

**GOVERNMENT OF
THE UNITED STATES VIRGIN ISLANDS**



THE OFFICE OF MANAGEMENT AND BUDGET

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June 10, 2011

Dear Governor de Jongh, Jr.,

The Fiscal Year 2012 Executive Budget for the Government of the U.S. Virgin Islands (GVI), totaling \$731.3 million, is hereby submitted for your consideration and transmittal to the Twenty-ninth (29th) Legislature of the U.S. Virgin Islands. The Fiscal Year 2012 Executive Budget is \$50.6 million less than the Fiscal Year 2011 Executive Budget of \$781.9 million that was submitted one year ago and is more than \$58.8 million less than the revised Fiscal Year 2011 current appropriation level of \$790.1 million.

The theme chosen for the Fiscal Year 2012 Executive Budget is "*Charting a Course for Fiscal Stability and Security*" and that action is what I truly believe we have taken in the preparation of the Fiscal Year 2012 Executive Budget which reflects measures that signify a major paradigm shift and that result in the submission of a balanced budget, despite a revenue base that has not yet significantly recovered from the impact of the Great Recession.

The Fiscal Year 2012 Executive Budget includes a combination of aggressive revenue enhancement measures and expenditure reduction initiatives designed to bridge the projected budget gap, since some of the external support that was previously available has been exhausted (i.e. external borrowing, State Fiscal Stabilization Funds and Education Jobs Funds, etc.). Accordingly, we propose restructuring and realigning departments and agencies within the parameters of available resources and according to reordered priorities. Additionally, the concepts of shared sacrifice and transparency and accountability for all have been woven throughout the budgetary process and must continue to be implemented.

The budgetary paradigm shift that is proposed did not just happen; together with you and the leadership of the various departments and agencies, we have been taking progressive actions to most effectively align government operations and the related costs with available resources during the past two years. Our actions have been driven by the agents of international, national, regional and local financial changed circumstances and realities. Given continuing economic challenges across the international, national, regional and local environment, we must continue to co-create our own best experiences, despite our geographical isolation, our insular economy, our limited economies of scale, the limitations for our workforce to move across nearby islands for work, and our other unique challenges.

The Fiscal Year 2012 Executive Budget of \$731.3 million is allocated in the following budgetary categories:

- \$311.7 million in Personnel Services,
- \$138.4 million in Fringe Benefits,
- \$ 13.0 million in Supplies,
- \$131.2 million in Other Services and Charges,
- \$ 20.9 million in Utilities,
- \$115.3 million in All Expenses, and
- \$ 0.8 million in Capital Outlays.

The All Expenses budget category includes proposed appropriations for the other branches of government (i.e. the Legislature and the Judiciary) of \$52.9 million, the University of the Virgin Islands of \$30.9 million, WTJX Public Television of \$4.05 million and the Virgin Islands Waste Management Authority of \$25.9 million. Additionally, the Fiscal Year 2012 Miscellaneous Section of the Budget is \$83.4 million.

The General Fund Revenues and Contribution Schedule, Actual, Estimated, and Projected for Fiscal Years 2008 through 2012, reflects Adjusted General Fund Net Revenues available for appropriation of \$731.3 million during Fiscal Year 2012. However, General Fund Gross Revenues reflected in the Fiscal Year 2012 Executive Budget total \$874.8 million, which when reduced by \$80 million for Tax Refunds, \$5.7 million for the Infrastructure Subsidy, \$2.4 million due to the U.S. Virgin Islands Port Authority, \$47.4 million in Debt Service and \$8 million for Transfers Out mirrors the General Fund Revenues and Contribution Schedule, Actual, Estimated, and Projected for Fiscal Years 2008 through 2012.

The Total Appropriated and Non-Appropriated Funds reflected in the Fiscal Year 2012 Executive Budget are \$1.2 billion, comprised of the following:

- \$731.3 million - General Fund (Net);
- \$112.6 million – Other Appropriated Funds;
- \$ 2.6 million – ARRA Funds;
- \$176.7 million – Federal Funds;
- \$104.4 million – Non-Governmental Funds; and,
- \$ 72.0 million – Other Non-Appropriated Funds.

The Fiscal Year 2012 Executive Budget also includes proposed appropriations for the Supreme Court, the Superior Court, the Office of the Public Defender, the Judicial Council and Miscellaneous appropriations inclusive of the following:

- \$22.3 million for Health Insurance for Retirees;
- \$ 7.6 million for Insurance on Government Buildings;
- \$ 5.0 million for the Economic Development Authority;
- \$ 3.6 million for contractual payments to the Third Party Fiduciary;

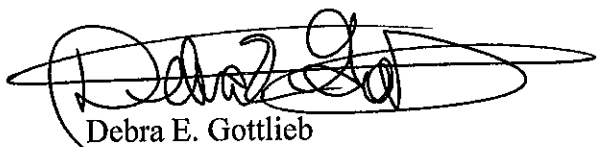
- \$ 2.5 million for the Longitudinal Data System;
- \$ 2.5 million for ERP Database/Hardware Upgrade;
- \$ 2.4 million for Contingency Funding for Federal Programs;
- \$ 2.0 million for School Maintenance;
- \$ 2.0 million for V.I. Housing Finance Authority;
- \$ 1.9 million for Excessive Force Consent Decree;
- \$ 1.5 million for Energy Crisis Program;
- \$ 1.5 million for Frederiksted Health Center;
- \$ 1.2 million for Workman's Compensation Premium Increase;
- \$ 1.1 million for East End Health Center;
- \$ 1.0 million for Disaster Recovery Contingency; and,
- \$ 1.0 million for ERP Software Upgrade.

Performance Management is the tool that the Government of the U.S. Virgin Islands utilizes to facilitate transparency and accountability through the establishment of effective performance measures and reporting, to support the meeting of goals, and to effect improvement of government services and overall operations. The U.S. Virgin Islands Office of Management and Budget (OMB) continues to take the lead on this initiative, including providing training to government departments and agencies in all aspects of Performance Management. OMB also continues to monitor and coordinate the Performance Management reporting of departments and agencies.

To continue to most effectively administer the American Recovery and Reinvestment Act (ARRA) funding and other federal grants awarded to the Territory, OMB will also continue to monitor grant performance and continue to offer additional grants management training opportunities for Financial and Program Managers. Despite staffing constraints, OMB sees great opportunities to strengthen the management of government operations and to improve the delivery of services via improving communication; utilizing all of the appropriate features of the Enterprise Resource Planning (ERP) System and other available technology and aligning them throughout the government, all within our means; partnering across government to identify and implement best practices for financial and overall operational management; providing training and certifying financial management officers; and, developing and allocating human and other resources for timely and comprehensive contingency plans.

I continue to applaud the many professional and dedicated employees of the U.S. Virgin Islands Office of Management and Budget and other government employees for their tireless efforts in producing the Fiscal Year 2012 Executive Budget, and I will continue to work with you and the other staff members of all branches of this government during the challenging years ahead to "*Chart a Course for Fiscal Stability and Security*" for all U.S. Virgin Islanders.

Sincerely,



Debra E. Gottlieb
Director, Office of Management and Budget