



United States Virgin Islands  
Public Finance Authority  
Office of Economic Opportunity

**TESTIMONY OF JULITO A. FRANCIS  
TO THE  
COMMITTEE OF THE WHOLE  
TWENTY-EIGHTH LEGISLATURE OF THE VIRGIN ISLANDS  
EARLE B. OTTLEY LEGISLATIVE HALL**

**To testify and discuss all aspects concerning the American Recovery and Reinvestment Act (ARRA) of the Stimulus Funds including contracts, requests for proposals, and any other matter related thereto.**

**March 22, 2010**

**10:00 A.M.**

## **INTRODUCTION**

**Good morning, Mr. Chairman and members of the 28<sup>th</sup> legislature, fellow testifier, ladies and gentlemen in the chambers and in the listening and viewing audience. I am Julito A. H. Francis, Director of Finance and Administration for the Public Finance authority (PFA) and Director of the Office of Economic Opportunity (OEO).**

**I am accompanied today by Ms. Marian Prescod of 3P, Inc. the firm that is primarily responsible for the development of the OEO's on-line monitoring, tracking, reporting, and resource tool. 3P also provides support to all government agencies and organizations on their American Recovery and Reinvestment Act (ARRA) grant applications and compliance reporting of any ARRA funds received per the 2009 Stimulus Act and Act 7063 as amended by Act 7064.**

**I have been commanded to testify, under a subpoena from this body, on all aspects concerning the American Recovery and Reinvestment Act of the Stimulus Funds including contracts, requests for proposals, and any other matter related thereto. Due to the voluminous amount of paper that would be required to provide each senator documents to honor this request, we have requested permission and have been granted the opportunity to provide this information by linking directly to the OEO Resource Website utilizing the audio visual equipment so see here today. Ms. Prescod will be the principle driving of that portion of the presentation as well as accessing documents that you may request or want to discuss. You, your staff, or any one can access the OEO's Resource website at [www.governordejongh.com/recovery/oeo\\_or](http://www.governordejongh.com/recovery/oeo_or)**

[oeo.usvipfa.com](http://oeo.usvipfa.com) for any information discussed today or at anytime 24 hours a day, 7 days a week.

Also, attached is the OEO's budget and actuals to date for Fiscal Year 2009 and 2010. Later in this testimony are also details related to funding for capital projects and programs from ARRA funds. Ms. Prescod will provide more information about the ARRA program in general and from a Virgin Islands perspective in her testimony.

### **Role of the OEO**

The OEO primarily acts as a support agency that assists all entities in the territory in submitting and, in some cases, directly developing grant applications for those entities applying for grants under the ARRA. The OEO has also been designated by the Governor as the lead agency for monitoring, reporting, and ensuring the compliance of all ARRA spending in the territory under the federal and local laws.

The OEO, as well as other state/territory recovery offices, has faced certain challenges in the performance of its duties. First of all, it is important to note that the OEO does not receive any funds from federal agencies under ARRA with the exception of the programs and projects that the Governor has designated to be directly under the direction of the OEO. These designations are by the option granted to the Governor's office under ARRA. Secondly, since much of the ARRA programs are primarily extensions of existing federal grant programs, the rules and regulations as well as discretion for project/program selection and implementation are direct from federal agency to their respective local counterpart agency. That is, the OEO is not

**responsible for the development or the implementation of projects and programs in any Virgin Islands entity receiving ARRA funds except where noted below. Therefore, the discretion for program/project selection and program/project implementation falls squarely on the head of the respective entity receiving the grant under ARRA. However, the OEO has the responsibility to report on all activity related to all ARRA funds coming into the territory. It is even more interesting to note that neither the federal Office of Management & Budget or the respective federal grantor agencies directly notifies the OEO of any grant availability for their local counterparts or of any awards granted to their local counterparts. Therefore, the OEO must remain vigilant in obtaining this information from various federal resource websites or from each local organization that may be applying for or that has received an ARRA grant award.**

**In addition, late notice of guidelines (such as experienced by the VIEO), ever changing compliance requirements (such as the jobs count dilemma), and late notice of awards just before a new reporting period, has kept the OEO and local agencies keen on rapid adaptation to remain in compliance at all times. Much of this effort has been possible because of the OEO's decision very early in the process to seek to utilize information technology and automation wherever possible. This has lead to the development of the OEO's Resource Tool. This resource tool's capabilities will be demonstrated to you today as we address many of your questions. This was very much a grounds up effort since no such single resource existed before in the territory for grants management. This resource tools was developed with the vision that all federal grants, not just under ARRA, can be managed and processed using**

**this tool now and into the future. The OEO Resource Tool is very much a live laboratory and is constantly being improved upon in order to enhance the experience of its users and provide information on all ARRA funds into the territory on a transparent basis.**

**Finally, neither the OEO (nor any other State/Territory Recovery Office) received direct funding under ARRA to run its operations and perform its oversight duties under ARRA. This is unlike the over \$300 million collectively provided to the various federal Inspectors' General Offices, the Recovery Act Transparency Board, and the federal Government Accounting Office to perform their respective oversight duties under the Act. Funding for the OEO's operations has been provided \$1 million advancement from the PFA's discretionary fund. This will be supplemented by an additional \$2 million from the State Fiscal Stabilization Fund grant award.**

**Despite these challenges, I must commend my PFA and OEO staffs for their exemplary performance to date in keeping the Virgin Islands ranked amongst the best performing ARRA Recovery Offices across all states and territories. I must also thank all of the organizations in the territory for cooperating with the OEO to meet all of the reporting and compliance requirements stipulated under ARRA and under local law.**

### **ARRA FUNDING CATEGORIES**

**Federal Agencies award ARRA funds under two major grant categories and then further under various major sub-categories then further under programs and projects from each respective federal grantor agency.**

**ARRA grants are awarded under the two major general funding categories of Formulaic Driven Grants and Competitive Grants. Formulaic grants are primarily awarded utilizing population based statistics. In this grant category, every state or territory is entitled to an ARRA grant award. These formulaic grants are for funding programs or capital projects.**

**ARRA provides over \$400 billion dollars for funding programs and capital projects under formulaic driven grants, of that amount, the Virgin Islands has received \$111,590,102.00 in the following areas:**

<b>Supplemental Nutrition Assistance Program (SNAP)</b>	<b>\$ 1,690,000.00</b>
<b>Temporary Assistance to Needy Families (TANF)</b>	<b>\$ 2,846,564.00</b>
<b>Emergency Unemployment Compensation</b>	<b>\$ 3,983,385.00</b>
<b>Increase in Unemployment Compensation Benefits</b>	<b>\$ 433,125.00</b>
<b>Payment to Veterans</b>	<b>\$ 113,500.00</b>
<b>ARRA Tax Credits</b>	<b>\$ 26,000,000.00</b>
<b>Direct Social Security Payments</b>	<b>\$ 4,133,250.00</b>
<b>VI Energy Office</b>	<b>\$ 31,686,929.00</b>
<b>Department of Health</b>	<b>\$ 27,754.00</b>
<b>VI Department of Education</b>	<b>\$ 549,150.00</b>
<b>Department of Public Works</b>	<b>\$ 19,284,112.00</b>
<b>Law Enforcement Planning</b>	<b>\$ 5,610.890.00</b>

<b>Commission</b>	
<b>Human Services</b>	<b>\$ 4,265,768.00</b>
<b>Department of Labor</b>	<b>\$ 3,144,143.00</b>
<b>VI Council on the Arts</b>	<b>\$ 50,000.00</b>
<b>VI Housing Finance Authority</b>	<b>\$ 1,810,614.00</b>
<b>Department of Planning and Natural Resources</b>	<b>\$ 2,156,000.00</b>
<b>VI Housing Authority</b>	<b>\$ 9,415,808.00</b>

Over \$300 billion of funds is available under ARRA for funding programs and capital projects under competitive grants; of that amount, organizations in the Virgin Islands have applied for \$249,419,200 in ARRA competitive grant funding for the following programs and projects:

<b>East End Health Clinic</b>	<b>\$ 453,775.00</b>
<b>Frederiksted Health Clinic</b>	<b>\$ 548,180.00</b>
<b>VIPA</b>	<b>\$ 15,100,000.00</b>
<b>DPW</b>	<b>\$ 90,715,000.00</b>
<b>LEPC</b>	<b>\$ 507,000.00</b>
<b>DPNR</b>	<b>\$ 2,758,723.00</b>
<b>DHS</b>	<b>\$ 250,000.00</b>
<b>DOH</b>	<b>\$ 5,332,029.00</b>
<b>OEO</b>	<b>\$ 58,799,936.00</b>
<b>VIDE</b>	<b>\$ 10,175,488.00</b>
<b>VIFS</b>	<b>\$ 12,362,500.00</b>

<b>VIWAPA</b>	<b>\$ 6,507,800.00</b>
<b>UVI</b>	<b>\$ 16,711,191.00</b>
<b>VIHFA</b>	<b>\$ 20,825,950.00</b>
<b>Women's Coalition</b>	<b>\$ 656,249.00</b>
<b>VIRC&amp;D</b>	<b>\$ 2,918,603.00</b>
<b>WICO</b>	<b>\$ 781,816.00</b>
<b>Crowley</b>	<b>\$ 1,095,310.00</b>
<b>VI National Parks</b>	<b>\$ 1,688,000.00</b>
<b>Lutheran Social Services</b>	<b>\$ 1,231,650.00</b>

**The following organizations in the Virgin Islands have been awarded competitive grants under ARRA totaling \$32,846,432:**

<b>East End Clinic</b>	<b>\$ 453,775.00</b>
<b>DHS</b>	<b>\$ 250,000.00</b>
<b>DOH</b>	<b>\$ 1,191,250.00</b>
<b>LEPC</b>	<b>\$ 507,000.00</b>
<b>Frederiksted Health Clinic</b>	<b>\$ 548,180.00</b>
<b>UVI</b>	<b>\$ 600,000</b>
<b>Crowley</b>	<b>\$ 1,095,310.00</b>
<b>Women's Coalition</b>	<b>\$ 655,149.00</b>
<b>WICO</b>	<b>\$ 781,816.00</b>
<b>VIRC&amp;D</b>	<b>\$ 2,271,678.00</b>
<b>VIHFA</b>	<b>\$ 20,825,950.00</b>

<b>VIPFA-OEO</b>	<b>\$ 1,294,854.00</b>
<b>Lutheran Social Services</b>	<b>\$ 1,231,650.00</b>
<b>VI National Parks</b>	<b>\$ 1,688,000.00</b>

**Some of the formula grants require a percentage match of in-kind or cash contributions of the total project/program costs; whereas the vast majority of competitive grants require percentage match of as low as 10% and as much as 50% of the total project or program costs of in-kind or cash contributions.**

**The Virgin Islands has also been allocated \$18 million in Qualified School Construction Bonds (QCSB) that can be utilized for the construction of a school or for major capital improvements to an existing school or schools. Under this program, the federal government provides bondholders of these bonds a tax credit in lieu of the interest on the bonds however, the Virgin Islands would have to pay the principle and all associated cost of issuance.**

**It is important to note that organizations in the Virgin Islands do not qualify for all sectors of funding under ARRA.**

**The OEO has also taken on the additional task of identifying, filtering, and in some cases directly driving the entire grant process (except for implementation) on behalf of some agencies either at the request of an agency of the at the request of the Governor's office.**

### **ARRA PROJECTS DRIVEN DIRECTLY UNDER THE OEO**

As mentioned above, the OEO is primarily not responsible for the implementation of projects and programs under ARRA. However, there are two programs that the Governor has designated the OEO as the prime recipient for ARRA funding to drive two critical initiatives. These initiatives are the Virgin Islands Broadband and Port of St. Croix projects.

#### **The Virgin Islands Broadband Initiative**

The territory's broadband initiative represents a significant opportunity for economic development by upgrading the core telecommunications infrastructure in the Virgin Islands. This initiative will enable high speed data communications to every resident, business, and public buildings at 100 to 10,000 times current speeds thus bringing the territory's telecommunications systems into the 21<sup>st</sup> century and on par with the countries of Japan and the United States mainland. The territory's broadband initiative could represent over \$75 million in grant funding to the territory under the ARRA, thus representing the single highest grant award for the territory. ARRA funding for this initiative is coming through the Department of Commerce's (DOC) National Telecommunications Information Association's (NTIA) Broadband Technology Opportunities Program (BTOP) and it is very competitive. This effort is very comprehensive and represents a territory-wide collaborative effort between businesses, public agencies, private telecommunications and data communications companies, and residents.

This effort is being implemented through the Office of Economic Opportunity with the strategy being directed by the OEO and signed off by

**the Governor. Through a competitive bid process, Stratum Broadband, Inc. of Boston was selected to draft the grant application for the mapping and planning under the BTOP's State Broadband Data and Development (SBDD) program. Under the SBDD program, all states and territories must provide information on the existing condition and capabilities of the telecommunications infrastructure in a state or territory. The NTIA will upload this information into a national telecommunications data map that will reflect the telecommunications capabilities in any part of the country. This could be a very important marketing tool for states and territories to attract high tech firms and investments into its region. Stratum Broadband's contract also encompasses developing the methodology for the data gathering, reporting and, development of the telecom maps for the Virgin Islands. Since a lot of this information is proprietary and confidential, the NTIA has taken extraordinary measures to protect private telecommunications providers' information in this effort. Stratum Broadband's contract also encompasses the development of the grant applications for the deployment aspect of the BTOP program that are covered under the Public Computer Centers (PCC) grant, the Sustainable Adoption Program (SBA) grant, and the Comprehensive Community Infrastructure (CCI) grant. All of these grants are highly competitive but are extremely important to the Virgin Islands in our effort to spur additional economic activity by attracting companies to the territory that are heavy users of broadband services, such as high-tech development firms and financial services companies.**

**On December 31, 2009, approximately \$1.3 million was awarded to the territory for the mapping and planning effort under the SBDD grant. On**

**March 15, 2010 two additional Broadband applications were submitted – The Sustainable Broadband Adoption grant for \$2,685,082 and the Public Computer Centers Application for \$3,228,438.**

**The PCC grant, if awarded, will provide for internet-enabled PCs free for public use at all libraries, at community centers, and boys & girls clubs throughout the territory. The OEO will be the primary recipient for this grant; however the major sub-recipient will be the libraries division of the Department of Planning & Natural Resources (DPNR). The program also maximizes broadband adoption by including training and territory-wide technical support. The primary purpose of the PCC program is to provide equipment for use by the general public but with emphasis on children, young adults, the undereducated, and the elderly.**

**The SBA grant, if awarded, will be utilized to enhance the adoption of broadband in the territory primarily by attracting young people to this very important industry sector through education and development of their broadband skill levels. The OEO will be the primary recipient for this grant however; the major sub-recipient will be the University of the Virgin Islands. One of the major goals of this program will be to encourage everyone in the Virgin Islands to become digitally literate and prove their competencies by taking an industry-recognized certification known as the Internet Core Competency Certification (IC3). Other initiatives of the program include providing access to on-line internet courses specific to broadband as well as the development of an electronic database job bank that will be available to local and distant employers with a listing of persons who participate in the on-line programs.**

**The CCI grant is the major component of the territory's broadband initiative under ARRA. Today, March 22<sup>nd</sup>, we will be submitting a competitive grant application in the amount of approximately \$85 million in total project cost and for approximately \$60 million in federal grant funding under ARRA to address the territory's current outdated and capacity constrained telecommunications infrastructure.**

**The network plan (dubbed the Virgin Islands Middle Mile Project) consists of constructing underground fiber rings on St. Croix, St. Thomas, and St. John with submarine interconnections to Water Island. There will also be interconnections between each island to each other via existing or new submarine fiber cables. Further, there will be interconnections to Puerto Rico and the US mainland through Miami, Florida with additional provisions for secondary mainland interconnections to New York. Through this effort, we envision that available broadband speeds in the territory will be on par with that of the US mainland and overtime, the costs of broadband services in the territory will be reduced within to 10% to 15% of the cost of similar broadband services on the US mainland from their current average 156% of mainland broadband costs. The reduction in the costs of broadband service, coupled with much faster broadband speeds, increased network reliability, and initiatives under the PCC and SBA program will not only increase the widespread utilization of the planned network, but also allow the Virgin Islands to attract high tech firms with higher paying technical jobs, spur entrepreneurship in the broadband communications sector, and expand the curriculum at the University of the Virgin Islands to include technical courses**

**that prepares our students for jobs or business development in the area of broadband.**

**We are very pleased to announce that much of this effort would not be possible without the cooperation of our strategic partner, the Virgin Islands Water & Power Authority (VIWAPA). VIWAPA is providing access to their existing conduits and dark fiber. In addition, VIWAPA will be providing access to pole space for portions of the network that will be aerial spans. However, the vast majority of the network will be underground which increases the network's resiliency and reliability in the event of natural disasters such as hurricanes. The network will also incorporate features for developing VIWAPA's smart grid initiative. Several strands of fiber will be provided to VIWAPA for this purpose.**

**It is important to note that the planned network in no way intends to compete with the current private providers in their delivery of telephone, data, and video services to the end customers. The network intends to facilitate private retail service providers' ability to reach end users with new services due to increased broadband capacity. In other words, the new network will be a wholesale "carrier neutral" provider of high capacity bandwidth to existing and new retail providers of broadband services.**

**Finally, the new middle mile network will interconnect over 300 major users (dubbed "anchor tenants") of broadband services with fiber cables and termination speeds of over 100 to 10,000 times faster than what is currently available in the territory. Some of these anchors tenants include public safety offices, fire departments, libraries, schools, hospitals, health centers, large businesses, and all government offices.**

**This increased bandwidth of this new middle mile project is greatly needed particularly at our local hospitals and health centers as they seek to secure ARRA funding, through the Department of Health, for the Health IT and Health Information Exchange networks linking the territory's medical centers to those on the mainland and across the world. In addition, with this increased bandwidth, the VIPD and VITEMA can expand their video surveillance of known crime hot spots with upgraded digital cameras with increased resolution and other capabilities. Our schools and University can incorporate a number of new educational initiatives to enhance the learning experience of our students. And finally, as mentioned frequently before, the territory can more competitively market itself to businesses that are high bandwidth users such as financial and high-tech firms while spurring entrepreneurship within our own citizenry.**

### **The Port St. Croix Project**

**The primary object of the Port St. Croix Project is to redevelop this area on the south shore of St. Croix into a full service modern port serving container, bulk, break bulk, energy producers and ship service customers. This project will relocate the existing container and molasses business from the adjacent VIPA facilities into Port St. Croix allowing conversion of VIPA facilities into St. Croix's Commercial Port for smaller commercial vessels. These movements relocate commercial traffic from Gallows Bay permitting the Gallows Bay Marina and Resort project to proceed. The combined economic benefit from these projects creates a maximum impact and substantial return on investment. We applied for a total of \$50 million of**

**competitive ARRA grant funding for this project. This is a joint application between the OEO and the St. Croix Renaissance Group.**

**Mr. Chairman that concludes my testimony. After Ms. Prescod's presentation, I am available to answer questions you or other members may have related to this matter.**