

TESTIMONY OF PRESIDENT DAVID HALL
UNIVERSITY OF THE VIRGIN ISLANDS

BEFORE THE
COMMITTEE ON FINANCE
29TH LEGISLATURE
OF THE VIRGIN ISLANDS

LEGISLATIVE HALL
#1 LAGOON STREET COMPLEX
ST. CROIX, U.S. VIRGIN ISLANDS

NOVEMBER 15, 2011

Good morning, Chairman Dowe and members of the Committee on Finance, other members of the 29th Legislature present, other testifiers, members of the Press, persons in the viewing and listening audiences, ladies and gentlemen. My name is David Hall, President of the University of the Virgin Islands and it is indeed an honor for me to appear before the Committee on Finance of the 29th Legislature to offer testimony on Bill No. 29-0167. Joining me today is Ms. Shirley Lake-King, Vice President for Administration and Finance at UVI.

As we have noted in previous appearances before the 29th Legislature, UVI is the only public institution of higher education (IHE) in the Territory and, therefore, has a tremendous role to play with respect to its contributions to this community. Further, UVI is committed to enhancing the lives of the people in the U.S. Virgin Islands, and, as such, has a goal, within our current strategic plan, VISION 2012 to: *Become a leader and partner with the community to address social, economic, environmental, political, educational and cultural issues impacting the U.S. Virgin Islands ...* Therefore, given the focus of Bill No. 29-0167, and its direct relationship to economic issues within the Territory, we are pleased to share our perspective on the proposed legislation.

Bill No. 29-0167 calls for the amendment of Title 2, Chapter 2 of the Virgin Islands Code, to establish a Revenue Estimating Conference for the purpose of "... establishing an official economic forecast of major variables of the national and territorial economies (p.3)." Such an amendment to Title 2, Chapter 2 of the Virgin Islands Code would put the Territory in line with most mainland jurisdictions which have similar legislation regarding revenue forecasting and the overall state budgets presented to and acted upon by state legislators. Therefore, while we understand and applaud the proponents of Bill No. 29-0167, we would like to share some thoughts on some of the subsections under Section 1.

First, Section 1 (c) delineates specific timeframes for annual sessions of the Revenue Estimating Conference. We believe, however, that some additional scrutiny is needed of this

section, within the framework of the Government of the Virgin Islands' (GVI) budget development process and timeline. This is particularly important, as Section 1 (g) notes that "The forecasts required by this section shall be for the fiscal year in which the Conference is being held and the next two (2) ensuing fiscal years." Our research indicates that, in most jurisdictions, forecasts are done by quarters within fiscal years. If, as the current proposed legislation calls for, the Conference is convened to forecast revenue estimates for the fiscal year in which the principals meet, this would pose some challenges for the utilization of the forecast information for current fiscal year budgeting.

Therefore, we recommend that the proponents and members of the Committee on Finance consider the modification of the language in the Bill No. 29-0167 such that more specific language is added to indicate the expected outcome and/or purpose of each Conference. For example, the September conference may be for the purpose of establishing the official forecast for the fiscal year commencing thirteen months later; the January conference may revise the official forecast for the ensuing fiscal year which would be utilized in the preparation of the budget call package; the March conference may revise the official forecast for the ensuing fiscal year which would be utilized in the preparation of the executive budget; and the June conference may be for the purpose of revising the ensuing year's forecast and conducting preliminary projections for the fiscal year commencing sixteen months later.

With respect to the principals of the Conference, as delineated in Section 1 (d), we would recommend that either the Chief Economist within the Bureau of Economic Research be added as a principal or that language be added to this subsection which specifically requires that at least one of the principals should have revenue forecasting expertise. In Section 1 (e), we recommend that consideration be given to modifying the language regarding "anticipated territorial revenues" such that there is some differentiation with respect to recurring and non-recurring revenues as well as language that references "any other revenues as determined by law".

We also note some inconsistency in terminology and would recommend that for consistency and clarity, similar terminology is used in both instances. Specifically, Section 1 (f) indicates that “The Conference’s official forecast of economic and revenue variables shall be determined by consensus among the principals.” Yet, Section 1 (k) requires that “... any final action establishing an official forecast shall be taken only with the unanimous decision of all the principals...” (p. 2). We believe that this inconsistency could create some challenges for the work of the Conference moving forward and would therefore recommend that consideration be given to amending the phrase “unanimous decision” in Section 1 (g) with the phrase “consensus decision”.

The language of Section 1 (i) speaks to the “... forecast of revenues and **expenditures** ...” [*Emphasis added.*] We would like to raise two questions with respect to this subsection. First, is the conference also responsible for addressing expenditures? Secondly, should an assumption upon which revenue forecasts are made be legislated? It seems more appropriate that forecasts include a statement of the economic assumptions and any other factors upon which they are based. Since assumptions need to be agreed upon by the principals, it does not seem advisable that particular assumptions be singled out and legislated.

Section 1 (k) notes that “The Governor shall utilize the forecasts to prepare and administer the budget, and to propose a comprehensive program and financial plan as required in section 20 of this chapter.” However, it is unclear how and when the work of the Conference will be presented to the Governor. We would recommend, therefore, that a subsection be added which addresses this matter, such that the Conference would share forecasts with the Governor in advance of the publication for the general public, as referenced in Section 1 (q).

Finally, Section 1 (q) does not provide an established timeframe, format, or medium within which the Conference is to publish the economic and revenue forecasts. We believe that this should be addressed so that both the principals of the Conference and public are clear on when, how, and

in what format the Conference forecasts will be publicized. One overarching observation is that the issue of the funding to support the proposed legislation is not explicitly discussed. Thus, in order to ensure that Bill No. 29-0167 does not become an unfunded mandate, we recommend that a subsection also be added to identify the funding stream to ensure that, once enacted into law, the Revenue Estimating Conference Act can be implemented without impediments.

In closing, we would again like to express that we believe there is value to the proposed legislation, and trust that the perspective provided by the University proves useful in improving the language of Bill No. 29-0167. The University looks forward to participating in the significant work delineated in the proposed legislation. One aspiration that I have for the University is that we are able to develop and implement a Center for Economic Policy, which could assist the Senate, the Governor and the entire Territory in better understanding, analyzing and forecasting economic trends within the Virgin Islands and the broader Caribbean. If this Center becomes a reality, then it could serve as a valuable research and analytical resource for this legislative initiative.

We continue to be appreciative of the consistent support that the University receives from the legislature, as an entity, and from each member of the body. We welcome the opportunity to respond to questions you may have regarding this presentation. Thank you.