

**TESTIMONY BY THE OFFICE OF THE GOVERNOR
TO THE COMMITTEE ON FINANCE OF THE
31st LEGISLATURE OF THE VIRGIN ISLANDS**

**THURSDAY, MARCH 12, 2015
EARLE B. OTTLEY LEGISLATIVE HALL
10:00 A.M.**

BY:

**VALDAMIER O. COLLENS, COMMISSIONER NOMINEE
DEPARTMENT OF FINANCE**

GOOD MORNING, MR. PRESIDENT, MEMBERS OF THE 31ST LEGISLATURE, FELLOW TESTIFIERS, THE MEDIA, LADIES AND GENTLEMEN IN THE LEGISLATIVE CHAMBERS AND THE LISTENING AND VIEWING AUDIENCE.

I AM VALDAMIER O. COLLENS, COMMISSIONER NOMINEE, AND DEPARTMENT OF FINANCE. ACCOMPANYING ME TODAY ARE MR. NELLON BOWRY, DIRECTOR NOMINEE, OFFICE OF MANAGEMENT AND BUDGET AND MS. MONA BARNES, DIRECTOR NOMINEE OF VITEMA.

WE ARE HERE TODAY TO PROVIDE TESTIMONY WITH RESPECT TO BILL NO. 31-0062. THIS BILL IS INTENDED TO PROVIDE FUNDING FOR THE GOVERNOR JUAN F. LUIS HOSPITAL AND MEDICAL CENTER'S SYSTEM IMPROVEMENT AGREEMENT WITH THE CENTERS FOR MEDICARE AND MEDICAID SERVICES. THIS LEGISLATION WOULD ALSO PROVIDE FOR THE REPAYMENT TO FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) OF CERTAIN COSTS PREVIOUSLY FUNDED FROM HOMELAND SECURITY PROGRAM GRANTS THAT HAVE BEEN DEEMED TO BE UNALLOWABLE.

“OR SO MUCH OF THE FUNDS AS NEEDED” FROM THE GENERAL FUND. NOW, LET’S SET ASIDE FOR THE MOMENT, THE IMPACT OF THIS LAST NOTATION: “SO MUCH OF THE FUNDS AS NEEDED.” THIS OPEN ENDED STATEMENT PROVIDES FOR UNLIMITED ACCESS TO THE GENERAL FUND FOR THE PROPOSED PROJECT. HOWEVER, IF WE ARE TO HAVE AN HONEST DISCUSSION ABOUT THIS LEGISLATION, WE MUST BEGIN WITH A COLLECTIVE RECOGNITION THAT THIS LEGISLATION IS SEEKING TO APPROPRIATE FUNDS THAT ARE SIMPLY NOT AVAILABLE.

WE MUST WORK TOGETHER TO ELIMINATE THE LONG STANDING TRADITION OF APPROPRIATING (AND RE-APPROPRIATING) THE SAME FUNDS FOR MULTIPLE PROJECTS. ADMITTEDLY, OVER THE COURSE OF TIME, THERE HAS BEEN A BREAKDOWN IN THE BUDGET PROCESS; WHICH HAS CAUSED CONFUSION BETWEEN FUND BALANCES IN ANY GIVEN FUND AND AVAILABLE CASH IN THE BANK, WITH FUNDS THAT ARE UNOBLIGATED AND AVAILABE FOR EXPENDITURE FOR ANY GIVEN PROJECT AT A PARTICULAR POINT IN TIME. THREE WEEKS AGO, WE MET TO DISCUSS THE FINANCIAL CONDITION OF THE

NOT ENOUGH CASH FLOW AVAILABLE TO FULLY FUND OUR BASELINE BUDGET OBLIGATIONS, AS THE EXPENDITURES THAT WERE APPROVED FOR THE FISCAL YEAR BEGINNING LAST OCTOBER WERE NEVER FULLY FUNDED.

UNTIL SUCH TIME ACTIONS ARE TAKEN TO ADDRESS THE DEFICIENCIES IN REVENUES THAT WILL CLOSE THE SIGNIFICANT BASELINE BUDGET SHORTFALL, OUR CASH POSITION SIMPLY CANNOT SUSTAIN ANY NEW APPROPRIATIONS OF FUNDS – FROM ANY ACCOUNT. THIS LEGISLATION IS NO EXCEPTION. NEVERTHELESS, WITH DUE REVERENCE GIVEN TO THE LEGISLATURE’S ROLE IN EVALUATING THE OVERRIDING URGENCY OF THE PROPOSED LEGISLATION, AS THIS AUGUST BODY ENDEAVORS TO APPROVE THIS LEGISLATION, FULLY RECOGNIZE THAT EVERY NEW EXPENDITURE OF FUNDS MANDATED BY LEGISLATION – WITHOUT A CORRESPONDING OFFSET OF TANGIBLE REVENUES – ONLY HASTENS THE DAY WHEN WE WILL BE UNABLE TO MEET OUR SHORT- AND LONG-TERM OBLIGATIONS.

CANNOT SIT IDLY AND SAY, "REAPPROPRIATE THE FUNDS PROPOSED IN THIS LEGISLATION AND WE WILL BE FINE." WE CANNOT SAY THAT BECAUSE WE ARE NOT FINE. THIS IS BECAUSE ANY APPROPRIATION OF FUNDS AS PROVIDED HERE WILL HAVE REVERBERATING EFFECTS ON OTHER OBLIGATIONS THAT WE HAVE AND A PAYROLL THAT WE HOPE TO CONTINUE TO MEET, EVERY TWO WEEKS. BUT, WHAT WE CAN SAY IS THAT THE HOSPITALS MUST TAKE EVERY MEASURE TO STREAMLINE ITS OPERATIONS PRIOR TO SEEKING ADDITIONAL FUNDING FROM THE CENTRAL GOVERNMENT.

WE UNDERSTAND THAT THIS LEGISLATION REPRESENTS A SIGNIFICANT PRIORITY. HOWEVER, WE ARE OBLIGED TO REITERATE THE CAUTIONARY URGINGS EXPRESSED THREE WEEKS AGO, SUCH THAT NO ONE HAS ANY ILLUSIONS ABOUT THE RISKS WE FACE. FOR ALL INTENTS AND PURPOSES, IT IS TOO LATE IN THE FISCAL YEAR TO ADDRESS THE MAGNITUDE OF THE BUDGET SHORTFALL THAT WE FACE. NEW REVENUES TAKE TIME TO PUT IN PLACE, AND WITH EACH WEEK, THE ABILITY TO WITHHOLD SUFFICIENT SPENDING BECOMES MORE PROBLEMATIC. THUS, A COMPREHENSIVE PLAN WILL AWAIT

GUARANTY FUND – ABOVE THE THRESHOLD ESTABLISHED BY LAW,
WHICH IN THE CURRENT INSTANCE IS \$10 MILLION.

LET US NOW TURN TO THE FEMA REPAYMENT ISSUE. THE FEMA REPAYMENT OBLIGATION ADDRESSED IN BILL NO. 31-0062 ARISES FROM AN AUDIT PERFORMED BY THE DEPARTMENT OF HOMELAND SECURITY OFFICE OF INSPECTOR GENERAL OF \$4.6 MILLION IN STATE HOMELAND SECURITY PROGRAM GRANTS AWARDED TO THE U.S. VIRGIN ISLANDS DURING FISCAL YEARS 2007 THROUGH 2009. THAT AUDIT IDENTIFIED EIGHT AREAS FOR IMPROVEMENT IN THE ADMINISTRATION OF GRANT FUNDS, AND IN THE PROCESS OF THE AUDIT, THE INSPECTOR GENERAL QUESTIONED CERTAIN SPECIFIC EXPENDITURES. IN RESPONSE TO THE AUDIT FINDINGS FROM THE OFFICE OF THE INSPECTOR GENERAL, THE GOVERNMENT OF THE VIRGIN ISLANDS PROPOSED TO FEMA A REPAYMENT PLAN FOR THE STIPULATED AMOUNT OF \$1,047,259. NOTWITHSTANDING FEMA REGULATIONS THAT REQUIRE DEBTS TO BE COLLECTED IN ONE IMMEDIATE LUMP SUM, AND THAT SPECIFICALLY ALLOW SUCH DEBT TO BE WITHHELD FROM OTHER PROGRAM FUNDS WITHOUT NOTICE;

Committee of the Whole Testimony
Valdamier O. Collens, Commissioner Nominee
Department of Finance
March 12, 2015

PLAN, WE WOULD FULLY EXPECT FEMA TO PROCEED TO HAVE THE U.S. TREASURY INTERCEPT OTHER PROGRAMATIC FUNDS DUE TO THE GOVERNMENT IN ORDER TO REPAY IN FULL THE AMOUNT OWED TO FEMA FOR THE DISALLOWED FUNDS. ANY SUCH INTERCEPT WOULD PROVIDE FOR THE REPAYMENT TO FEMA IN FULL, UP FRONT, AS ALLOWED UNDER LAW, WITH NO REPAYMENT OVER TIME.

MR. CHAIRMAN, THIS CONCLUDES MY TESTIMONY. WE ARE AVAILABLE TO RESPOND TO QUESTIONS THE MEMBERS OF THIS COMMITTEE AND OTHER SENATORS PRESENT MAY HAVE ABOUT THIS PROPOSED LEGISLATION. THANK YOU.