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EDA Approves $213,500 Overhaul of 15-Year-Old Model Used to Weigh Tax Incentives

EDA will spend up to $213,500 to update a 15-year-old economic impact model used in tax-incentive decisions, with plans to standardize analysis across VIEDA, UVI, OMB, PFA and the Bureau of Economic Research using one territory-wide framework for all.

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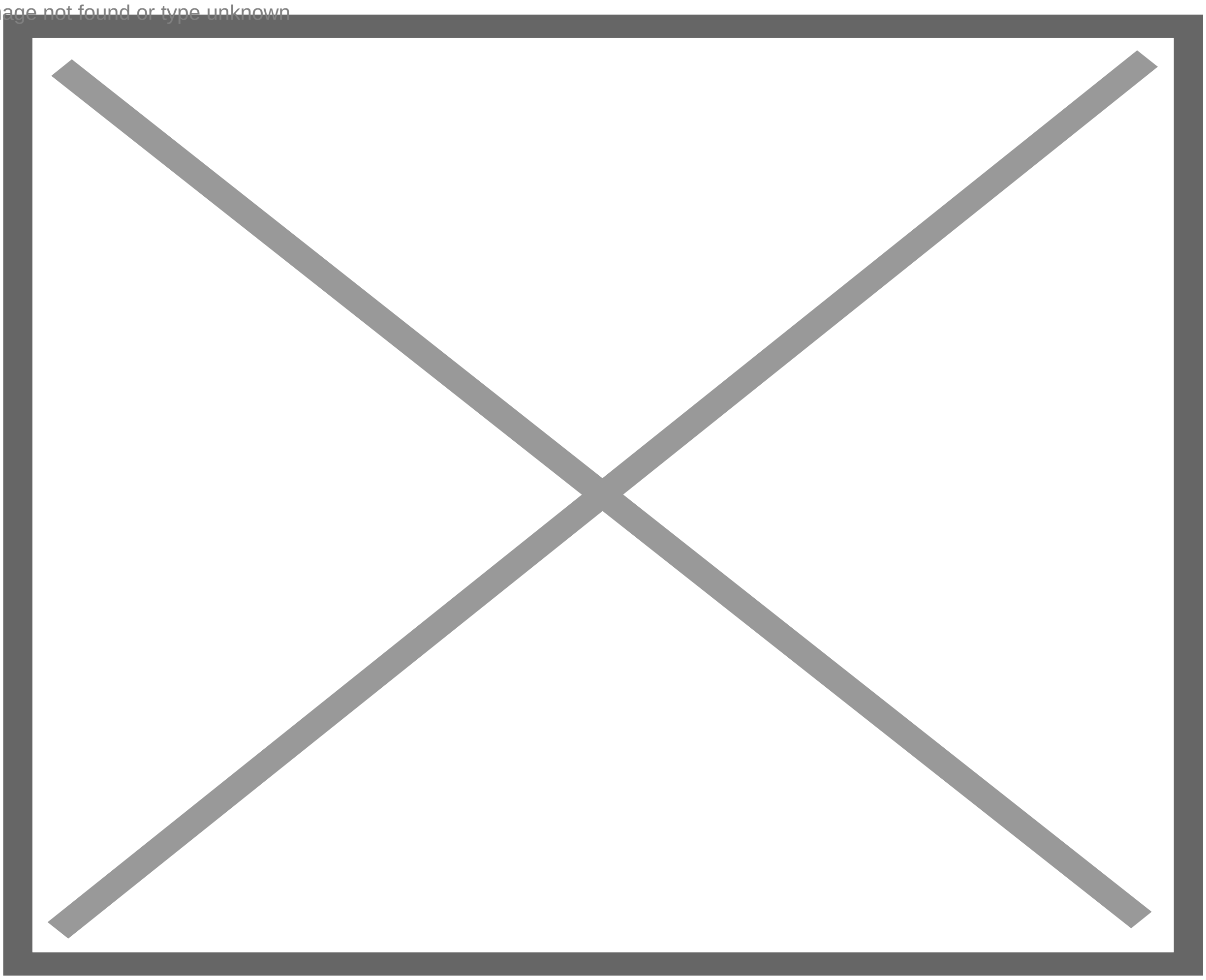

The Virgin Islands Economic Development Authority office in Frederiksted, where the board approved a $213,500 upgrade to the agency's 15-year-old economic impact model used in tax-incentive decisions.

The V.I. Economic Development Authority will spend up to $213,500 to modernize a 15-year-old economic impact model used in evaluating tax-incentive applications, with plans to turn the updated system into a common analytical tool that can also be used by other government agencies and the University of the Virgin Islands.

EDA Executive Director Wayne Biggs said the agency's existing "input-output model" has not been updated in 15 years. The revised version would expand its use beyond VIEDA to the Enterprise Commission and potentially several entities outside the authority.

"We've invited the Bureau of Economic Research, the Public Finance Authority, the Office of Management and Budget, and UVI to also be a part of this project," Mr. Biggs said. "We're trying to create a model that we all can use for the territory…so when we talk about economic impact, it's one model that we're using."

The model plays a role in EDA's assessment of the economic costs and benefits associated with granting tax incentives. Updating it would also give agency staff additional analytical capabilities, allowing them "to do some graphing and some other things that we cannot do with the current model," according to Mr. Biggs.

Econsult Solutions Inc., which developed the original model, has been selected to update and expand it under a professional services agreement.

"As a result, we did not go out for bids," Mr. Biggs said.

He told commissioners that the approximately $213,000 expense is one "we've been planning for a couple years," and said funding for the project has already been identified and set aside.

Margarita Benjamin, VIEDA's managing director for economic development, said the age of the existing model is particularly significant because it predates two major disruptions to the Virgin Islands economy: the 2017 hurricanes and the COVID-19 pandemic beginning in 2020.

With the territory having largely recovered from those events, "it's important for us to update that model," she said.

Ms. Benjamin also pointed to the problem created when different institutions calculate economic impacts using different methodologies. If VIEDA, UVI and the Bureau of Economic Research each conducted studies using their own models, she said, "we would come up with different data."

The proposed update is therefore intended not only to modernize the EDA's analysis but to establish greater consistency in how economic impacts are calculated across participating territorial agencies and institutions.

The EDA board approved a resolution authorizing execution of a professional services agreement with Econsult Solutions Inc., in partnership with Info Planning Group, for an amount not to exceed $213,500.