Census Bureau.*

BER staff continues to work with the U. S. Department of Commerce, Bureau of Economic Analysis (BEA) to improve the measurement and timeliness of territorial gross domestic product or GDP estimates. The Bureau also continues to partner with the U.S. Department of Commerce, Economic Development Administration (USDOC-EDA), local economic development agencies, and the private sector in developing strategies for economic growth and development.

It is a federal mandate of the USDOC-EDA that in order for the Territory to receive continued funding from the USDOC-EDA there must be an active Comprehensive Economic Development Strategy (CEDS) Committee and an updated CEDS Strategy in place. The 2016 – 2017 CEDS has been completed. The 2016 – 2017 CEDS update provides an assessment of the Territory's current economic conditions and documents progress in achieving the goals of the CEDS. It includes adjustments in the strategy based on needs and to respond to emerging trends. The CEDS also includes the background that covers a discussion of the economy, population, geography, education and workforce development and other pertinent information to the Territory. The CEDS Plan will continue to serve as the economic road map for the Territory and the strategies will be implemented collaboratively between the public and private sectors.

In this regard, as liaison to the USDOC-EDA, the Bureau has been working jointly with USDOC-EDA officials assigned to the U.S. Virgin Islands at the Joint Federal Office (JFO) on St. Croix in conducting meetings with local agencies to provide support for the rebuilding efforts in the Territory. The USDOC-EDA has received \$587 million in funding from Congress to help communities to recover from disasters, of which the U.S. Virgin Islands and Puerto Rico have access to \$191 million through competitive bidding. The focus of the meetings was to evaluate the CEDS Priority Projects listing and to ensure that the projects can spur economic activity while being able to mitigate the impacts of future disasters that could adversely impact the quality of life for the residents of the Territory. Additionally, the projects that receive funding must be geared to creating employment opportunities for residents of the U.S. Virgin Islands and help to sustain the Territory's economic growth.

The Bureau has partnered with the U.S. Virgin Islands Department of Tourism and the private sector in the creation of the U.S. Virgin Islands Tourism Master Plan (TMP). The objective of the Master Plan is to provide a singular vision and roadmap to position the Territory as a leading tourism destination and cement the Territory's future as a premier visitor destination. Prior to the hurricanes to garner public participation, BER and the Tourism Master Plan Steering Committee held several one-on-one interviews with major stakeholders. These meetings were instrumental in providing vital information in the development of a vision statement, objectives and strategic goals for the Plan. However, the hurricanes interrupted the process and efforts are afoot to re-engage the stakeholders to move ahead with the creation of the Plan. This is critical in view of the devastating impact from the hurricanes on the tourism industry and the suggestion by some stakeholders to rethink and refocus our tourism and economic strategies. The Bureau has submitted an Economic Disaster Assistance grant proposal to the USDOC-EDA for total funding of \$380,000 to support the refocus of the 2016 – 2017 CEDS Plan and the USVI TMP. The goal is to create a Tourism Master Plan which will lay the foundation upon which tourism will grow and prosper over the next five to twenty years.

The refocus of the 2016 – 2017 CEDS and USVI TMP will be a collaboration of government, private industry development partners and stakeholders in the development of strategies, projects, products and services that will build a stronger, more resilient economy and transform the tourism industry to create unforgettable experiences for visitors, and jobs and business opportunities for residents. Some of the partners include the U.S. Virgin Islands Department of Tourism, airline carriers, cruise lines, travel agents, wholesalers, and tourism and hotel associations. Each of these partners has an important stake in the security, promotion and development of the tourism industry which is the Territory's single largest industry. Additionally, this form of collaboration is important to ensure that projects that are selected for the CEDS Priority Projects will be approved for funding and implemented, thus mitigating the impacts of disasters that could adversely affect the economy.

The development and implementation of a new U.S. Virgin Islands (USVI) Consumer Price Index (CPI) was also delayed due to the hurricanes. The primary goal is the development and implementation of a 2017 Consumer Price Index (CPI) based on a new 2016 Household Income and Expenditure Survey (HIES). The CPI is an important economic indicator that needs an update to include and capture price trends in new sectors, such as technology and broadband services that are not part of the existing gauge. The updated CPI will provide current data on expenditures of consumers in the USVI. Additionally, it will provide timely and accurate readings of price trends essential to government officials and the private sector. It also provides vital information which will help to sustain the Territory's economic growth.

The Bureau is partnering with the U.S. Census Bureau to conduct the 2017 Economic Census of Island Areas and was awarded \$22,000 to assist the U.S. Census Bureau for local publicity, to ensure that the local businesses and media are aware of the 2017 Economic Census. The United States Code, Title 13, authorizes this census and makes responding mandatory. The Economic Census' main goal is to provide periodic comprehensive data on the U.S. Virgin Islands economic activity and structure. Considering the two Category 5 Hurricanes that impacted the Territory in September 2017, the Economic Census will provide current information on the business sector in the Territory. It also will provide vital information which aids the Gross Domestic Product (GDP) estimates and other information necessary to help to sustain the Territory's economic growth.

The Bureau will continue to provide the data, and economic impact assessments and studies needed for policy decisions as we continue to rebuild the Territory. To enable us to efficiently support these rebuilding efforts and to allocate resources to address the personnel needs of the Bureau and our initiatives, we respectfully ask that you approve our proposed Fiscal Year 2019 budget.

In closing, we would like to thank the committee and its staff for its continued support of the Bureau of Economic Research. We are prepared to respond to any questions you may have at this time.



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