



# Legislature of the Virgin Islands

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## POST AUDIT DIVISION

June 7, 2023

### COMMITTEE ON BUDGET, APPROPRIATIONS, AND FINANCE FISCAL YEAR 2024 BUDGET HEARING DEPARTMENT OF TOURISM

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## **BACKGROUND AND HISTORY**

The Department of Tourism was established on May 8, 1995 as an executive department. The Department of Tourism was formerly a part of the Virgin Islands Economic Development & Agriculture. EDA was then broken down into different departments with the Department of Tourism as one of them. The department is primarily responsible for the economic development of the Territory through the promotion of tourism and related activities.

The department is under the supervision of the Commissioner of Tourism and its responsibilities include but are not limited to the formulation, implementation, administration and coordination of programs and policies pertaining to all aspects of tourism.

Activities conducted by the Department of Tourism include the following:

- Develop strategies that will make the Territory competitive and desirable as a tourism destination
- Communicate and cooperate with all local tourist or tourist-related businesses to determine their needs and how best to promote the industry
- Promote Virgin Islands culture as a part of the tourism experience
- Promote an understanding of the importance of the tourism experience
- Develop strategies for the U.S. Virgin Islands in all businesses and industries throughout the Territory
- Identify and promote the unique features of St. Croix, St. John, St. Thomas, and Water Island in tourism advertising; and, develop long-term strategies to successfully develop the overall economy

The Department has now been tasked with organizing and executing festivals under Act 8153.

## **TOURISM ADVERTISING REVOLVING FUND**

This Fund was created by Act 5249 and established under Title 33, Section 3072 Virgin Islands Code. The Fund is administered by the Commissioner of Finance and consists of all sums appropriated from time to time by the Legislature, all gifts, contributions and bequests made, and 100% of all moneys received by the Government from the collection of Hotel Room Tax, which is 10% of the gross room rate or rental.

Monies disbursed from the Fund are used exclusively by the Department of Tourism for promoting the Territory as a tourist destination and for industrial promotion.

The Commissioner of Finance is required to forward annually to the Governor and the Legislature a detailed accounting of the disbursements from the Fund and the un-obligated balance.

The Hotel Room Tax was enacted on July 13, 1978 as part of the Fiscal Year 1979 Executive Budget. It was established as a value added tax to the gross room rate of guests who rent and are registered or assigned a room in a hotel or other place where accommodations are furnished by the

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day, week, and month for pay. The activity regarding the increases in the hotel room tax from its enactment to the current status is shown in the table below:

<b>Changes in Hotel Room Tax</b>		
<b>Year</b>	<b>Rate</b>	<b>Act # Enacted</b>
1978	5%	4155
1983	6%	4877
1986	7.5%	5172
1994	8%	5954
2015	10.5%	7767
2015	12.5%	7767

Originally, only 50% of the monies collected from the Hotel Room Tax went into the Tourism Advertising Revolving Fund. In 1989, Act No. 5394 increased the contribution to 65% and limited the maximum amount of monies which could be deposited into the Fund in any given fiscal year to \$6.5 million.

In 1990, Act 5498 removed the cap on the amount of monies that could be deposited into the Fund and increased the contribution to 100% for Fiscal Year 1990 only. This Act also mandated that \$1 million be used for a territory-wide cleanup and beautification program and that \$1 million be used exclusively for advertising St. Croix, \$1 million for advertising St. Thomas, and \$200,000 for advertising St. John.

Later, Act No. 5624 extended the 100% contribution for Fiscal Year 1991, and Act No. 5721 further extended it for Fiscal Years 1992 and 1993. Act No. 5897 further extended the 100% contribution to Fiscal Years 1994 and 1995. It also mandated that \$1 million be reserved for the exclusive promotion of the island of St. Croix. Act No. 6092 further extended the 100% contribution for Fiscal Years 1996 and 1997; it also mandated that \$1 million be reserved for the exclusive advertising and promotion of the island of St. Croix.

Act 7767, Bill 31-0222 provided the following amendments to the Hotel Room Tax to become effective January 1, 2016:

(b) (1) Every guest of a hotel as defined above shall pay to the Government of the United States Virgin Islands a tax to be collected and remitted to the Government by the hotelkeeper or innkeeper at the rate of 12.5 percent of the gross room rate or rental. For the purposes of this section, "gross room rate or rental" shall include the room rate plus any additional charges, such as an energy surcharge or a maintenance fee.

(2) Every guest who rents a time-share estate in the Virgin Islands shall pay to the Government of the Virgin Islands a tax to be collected and remitted to the Government at the rate of 10.5 percent of the gross room rate or rental. The operator of the time-share estate facility shall collect and remit the tax collected under this paragraph to the Bureau of Internal Revenue. For purposes of this

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section, a "time share estate" is defined as a right of occupancy in a time-share project that is coupled with an estate in the real property.

1) At the beginning of each fiscal year, the funds collected under subsection (b)(1) must be deposited into the Tourism Advertising Revolving Fund established pursuant to section 3072 of this title; except that

(A) not less than \$ 1,000,000 must be deposited into the Agriculture Revolving Fund established pursuant to section 3018 of this title no later than June 30' of each year;

(B) not less than \$ 1,000,000 must be used for the development and promotion of sports tourism;

(C) not less than \$ 500,000 must be transferred to the Department of Education for inter-scholastic competitions of Virgin Islands public high school athletes in games on St. Croix, St. Thomas, St. John, the British Virgin Islands and Puerto Rico; and

(D) not less than \$ 500,000 must be used by the Department of Sports, Parks and Recreation for recreation and sports activity programs,

(2) At the beginning of each fiscal year, the funds collected under subsection (b)(2) must be deposited into the Tourism Advertising Revolving Fund established under section 3072 of this title for the following purposes:

(1) 25% for advertising the Virgin Islands;

(2) 25% for exclusively advertising the island of St. John;

(3) 25% for exclusively advertising the island of St. Croix;

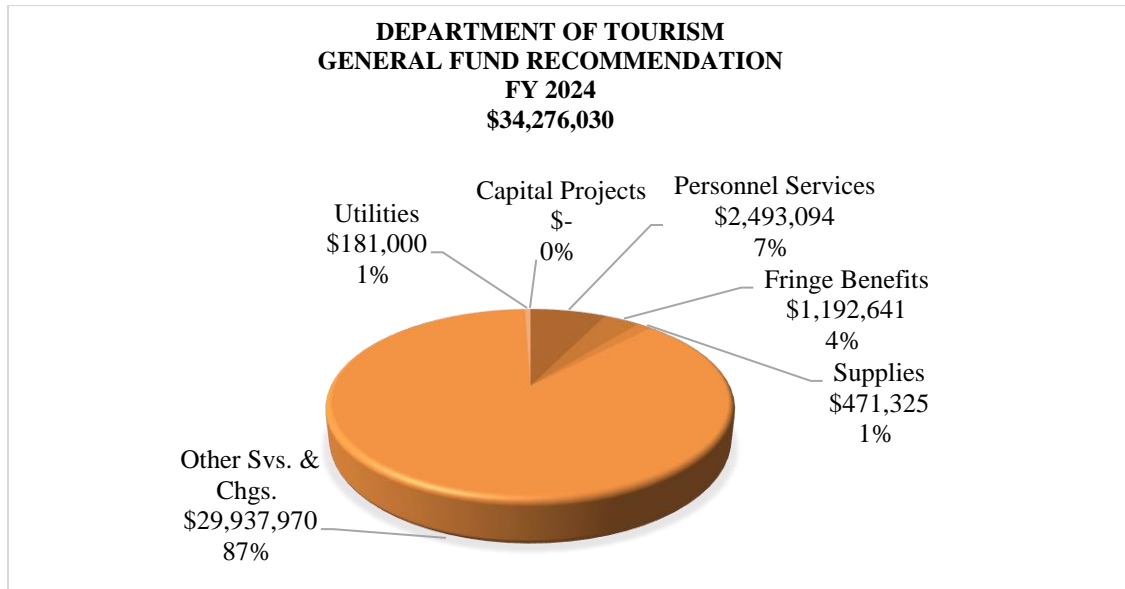
(4) 25% for exclusively advertising the marine industry of the Virgin Islands.

## **MISSION STATEMENT**

The mission of the Department of Tourism (DOT) is to increase visitor expenditures, to aid in the economic development of the Territory.

## **BUDGET OVERVIEW**

*Exhibit I* displays the Governor's FY 2024 Tourism Advertising Revolving Fund recommendation in the amount of **\$34,276,030**. According to Act 8636, the Department was appropriated **\$30,097,941** which is **\$4,178,090** more than recommended for Fiscal Year 2024. As of June 7, 2023, no allotment to date totals were received for FY 2023.



*Exhibit I*

**FISCAL YEAR 2024 BUDGET SUMMARY**

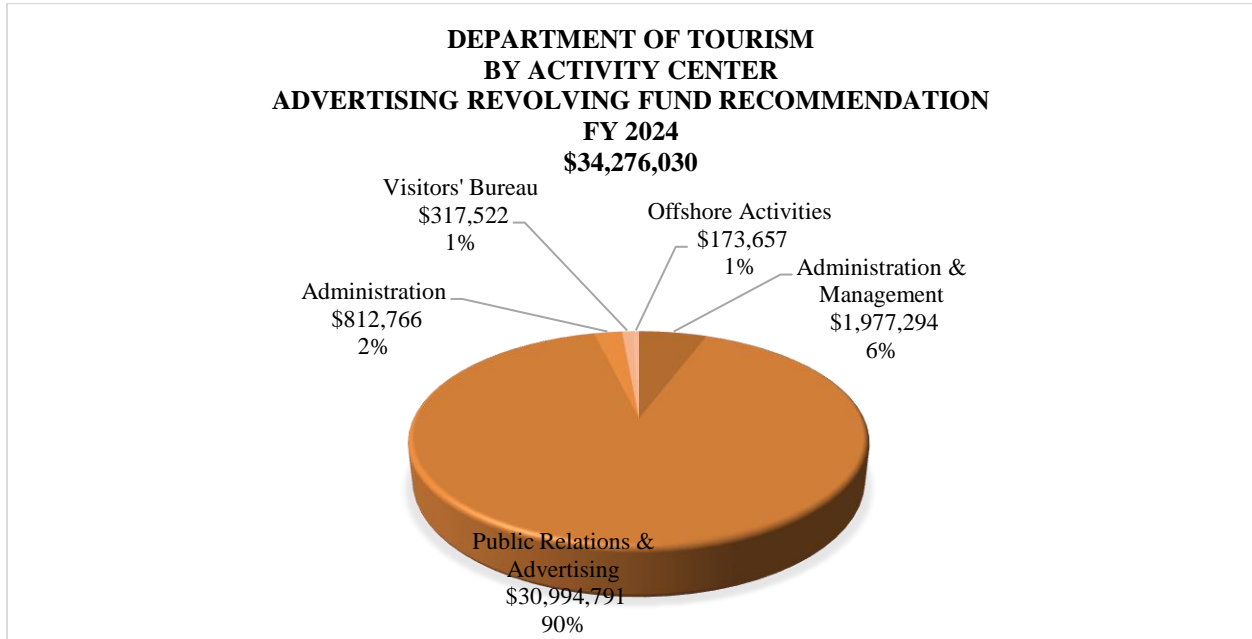
The Governor has recommended a Tourism Advertising Revolving Fund appropriation of **\$34,276,030** for Fiscal Year 2024. *Exhibit III* compares a three-year Financial Summary for the Tourism Department.

Description	FY2022 Expenditure	FY2023 Appropriation	FY2024 Recommendation	Variance	% Chg
<b>Appropriated Funds:</b>					
<b>Tourism Advertising Revolving Fund</b>					
Personnel Services	\$ -	\$ 2,363,094	\$ 2,493,094	\$ 130,000	6%
Fringe Benefits	\$ 4,999	\$ 1,106,618	\$ 1,192,641	\$ 86,023	8%
Supplies	\$ 135,342	\$ 266,500	\$ 471,325	\$ 204,825	77%
Other Services & Charges	\$ 10,951,419	\$ 26,206,728	\$ 29,937,970	\$ 3,731,242	14%
Utilities	\$ -	\$ 155,000	\$ 181,000	\$ 26,000	17%
Miscellaneous	\$ -	\$ -	\$ -	\$ -	0%
<b>Total Tourism Ad Revolving Fund</b>	<b>\$ 11,091,760</b>	<b>\$ 30,097,940</b>	<b>\$ 34,276,030</b>	<b>\$ 4,178,090</b>	<b>14%</b>
<b>Total Appropriated Funds</b>	<b>\$ 11,091,760</b>	<b>\$ 30,097,940</b>	<b>\$ 34,276,030</b>	<b>\$ 4,178,090</b>	<b>14%</b>
<b>Grand Total Funds</b>	<b>\$ 11,091,760</b>	<b>\$ 30,097,940</b>	<b>\$ 34,276,030</b>	<b>\$ 4,178,090</b>	<b>14%</b>

*Exhibit II*

**BUDGET BY ACTIVITY CENTER**

The Post Audit analysis will include a presentation of the following five (5) functional areas within the Department as submitted.



**Org 92000 Administration & Management**

**Functional Statement:**

The Administration and Management Unit ensures the department operates by local and federal rules through financial leadership.

The Administration and Management unit is expected to receive six percent (6%) of the departments Tourism Advertising Revolving Fund budget in the sum of **\$1,977,294** for Fiscal Year 2024. The Department received a lump sum budget in FY 2023, no breakdown was received for this Unit to compare.

Personnel Services cost for the Administration & Management section in Fiscal Year 2024 will cover twenty-one (21) positions under the Tourism Advertising Revolving Fund. The Department received a lump sum budget in FY 2023, no breakdown or personnel listing was received for this Unit to compare.

**Org 92010 Public Relations/Advertising**

**Functional Statement:**

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Tourism revenues provide significant economic benefits for the U.S. Virgin Islands economy. As such, the Department of Tourism’s efforts are focused on enhancing local economic development by marketing our islands as a tourist destination both domestically and internationally in hopes of generating revenue and jobs. The marketing strategy of this unit enables the department to increase revenue to the territory by focusing its efforts on areas with the highest potential for return on investment.

KPI Name	Trend Goal	Target	Result
Number of media/special events/influencers	Increase	56	0
Number of organic ad placements	Increase	17,681,966,707	0
Number of organic media placements	Increase	4,746	0
Total number of media/PR ad value	Increase	17,681,966,707	0
Total number of media/PR impressions	Increase	\$ 2,159,100,836	\$ -

The Public Relations/Advertising unit is expected to receive ninety percent (90%) of the departments Tourism Advertising Revolving Fund budget in the sum of **\$30,994,791** for Fiscal Year 2024. The Department received a lump sum budget in FY 2023, no breakdown was received for this Unit to compare.

Personnel Services cost for the Public Relations/Advertising section in Fiscal Year 2024 will cover five (5) positions under the Tourism Advertising Revolving Fund. The Department received a lump sum budget in FY 2023, no breakdown or personnel listing was received for this Unit to compare.

**Org 92100 Tourism Administration**

**Functional Statement:**

The Administration Unit coordinates the premier tourism programs: Greeters, the Stranded Passengers, Visitor’s Bureau and Welcome Centers. The direct service of Greeters at airports, cruise ports, and downtown ensures a hassle-free experience with the dissemination of guidance and information. The Stranded Passengers’ Assistance Program provides support during unforeseen events, such as lost luggage, or rescheduled flights, and procures transportation, meal and hotel vouchers during long overlays. By offering emotional support as an “island friend,” trained team members transform travel setbacks into positive experience for guests.

The Tourism Administration unit is expected to receive two percent (2%) of its Tourism Advertising Revolving Fund budget in the sum of **\$812,766** for Fiscal Year 2024. The Department received a lump sum budget in FY 2023, no breakdown was received for this Unit to compare.

Personnel Services cost for the Tourism Administration section in Fiscal Year 2024 will cover eight (8) positions under the Tourism Advertising Revolving Fund. The Department received a lump sum budget in FY 2023, no breakdown or personnel listing was received for this Unit to compare.

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**Org 92110 Visitors’ Bureau – STT/STJ/STX**

**Functional Statement:**

The Convention and Visitor’s Bureau provides information about on-island direct support services, activities and accommodations to current and prospective visitors through the disbursement of informational brochures, maps, pamphlets, and other promotional materials. Additionally, at the Territory’s ports there are meet and greeters who greet the daily visitors, assist in compiling relevant statistics concerning passengers, secure and sponsor cultural entertainment, provide local treats, assist passengers with an unanticipated crisis situation and participate in inaugural activities for a maiden voyage or new airline route to the Virgin Islands.

KPI Name	Trend Goal	Target	Results
Number of collateral and promotional packages distributed	Increase	2,177,708	0
Number of cruise line passengers arrived	Increase	1,504,778	0
Number of customer care calls and emails processed	Increase	299	0
Number of overnight guests to the territory annually	Increase	77,566	0
Number of tourism outreach via airport, seaport and local community	Increase	653	0

The Visitors’ Bureau unit is expected to receive one percent (1%) of the departments Tourism Advertising Revolving Fund budget in the sum of **\$317,522** for Fiscal Year 2024. The Department received a lump sum budget in FY 2023, no breakdown was received for this Unit to compare.

Personnel Services cost for the Visitors’ Bureau in Fiscal Year 2024 will cover four (4) positions under the Tourism Advertising Revolving Fund. The Department received a lump sum budget in FY 2023, no breakdown or personnel listing was received for this Unit to compare.

**Org 92120 Offshore Activities**

**Functional Statement:**

The Offshore Activities Unit promotes the United States Virgin Islands as an upscale, year-round destination by engaging in promotional activities designed to influence travel agents, wholesalers, tour operators, group and incentive planners, airlines, consumers and other travel-related entities on the U.S. mainland.

KPI Name	Trend Goal	Target	Results
Number of sales, in-market activations and special events	Increase	56,910	0
Number of sales calls	Increase	4,529	0
Number of travel agents completed Travel Agent University	Increase	1,701	0

The Offshore Activities unit is expected to receive one percent (1%) of the departments Tourism Advertising Revolving Fund budget in the sum of **\$173,657** for Fiscal Year 2024. The Department received a lump sum budget in FY 2023, no breakdown was received for this Unit to compare.



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Personnel Services cost for the Offshore Activities unit in Fiscal Year 2024 will cover eight (8) positions under the Tourism Advertising Revolving Fund. The Department received a lump sum budget in FY 2023, no breakdown or personnel listing was received for this Unit to compare.

**RENTAL PROPERTY**

The Department’s Fiscal Year 2024 has rental property listing of **\$99,000**. *Exhibit III* displays a listing of Tourism’s rental property as received in the FY 2024 Budget Book.

Landlord	Annual Rent
GINA DYER - CINTRON	\$ 72,000
V.I. Public Finance Authority	\$ 27,000
<b>Total</b>	<b>\$ 99,000</b>

*Exhibit III*

**VEHICLES**

*Exhibit IV* provides a listing of Tourism’s vehicles from FY 2023. No maintenance or fuel cost was submitted as of June 7, 2023.

Year	Make	Model	Funding Source	Lease/Own	Condition	Office	Division	Plate No.
2015	Chevrolet	Equinox	General Fund	Own	Good	STT/J	Commissioner's Office	TD-4
2016	Chevrolet	Trax	General Fund	Own	Good	STT/J	Visitor's Bureau - STJ	TD-2
2022	Chevrolet	Equinox	General Fund	Own	New	STT/J	Commissioner's Office	TD-6
2022	Chevrolet	Traverse	General Fund	Own	New	STT/J	Commissioner's Office	TD-1
2011	Chevrolet	Equinox	General Fund	Own	Poor	STX	Commissioner's Office	TD-5
2022	Chevrolet	Equinox	General Fund	Own	New	STX	Visitor's Bureau	TD-7
2022	Chevrolet	Traverse	General Fund	Own	New	STX	Commissioner's Office	TD-8

*Exhibit IV*

**CONTRACT LISTING**

*Exhibit V* provides a listing of the Tourism’s contracts for FY 2024.

Contractor	Amount	Expiration	Purpose
Millennium Phone and Cable	\$ 210,000	8/1/22 - 7/31/24	Information Technology Contract
PR Contract	\$ 2,100,000	Pending	Public Relations Agency Contract Allotment
Miles Partnership, LLP	\$ 5,000,000	3/9/23 - 3/8/24	Advertising and Promotion Contract
Lisa Posey	\$ 104,000	Pending	Sales Rep - Marketing Contract
Shana C. Whyte d/b/a SCW Consulting Services	\$ 106,000	Pending	Sales Rep - Marketing Contract
Kmisha Victoria Counts	\$ 70,000	Pending	Sales Rep - Marketing Contract
Laveda Consulting	\$ 80,000	Pending	Sales Rep - Marketing Contract
Aloma Dawson	\$ 90,000	Pending	Sales Rep - Marketing Contract
Meeting the Needs of Our Community	\$ 48,500	Pending	Festival

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Ann Theophille d/b/a Kubuli Ladi	\$ 18,375	11/22/22 - 11/21/23	Cleaning Services for Office and Public Restrooms
VI Cleaning Services, LLC	\$ 19,600	2/1/23 - 9/30/23	Cleaning Services for Office and Public Restrooms
<b>TOTAL</b>	<b>\$ 7,846,475</b>		

*Exhibit V*

**HOTEL ROOM TAX REPORT**

According to the Internal Revenue Bureau website, the following amounts were listed as collected from the hotel room tax fees; FY 2022 actual collection of **\$45,664,095.88**. Collections for FY2022 as of May 31, 2022, were \$14,779,923.40 and FY 2023 collections as of May 31, 2023, of **\$13,200,903.14**. The difference between the two fiscal periods is **\$1,579,020.26** which amounts to a decrease of **11%**.

**TOURISM ADVERTISING REVOLVING FUND BALANCE**

The Department of Finance has reported as of March 31, 2023, an ending fund balance of **\$113,869,397.90** before deductions for requisitions (**\$1,498,369.95**), payments in process (**\$3,667,526.01**) encumbrances of (**\$12,869,290.81**) and a budgeted balance-unobligated budget of (**\$18,201,588.42**). This leaves an available balance for FY 2024 budget of **\$77,632,622.71**.

**TOURISM IMPREST FUND BALANCE**

The following fund balances were submitted for DOT Impress and Division of Festival accounts. These fund sources serve as petty cash to the Department. Balances are as of April 20, 2023.

Division of Festivals:

\$ 2,827.48	DOF Impress
\$ 18,326.87	STX Escrow
\$ 6,792.33	STJ Escrow
<u>\$ 50,800.85</u>	STT Escrow
<b>\$ 78,747.53</b>	<b>Total Division of Festivals Escrow</b>

Department of Tourism:

<u>\$ 5,105.03</u>	STT Impress
<b>\$ 5,105.03</b>	<b>Total Department of Tourism</b>

**MISCELLANEOUS SECTION**

Fiscal Year 2024 Governor’s Miscellaneous Section has no recommendations for the Department.

**POST AUDIT’S COMMENTS**

The Department of Tourism Fiscal Year 2024 Governor’s Recommendation Budget is as follows:

	<b>FY 2023 Revised Budget</b>	<b>FY 2024 Recommended Budget</b>	<b>Variance</b>	<b>% Change</b>
Tourism Revolving Fund	\$30,097,941	\$34,276,030	\$4,178,089	13.88%
<b>TOTAL</b>	<b>\$30,097,941</b>	<b>\$34,276,030</b>	<b>\$4,178,089</b>	<b>13.88%</b>

It is noted in the governor’s FY 24 budget that the recommended increase of **\$4,178,090** includes **\$130,000** for personal services, **\$204,825** for supplies and **\$3,731,240** for other services charges. The question to be answered can be how this will increase improve the department of Tourism product. Also, several key performance Indicators (KPIs) were listed (see pages 830-835) and to date, it appears that no real progress has been made. However, if these KPIs are to be achieved over several fiscal years, what are the KPIs for this year. The suggestion can be to add timelines to these KPIs.



Vincent Samuel  
Post Auditor