



BUREAU OF ECONOMIC RESEARCH

OFFICE OF THE GOVERNOR
UNITED STATES VIRGIN ISLANDS

2017

BUDGET HEARING

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**Bureau of Economic Research
Office of the Governor
Fiscal Year 2017 Budget Hearing
Before the
Committee of Finance
31st Legislature of the United States Virgin Islands
July 12, 2016**

Good Morning Honorable Chairman Clifford F. Graham, members of the Committee on Finance and other members of the 31st 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. With me is Mr. Donnie E. Dorsett, Senior Policy Analyst. We appear before you to present the Fiscal Year 2017 Budget on behalf of the Bureau of Economic Research (BER).

We are giving testimony here today in support of the Bureau's Fiscal Year 2017 Budget request. The Bureau's Fiscal Year 2017 budget request includes \$538,499 from the general fund and \$150,000 from the Tourism Revolving Fund for a total funding request of \$688,499.

Funding source	FY 2017
General fund	\$538,499
Tourism revolving fund	\$150,000
Total	\$688,499

Today, I will highlight the components of the Bureau's Fiscal Year 2017 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.



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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 30 different grant projects totaling \$5 million in award value.

The Fiscal Year 2017 Budget for the Bureau is detailed as follows:

Bureau of Economic Research
Expenditure Distribution Fiscal Year 2017

Personal services	\$310,000		\$310,000
Fringe benefits	\$118,739		\$118,739
Supplies	\$17,775		\$17,775
Utilities	\$51,800		\$51,800
Other services	\$40,185	\$150,000	\$190,185
Total Funding	\$538,499	\$150,000	\$688,499

The Bureau of Economic Research plays a critical role in promoting the Territory's economic growth and providing vital data and information on the state of the economy. To support this mission, this funding level requested will enable us 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 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 quality and relevant economic, fiscal, financial, tourism, trade, and development related information, along with improving the effectiveness of analytically based information pertaining to the Territory in support of both public and private policy decision making.

With the FY 2017 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 2016.

Major Accomplishments for Fiscal Year 2016

- *Updated annual estimate of Territorial Gross Domestic Product (“GDP”) for 2014*
- *Produced monthly calculations of the Consumer Price Index, (CPI)*
- *Produced annual, quarterly and monthly tourism and economic reports*
- *We worked to return approximately \$170,000 in federal funds to the Territory which funded the creation of the 2015 Employer and Business Needs Survey*
- *Completed the audit of project 01-79-14225 to get the opinion from an external firm about whether the schedule was fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America*
- *Updated the 2016 U.S. Virgin Islands Self-Sufficiency Standard and conducted an analysis on the Impact of the Minimum Wage Proposal*
- *Implemented the Bureau’s Database Management System which will allow the Bureau to timely record and report key time series economic and tourism data and generate trend extrapolation routines for projecting historical data into the future*
- *Received a grant award from the U.S. Department of Commerce, Economic Development Administration, (USDOC,EDA) to create a Tourism Master-Plan and a 2016 Comprehensive Economic Development Strategy, (CEDS) update*
- *In April 2016, BER Director attended the USDOC,EDA National Conference in Washington, DC and was able to encourage the USDOC,EDA Assistant Secretary to visit the U.S. Virgin Islands. He accepted the invitation and for the first time in the history of the USDOC,EDA that an Assistant Secretary of that agency visited the Territory which made history on June 26, 2016.*
- *Economic & Fiscal Impacts of Limetree Bay Terminals, LLC Oil Storage Facilities on employment and value added*

The Bureau currently has five (5) unclassified positions. The Bureau will accomplish the following goals in fiscal year 2017:

Bureau of Economic Research Goals for Fiscal Year 2017

- *Revise annual estimates of Gross Territorial Domestic Product and estimate 2015 and expand the current accounts to include industry allocations.*
- *Implement a new Consumer Price Index,(CPI) market basket and improve the production of monthly calculations of the CPI.*
- *Produce the results of the 2015 visitor and carnival exit surveys in collaboration with the Eastern Caribbean Center, (ECC).*
- *Produce annual, quarterly and monthly tourism and economic reports.*
- *Continue to guide the implementation of the 2015 Comprehensive Economic Development Strategy, (CEDS) Plan and strategies within the Targeted Industry Study report.*
- *Collaborate with the U.S. Virgin Islands Department of Tourism, other stakeholders and the CEDS Committee in the development of the U.S. Virgin Islands Tourism Master Plan, and the 2016 Comprehensive Economic Development Strategy (CEDS) update.*

BER staff continues to work with the U. S. Department of Commerce, Bureau of Economic Analysis (BEA) to improve the measurement and timeliness of Gross Territorial Domestic Product 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.

In this regard, with the return of the federal funds under project #01-79-14225, BER commissioned and completed a 2015 Business Needs and Employer Survey. The study provided empirical data to understand the factors influencing the demand for labor and types of skills, so as to better align labor market skills to the needs of industries that may build economic resiliency and promote job creation and retention. In general, the study illustrated that approximately 38 percent of business employers indicated that they have difficulties filling positions. The sectors where there are hiring difficulties include retail; professional, scientific and technical services; health care and social services; and

accommodation and food services. The report, which is accessible on BER website www.usviber.org has other important findings that will assist private sector employers and those in education and workforce development as they develop strategies to address the workforce needs of businesses.

Additionally, in October, 2015 the Bureau was awarded a two-year grant of \$286,673 from the USDOC,EDA with an in-kind contribution of \$38,327 for a total project cost of \$325,000 to support the development of the 2016 Comprehensive Economic Development Strategy (CEDS) and the creation of the U.S. Virgin Islands Tourism Master Plan. The 2016 CEDS update will provide an assessment of the Territory's current economic conditions and document progress in achieving the goals of the CEDS. It will also include any adjustments in strategy based on needs and to respond to emerging trends. The creation of the U.S. Virgin Islands Tourism Master Plan will be a reflection of industry and market needs, and will require input and buy-in from the U.S. Virgin Islands Department of Tourism and other industry key stakeholders, and the public. The planning process will also include participation from other government agencies, economic development agencies, and community groups to the extent feasible. The Master Plan will create a roadmap for the USVI tourism development, repositioning the Territory as a leading tourism destination, and cementing the Territory's future as a primary visitor destination.

Upon a request from Senator Jean Forde, BER provided a 2016 U.S. Virgin Islands Self-Sufficiency Standard and conducted an assessment of an Impact of the Minimum Wage Proposal. The report was presented to Senator Forde and the CEDS Committee. The Living Wage or Self-Sufficiency Standard shows how much a person or family needs in wages to live in the USVI. A single adult with health insurance needs to earn \$10.89 per hour (\$22,645 annually) in a full-time job to make ends

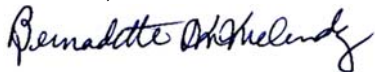
meet. The analysis also showed that about 1/3 of the Virgin Islands labor force is considered low-wage workers and stands to benefit from the increase in the minimum wage. The minimum wage will rise in three stages – this year moving wages from \$7.25 to \$8.35. In January of 2017, the minimum wage will increase to \$9.50 and to \$10.50 in January of 2018. The real impact of the wage increase will begin to be felt next year as the majority of low wage workers already make more than \$8.00 per hour. The U.S. Virgin Islands 31st legislature passed legislation to raise the minimum wage and Governor Mapp signed the minimum wage increase bill into law on March 5, 2016. About 15,000 workers and their families will be impacted by this minimum wage increase.

The Bureau, as all agencies, is consistently challenged to find new and innovative ways to continue to deliver services while reducing the overall cost of government. Our budget proposal that you have before you today represents our efforts to do just that. To enable us to efficiently allocate resources to address the personnel needs of the Bureau and our initiatives, we respectfully ask that you approve our proposed Fiscal year 2017 budget.

In closing, I 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.

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.

Director,

A handwritten signature in dark ink, appearing to read "Bernadette V.M. Melendez". The signature is fluid and cursive, with the first name being the most prominent.

Bernadette V.M. Melendez

UNITED STATES DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION USDOC-EDA

**THE USVI RECEIVES FIRST VIST FROM AN
ASSISTANT SECRETARY of USDOC-EDA**

**PLEASE SEE POWERPOINT
PRESENTATION**



DESIGNED & PRINTED
BY
THE BUREAU OF ECONOMIC RESEARCH