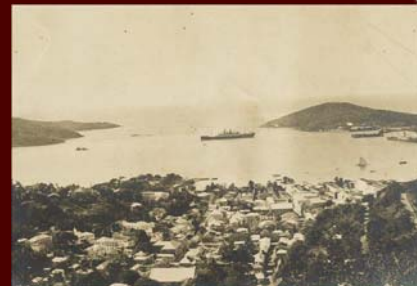
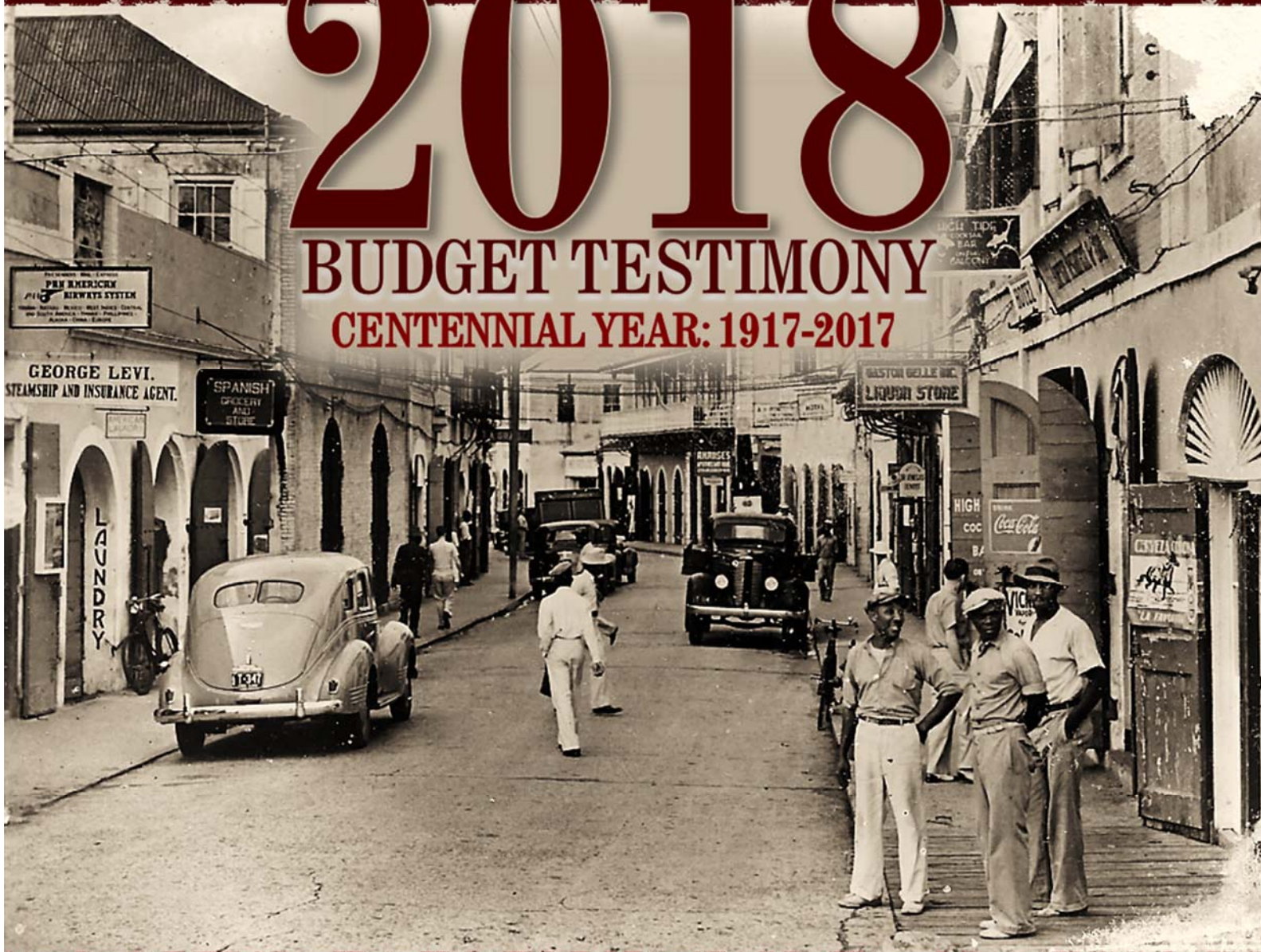


OFFICE OF THE GOVERNOR
UNITED STATES VIRGIN ISLANDS
BUREAU OF ECONOMIC RESEARCH

2018

BUDGET TESTIMONY

CENTENNIAL YEAR: 1917-2017



BERNADETTE V.M. MELENDEZ
DIRECTOR
AUGUST 1, 2017



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BUREAU OF ECONOMIC RESEARCH

OFFICE OF THE GOVERNOR

UNITED STATES VIRGIN ISLANDS

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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 totaling \$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.

Director,


Bernadette V.M. Melendez, MPA

BUREAU OF ECONOMIC RESEARCH

Office of the Governor
Fiscal Year 2018 Budget Hearing
Before the
Committee of Finance
32nd Legislature of the United States Virgin Islands
August 1, 2017

Good Morning Honorable Chairman Kurt A. Vialet, 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. I appear before you to present the Fiscal Year 2018 Budget on behalf of the Bureau of Economic Research (BER).

I am giving testimony in support of the Bureau's Fiscal Year 2018 Budget request. The Bureau's Fiscal Year 2018 budget request includes \$512,592 from the general fund and \$150,000 from the Tourism Revolving Fund for a total funding request of \$662,592.

Funding source	FY 2018
General fund	\$512,592
Tourism revolving fund	\$150,000
Total	\$662,592

I will highlight the components of the Bureau's Fiscal Year 2018 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 2018 budget for the Bureau is detailed as follows:

Bureau of Economic Research Expenditure Distribution Fiscal Year 2018			
Personal services	\$302,000		\$302,000
Fringe benefits	\$113,092		\$113,092
Supplies	\$14,200		\$14,200
Utilities	\$44,000		\$44,000
Other services	\$39,300	\$150,000	\$189,300
Total funding	\$512,592	\$150,000	\$662,592

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 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 pertaining to the Territory in support of both public and private policy decision making.

With the FY 2018 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 2017.

MAJOR ACCOMPLISHMENTS FOR FISCAL YEAR 2017

- *Updated annual estimate of Territorial Gross Domestic Product ("GDP") for 2015 which was released by the Bureau of Economic Analysis (BEA) in December, 2016*
- *Produced monthly calculations of the Consumer Price Index, (CPI)*
- *Produced annual, quarterly and monthly tourism and economic reports*
- *The launching of the Bureau of Economic Research (BER) new Website www.usviber.org*
- *2016 – 2017 Comprehensive Economic Development Strategy, (CEDS) update*
- *Provided technical assistance to the Virgin Islands Port Authority (VIPA) in the submission of a grant application for the Christiansted Seaplane Facility Shoreline Stabilization project in the amount of \$2.2M to the U.S. Department of Commerce Economic Development Administration (USDOC, EDA)*
- *Submitted a Technical Assistance Grant in the amount of \$250,000 to the Department of Interior (DOI)*

The Bureau currently has five (5) unclassified positions. The Bureau will accomplish the following goals in Fiscal Year 2018:

BUREAU OF ECONOMIC RESEARCH GOALS FOR FISCAL YEAR 2018

- *Revise annual estimates of Territorial Gross Domestic Product and estimate 2016*
- *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*
- *Guide the implementation of the U.S. Virgin Islands Tourism Master Plan in partnership with the U.S. Virgin Islands Department of Tourism and Industry Stakeholders*
- *Submission of a Technical Assistance grant application to the U.S. Department of Commerce, Economic Development Administration to support the creation of centers for innovation and entrepreneurship which will increase the rate at which innovations, ideas, intellectual property, and research are translated into products, services, viable companies, and ultimately jobs*

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.

In this regard, the Bureau provided technical assistance to the Virgin Islands Port Authority (VIPA) in the submission of a grant application for the Christiansted Seaplane Facility Shoreline Stabilization project in the amount of \$2.2M to the U.S. Department of Commerce Economic Development Administration (USDOC, EDA). The project is included on the priority project listing in the 2016 – 2017 CEDS update. USDOC, EDA approved the grant application for \$1,760,000 which was awarded to VIPA on May 23, 2017. This project is very timely as the Seaplane facility plays a vital role in St. Croix's transportation infrastructure.

Hence, the installation of a new sheet pile to stabilize the existing concrete shoreline and bulkhead around the site is crucial. Additionally, the installation of two wooden and one plastic dock, along with the replacement and repairs to existing concrete apron along the bulkhead walls will help to increase the viability of the structure. Furthermore, the project will create employment opportunities for residents of the U.S. Virgin Islands and help to sustain the Territory's economic growth.

It is a federal mandate of the U.S. Department of Commerce, Economic Development Administration (USDOC, EDA), that in order for the Territory to receive continued funding from the USDOC, EDA it must have an active Comprehensive Economic Development Strategy Committee and an updated CEDS Strategy in place. A draft of the 2016 – 2017 Comprehensive Economic Development Strategy (CEDS) has been completed. The 2016 – 2017 CEDS update provides an assessment of the Territory's current economic conditions and document 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.

The Plan will be available for public comment on the Bureau's website www.usviber.org prior to submission to the CEDS Committee members and to the U.S. Department of Commerce, Economic Development Administration (USDOC, EDA).

The creation of the U.S. Virgin Islands Tourism Master Plan is ongoing and is now in its second phase. The Plan will be a reflection of industry and market needs, and as such it required input and buy-in from the U.S. Virgin Islands Department of Tourism and other industry key stakeholders, and the public. To that extent Governor Mapp appointed approximately thirty individuals who are key stakeholders in the tourism industry to serve on the Tourism Master Plan Steering Committee. The Steering Committee is created to assist the government in formulating strategies for tourism-related activities, projects, and initiatives geared to promote the United States Virgin Islands as a tourist destination. The committee is also responsible for creating and enhancing opportunities for local businesses to serve the needs of tourists and the hospitality industry.

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. To garner public participation BER and the Tourism Master Plan Steering Committee continues to hold a number of one-on-one interviews with major stakeholders. These meetings will facilitate in the development of a vision statement, objectives and strategic goals for the Plan. 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 Bureau of Economic Research, (BER) on behalf of the Government of the U.S. Virgin Islands submitted a \$250,000 technical assistance grant on April 24, 2017 to the Department of Interior (DOI) to develop and implement a new U.S. Virgin Islands (USVI) Consumer Price Index (CPI). BER was excited to receive notification on July 11, 2017 that the grant award was for the requested amount. The primary goal of the grant 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 is in need of 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

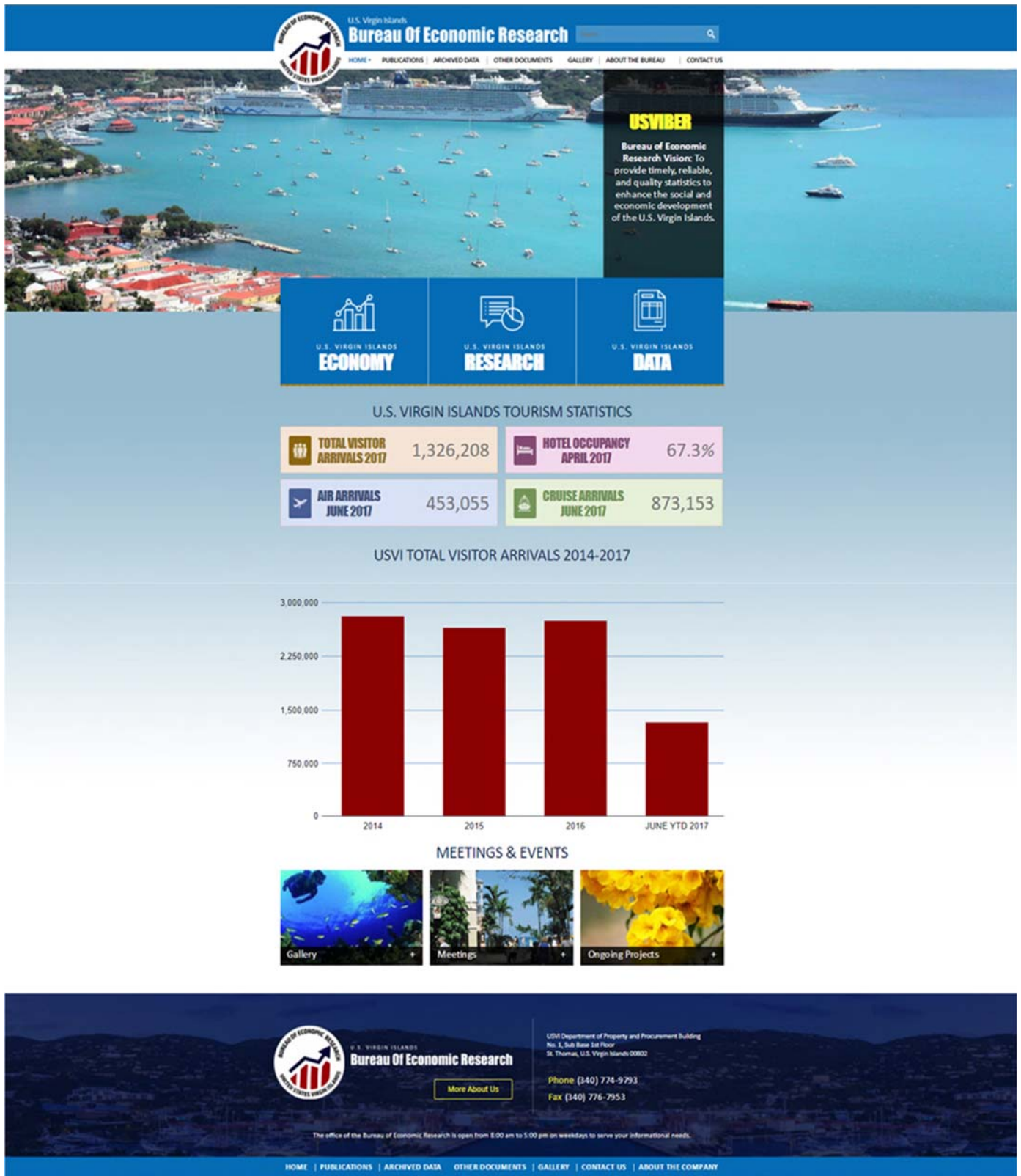
USVI. Additionally, it will provide timely and accurate readings of price trends essential to government officials and the private sector. It also provides vital information which will help to sustain the Territory's economic growth.

The Bureau of Economic Research was pleased with the launching of its new website on July 24, 2017 which is still under the URL www.usviber.org. The new features of the website are aimed to be more user-friendly which will allow users to be able to access publications such as the Economic and Tourism Indicators and also U.S. Virgin Islands Socioeconomic studies and other economic-related data. The focus of the website is to promote the economic development of the Territory. Funding for the website was made possible through a grant from the U.S. Department of Commerce, Economic Development Administration (USDOC, EDA).

The Bureau of Economic Research (BER) is scheduled to relocate into its new modern office at Kongens Gade, Charlotte Amalie, St. Thomas later this month. The new offices will enhance the working environment of the staff as it is more spacious than the previous location. The centralized location next to Office of the Governor will also increase the visibility of the Bureau and provide easy access to walk-in- clients including the public and private sector.

The Bureau continues to find new and innovative ways to deliver services while reducing the overall cost of government. The 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, I respectfully ask that you approve our proposed Fiscal year 2018 budget.

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





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The Bureau of Economic Research

