

Members of the clergy, Senate President Hill, Honorable Senators, Lt. Governor Francis, Delegate Christensen, members of the Judiciary, members of my Cabinet and other agency heads, Mrs. Francis, my wife Cecile, other distinguished guests, ladies and gentlemen, my fellow Virgin Islanders.

Tonight, I am pleased to have the opportunity to address the members of the 28th Legislature. I am pleased as well to have this opportunity to speak to each and every resident of the Virgin Islands.

And in speaking to you, know that I am speaking also for our Lt. Governor, who has worked side by side with me to achieve our goals.

Over the past two weeks, many Virgin Islanders have joined others from across the globe to undertake critical relief work in the wake of the earthquake that struck Haiti two weeks ago. We feel acutely the suffering of the Haitian people, as they struggle to find their loved ones, to rebuild their lives, and to begin the long and difficult journey of rebuilding their nation. We, like all Americans, stand with them in their time of deep pain and suffering, and I commend all Virgin Islanders who have stepped forward to aid the people of Haiti.

And tonight we remember as well the service of our sons and daughters, our brothers and sisters, our fellow Virgin Islanders stationed around the globe as members of the United States Armed Forces. Since January of 2007, we have deployed the Virgin Islands National Guard to Iraq and Afghanistan, and currently have over 200 of our men and women serving in Kosovo and Guantanamo Bay.

Again, as in years past, we pay our respects to those Virgin Islanders who lost their lives in the defense of our nation. Each and everyday we must continue to show our support for their families and for the ultimate sacrifice of their loved ones. For them, and for all now serving, I ask you to join me in a moment of prayer, a moment of silence, to reflect our gratitude for their service and our support of their families.

Thank you.

Just three years ago, I stood here in the well of this Legislature to deliver my first State of the Territory address. At that time, I highlighted the fact that we were facing many challenges both as a people and as a community.

But I was not afraid to take on those challenges because that is what the people elected me to do. Their voices were clear, that they wanted change in how their government worked:

- They wanted a government that would be more accountable to them.
- They wanted a government that would be transparent.
- They wanted corruption cleaned up.
- They wanted economic opportunity to be for them.
- And they wanted to see the makings of a better future for their children.

Together we worked towards those goals, and together we made great progress, as a Territory and as a community.

With my second Territorial address, we entered a year full of determination and hope, with the goal of continuing to build upon that progress.

And although progress continued to be made, we found ourselves thrown into an economic tailspin, brought about by one of the worst recessions in our country's history that carried us to my third State of the Territory.

But still we worked, we may have struggled at times but we persevered, together as a people, together as a community.

And I feel your anxieties and know your concerns. For I go regularly to our schools, and see first-hand the promise of our children. But while I am there, I also see how very important it is whether the school bus came on time that morning, because that is what determines whether or not a child gets breakfast.

I have stood on the sidelines of many fields and court-side on many courts and listened to the concerns of parents. I recall when, at one Little League game, a parent from St. John asked why their game was scheduled last when they have a boat to catch, and I wondered why we could not do better at making life easier for our parents and our students.

Often I sit at school events and watch the amazing talents of our children, but too often I am there with nowhere near as many parents around me helping clap and cheer as our kids deserve. I attend funerals to celebrate a life now gone. And on happier days I go to weddings, cheered to imagine the possibilities that lie ahead for these young people.

And year after year, I walk with the Women's Coalition, hoping that their voices and mine will end the silence that surrounds the horror of violence against women, against girls, against any of us.

And each time I stand in a check-out line at a grocery store, I too am upset by the high prices, and I think about those of you who have lost your second job because of the economic situation, and have not had a raise in years at your first job.

I take it all in – all of it. All the questions, all the suggestions, all the concerns – and I try to see where we can make changes, and how we can fix those little things that just appear to be a hassle or a nuisance.

And I try to remember that sometimes the best thing I can do is just to listen.

I listen and follow up and try to use all I learn to make things better.

And that is what I wish to speak to you about tonight, in presenting the State of our Virgin Islands. And I speak to you with a renewed sense of hope and an even stronger determination to forge a better future for our Territory.

Tonight, although we may not be out of the woods yet, I believe that we are on the right path. If we persevere together, we will overcome these challenges and we will see a better tomorrow in the days, months and years to come.

I speak with confidence and conviction because of the work we have done together. Work that has included so very many, including members of this Legislative body, to lay the groundwork, not just for our recovery, but for our future prosperity.

Remember, we did not begin this work when the recession began, because the challenges that we faced, and that we continue to face, predated the global collapse. Yes, the recession has deepened the challenges that we face, but we had begun the hard work of building a new future well before the recession hit.

I have said from early on that we must build a new future for the Virgin Islands based on three important pillars: economic development, education, and public safety.

Economic development is essential because without growth there is no opportunity, and without opportunity there is no hope – hope for those who want to work harder, to do better for themselves and their families.

Education, of course, is the critical element that enables hope to meet opportunity and enables the creation of a new future to begin. Without education our people – especially our children – will not be ready for, or capable of, participating in the growth we seek here at home, or the opportunities they may seek abroad.

And public safety is basic. For a sense of security is essential, in our homes and in our neighborhoods, if we are to enjoy a full quality of life.

When I stood before you three years ago, we set out a number of goals to grow our economy and create economic opportunity for our people. We set out to increase cruise ship activity in St. Thomas and to bring cruise ships back to St. Croix. We looked to expand air service and the capacity among those airlines serving the Territory. We established strategies to build our rum industry and to support expanded hotel development. We moved to support our local contractors and other small businesses to make sure that they benefitted from the work that would be done. We laid the groundwork for our participation in the new clean energy and information technology industries. And we refocused our commitment to improving our infrastructure, to building roads, to repairing schools, and to making the full range of investments in professional development and information technology critical to our future.

My goal in all of these endeavors has been to broaden the base of our economy, to expand the breadth of opportunity, to build a future that was more diverse and resilient than the past. Yes, we know that tourism will remain the driver of our economy, but if we are to build real income growth and stability, we needed to do more, to become more than we have been.

However, the global economic crisis has had a great impact on our economy. It has devastated our government funds, where we are running a monthly deficit of \$25 million and our tax revenues fell by over 30%. This means that we had \$234 million fewer dollars to spend than we had the year before. To put this in perspective, \$234 million is almost half of the cost of salaries and benefits of our Government workers for a full year.

The economic crisis has certainly hampered our efforts, and the crisis has not yet passed. But because we had already begun our work before the recession hit, we have been able to continue to make steady progress at a time when so many governments in other areas of the country have cut back. Working together with members of the 27th and the 28th Legislatures, we have solidified our rum industry and built new revenues without going into the pocketbooks of our residents. And thanks to the support of many of you here today, the new Captain Morgan distillery is emerging from the ground, and Cruzan Rum will remain Crucian as they move towards building the wastewater treatment facilities needed to expand their production and increase our revenues.

I point with pride to these developments. I take pride because it is the rum industry strategy that we initiated three years ago - and our commitment to develop strong and durable revenue streams based on well-known consumer brands - that has provided a critical buffer of support as our local taxes and revenues have suffered a steep decline. It is the rum agreements that have enabled us to keep our government workers on the job and on the payroll, to keep our government functioning.

I cannot emphasize this enough. When you survey our region and the nation, from nearby Puerto Rico to states across the country, government workers are being sent home. Furloughs and lay-offs from teachers to police officers to clerks. Nearly every state in the country has enacted lay-offs, cut salaries or closed schools, recreational centers or senior citizen homes.

I am proud to say that, to date, we have done none of these things.

We have chosen to take a different path. I believe that to lay off government workers, cut critical social or public health services, or to raise taxes to attempt to compensate for our lost revenues would devastate our economy, and cripple our efforts. Instead, I came to you for your support, and with your approval we borrowed \$250 million against these new revenues to give us time, to bridge this difficult period, and to build a more diversified and solid foundation for economic growth when real growth returns once again to the United States and the world's economies.

This is not a step we are taking lightly, as in ordinary times one would not borrow against future revenues for operating purposes. But these are not ordinary times.

In addition to enabling us to avoid the layoffs of government workers, the success of the rum industry initiative will mean hundreds of millions of dollars in new investment, economic activity for small businesses and their workers, and enable us to move ahead with long overdue capital projects.

We should all appreciate the significance of what we have achieved. We have kept our government working. We have kept our people at work. And for that, I appreciate the work, and the courage, of each Senator who stood up and supported our efforts.

The steps that we have taken to keep our people working and to keep our economy moving, are critically important as we continue down the road to our new economy. Private initiative. Entrepreneurship. Building a knowledge-based economy. Integrating technology and connectivity into our future.

All of these must become part of the future we build – a future at once diversified and resilient – but we cannot achieve that future if we do not keep the engines of our economy working today.

We cannot build a future of opportunity tomorrow, if our people do not have hope today. Hope that we are building this new economy for them.

To support local businesses, we initiated a small contractor's bonding program, and underwrote the acquisition of tour buses by taxi drivers in the St. Croix district. At the Government Development Bank, we initiated loan consolidations, reduced interest rates, and increased lines of credit for small businesses.

For our farmers, the Economic Development Authority has made funding available for new equipment, and is working with our Energy Office to help reduce their energy costs through retrofitting and the installation of solar panels.

Through the unrelenting work of the Department of Tourism, and the rollout of the Virgin Island's new branding campaign, we have more direct flights into Henry E. Rohlsen Airport, where airlift has grown by 34% over the past year, while even in the face of the global recession, airlift into Cyril E. King Airport grew by 25%.

One of my commitments was to bring cruise ships back to St. Croix, even as we increased overall cruise ship traffic to the Territory. And so we have. And we reaffirmed our position as the leading cruise destination when the world's largest ship, the Oasis of the Seas, chose St. Thomas as its first port of call.

Through the Office of Economic Opportunity, and the efforts of agencies across the Territory, we have used the strong relationships we have built in Washington D.C. to take maximum advantage of the opportunity to fund a wide range of projects through the American Recovery and Reinvestment Act.

To date, we have applied for funding for over \$400 million of projects, and have received over \$157 million in stimulus funding awards. These funds will support the General Fund at a time of severe revenue shortfalls. These funds will enable us to expand workforce training, human services and education programs, and will provide funding for law enforcement, access to housing, energy efficiency, road improvements, bus shelters, and ferry boats, and to fund the critical work of many of our community's non-profits whose work is so vital to so many of us.

And we are not done yet. We anticipate new project awards over the coming months. And these funds will have an effect on all of us, creating jobs, increasing sales, and putting money in people's pockets.

After several years of managing our resources and building investor support, we were able to refinance our debt at historically low interest rates. This saved us \$30 million. This was made possible by our success in continuing to improve the timeliness and quality of our financial reporting, and the implementation of the ERP system, where just this year we began processing our payroll. These improvements in how we manage our affairs are critically important elements of our work to increase transparency and improve the quality of the services that we provide.

But we are hardly out of the crisis, and all will be called upon to continue to do their part. We all must stretch and dig a bit deeper, because we know that the financial challenges have not abated.

We must be sure that everyone pays their fair share of taxes, and all that they legally owe. We are working diligently to repair the past neglect that has left our tax collection efforts short of meeting this simple and fair goal. We are, for example, correcting a past failure by implementing a computer system that matches W-2 forms with tax returns. This is but one step, among many, that we must take to make sure that the Government collects all it is owed, because the alternative to not bringing in the revenues owed is the far more painful step of reducing how much we spend on government services.

We all know that future revenues must come from us: From gross receipts taxes and from income taxes and, yes, at whatever levels the court approves whenever it determines to act, from property taxes. Several years of property taxes remain unpaid. Everyone knows that they will be due sooner or later, and as we seek to survive these next few years, no time is too soon.

Make no mistake, the pain of this recession has been widespread. Even though our Department of Human Services has secured Federal stimulus funds to increase monthly food stamp benefits by 14% for each recipient, we have seen the number of recipients grow by 4,500, or nearly one-third. To support those among us most in need, we have reconstituted the Developmental Disabilities Council, activated the Mental Health Planning and Advisory Council, and, through the Virgin Islands Interagency Coalition on Homelessness, we have identified funding so that we can at long last build shelter for our homeless.

Our Department of Labor has cushioned the impact of the recession by issuing unemployment insurance checks and providing training to over 4,000 individuals, including green technology training, apprenticeships programs in construction, and a series of programs and services to retrain workers in the tourism industry. In addition, the Department placed over a thousand young Virgin Islanders in jobs this past summer.

My commitment to economic development and job creation has been and remains unrelenting, and indeed economic development must be about more than just one company or one industry, but about how we build an economic future with opportunities for all Virgin Islanders.

On St. Croix, the expansion of the rum industry is just one part of the story. This year, we used the new authority for issuing tax increment bonds and successfully raised millions of dollars to build the shopping center where we will soon welcome Home Depot to St. Croix. And that project is now moving ahead, putting more people to work. With a loan from GERS, Carambola Resort and Spa has avoided closing and is looking forward to a prosperous future and an alliance with a major international hotel brand.

Additionally, three major hotel projects on St. Croix have obtained required governmental approvals to proceed to construction, and two resort projects on St. Thomas are set to move ahead. And, just as GERS has provided funding to Seaborne Airlines to expand its fleet of seaplanes connecting our islands, the central Government continues to provide operating subsidies to the ferry boats.

At the same time, we are laying the groundwork for the innovation economy as we see increased awareness of, and interest in, the opportunities available through the University of the Virgin Islands Research and Technology Park, and as we begin to map our broadband assets and how best to ensure access across our community.

We are also working to strengthen our Economic Development Commission program. To this end, and as a result of lengthy and on-going efforts, a recent opinion of the IRS' National Taxpayer Advocate reaffirms our belief that the Federal IRS' position of ignoring the three-year statute of limitation is inequitable to Virgin Islands taxpayers. This opinion is useful, but the long road to obtaining Congressional legislation or definitive Executive Branch action still lies ahead.

Our economic development efforts include our work with neighborhood organizations and it has been of great value that we have met on each island with community groups and neighborhood associations to hear the concerns of residents so that we can address problem areas neglected for too long.

However, the strength of families and neighborhoods is founded on strong families living in good, safe homes. This principle underpins my commitment to making housing affordable and attainable for all residents. My Administration continues to work collaboratively with the Virgin Islands Housing Authority and the Virgin Islands Housing Finance Authority to ensure that the residents of this territory have safe, decent, affordable housing.

Our efforts to improve our relationship with the U.S Department of Housing and Urban Development have resulted in HUD returning 35 acres of property in Estate Bordeaux to the local government. Additionally, with the steady progress that has been made to improve the financial management of the Housing Authority and to repair and rehabilitate 500 of the 900 vacant units, and after years of hard work, HUD officials have agreed to a timeline of 18 months for returning the Housing Authority back to local government control. This effort was supplemented with local government funding, spent to renovate basketball courts, recreational centers, and other athletic facilities in our housing communities.

Recognizing that more funding is needed to modernize the entire stock of public housing in the Virgin Islands, along with Delegate Christensen, I met with the Secretary of HUD, his senior officials, and the interim Chair of the Housing Authority, to seek increased financial support. At those meetings, I requested that HUD commit an additional \$35 million over five years for modernization efforts, \$10 million to build more senior citizen housing on St. Thomas, and \$40 million to build new housing with homeownership opportunities for the residents of Williams Delight.

My administration, through its representation on the Housing Finance Authority Board, has supported every initiative to expand homeownership and affordable rental opportunities in the Territory. I directed the Commissioner of Finance to release Stamp Tax monies to fund various housing initiatives. This funding has allowed the Housing Finance Authority to move forward with its plans to demolish 200 emergency units, to rebuild modern units using low income tax credit financing, and move ahead with single family subdivision projects on St. Thomas and St. Croix, both of which are slated to begin construction in the second quarter of 2010.

And I am also very pleased to see affordable rental and homeownership initiatives expanding on St. John, with the substantial completion of the Calabash Boom Housing Development in Coral Bay.

We continue to emphasize the importance of quality planning, and strong environmental and land use regulation, and support of smart growth strategies. This year, we have achieved a number of our environmental goals.

First, we are successfully addressing long-standing issues on the south shore of St. Croix. After six years of negotiations, the Environmental Protection Agency, the U.S. Department of Justice and the Department of Planning and Natural Resources are close to formalizing a consent decree with HOVENSA. The lodging of this consent decree with the District Court will signal the refinery's commitment to spend in excess of half a billion dollars to upgrade operations to clean up air emissions over the next six to eight years. It is calculated that this major undertaking by HOVENSA will result in a 50% improvement to the ambient air quality downwind of the refinery and a significant quality of life improvement to the affected residential communities.

At a time when oil refineries around the world are closing or merging, it should be of comfort to us that HOVENSA, even though it is going through its own near term financial challenges, has nonetheless committed to making the long-term investment required to continue to operate long into the future.

Second, through the agreement with Cruzan, the development of new wastewater treatment facilities and distillation upgrades on the Cruzan Rum site are aggressively moving forward, and we will soon see the end of the brown stain in the waters off St. Croix. With these improvements and the Diageo distillery, we will achieve our goal of creating the most environmentally friendly rum industry in the world. When we are finished, there will be no place in the world that produces rum that is as good as Virgin Islands rum, and none will be made with greater concern and respect for the environment.

Third, the Department of Planning and Natural Resources signed a cooperative management agreement with the National Park Service to co-manage the Salt River Bay National Historic Park and Ecological Preserve. This agreement, with financial support provided by the U.S. Department of Interior, will facilitate the development of the marine research and education center at Salt River Bay under the auspices of the Joint Institute of Caribbean Marine Studies and the University of the Virgin Islands. This center will serve as a research hub for scientists studying the health of the coral reefs and marine environment in the region.

And lastly, through the combined and coordinated efforts of the Water and Power Authority and the Waste Management Authority, we are finally, after thirty years of false starts, nearing resolution on the multiple issues surrounding the closure of our landfills and elimination of the threat of a shutdown of the Henry E. Rohlsen Airport by the Federal Aviation Administration. Through the execution of agreements with the Alpine Energy Group, state-of-the-art waste-to-energy facilities will be constructed on both St. Croix and St. Thomas to process much of our garbage into a refuse-derived fuel, and supplement it with petroleum coke from the HOVENSA refinery, thereby providing WAPA with lower cost fuel. These agreements are a major component of the long-term solution to the disposal of municipal solid waste in the Territory, while promoting recycling and overall waste reduction.

Likewise, this joint initiative of WAPA and Waste Management should not be looked upon as our sole approach to the issue of alternative energy, but rather as a first step in diversifying away from our reliance on oil. It is an approach designed to address our base energy requirements while providing reliability and stability to the power grid so that future renewable energy resources can be better integrated into the power supply mix.

The Alpine solution is now going through its regulatory review, as rightfully it must. It has stimulated a broad debate on energy issues, and this is a very good thing. But in the end, the project will rise or fall on its provable merits, and its ability to satisfy the rigorous checks and balances that such a project is subjected to. Meanwhile WAPA is proceeding with its efforts to secure solar energy power production, pursue possible interconnection agreements with Puerto Rico, and continue to enhance its overall operational efficiency.

These efforts complement the work of the Energy Office, which has developed a strategy plan of thirty-one initiatives to guide the execution of energy policies in the Virgin Islands. The Energy Office has been at the forefront of leveraging federal stimulus dollars to support the energy efficiency and renewable energy goals of the Obama Administration, while satisfying our local needs. These funds will allow for the expansion of the solar water heating industry in the Territory, the harnessing of landfill gases as a source of energy, an increase in energy efficiency consumer rebates, and numerous other renewable energy projects.

The Energy Office is also leading the efforts to reduce government energy costs through the use of energy performance contracts, installation of energy-saving devices, and greater accountability measures. In addition, as electricity is also a significant cost for our small businesses that directly affects their profitability, I have tasked the Energy Office to expand its efforts to make energy efficiency financing programs and direct subsidies available to our small businesses.

Importantly, the Energy Office is also providing the opportunities to create green jobs in the Territory through the development and expansion of the clean energy industry. This was the leadership role I envisioned for our Energy Office when I asked this body to transfer its functions directly to the Office of the Governor.

Also, with respect to our continuing efforts to improve the quality of planning and land use regulation, I am pleased to announce that after several false starts, we have hired a principal planner for St. John, who will be starting work next month.

When I took office, I made the reform and improvement of our Education System one of my top priorities. I made this commitment because I knew we could do better and even more importantly I knew we had to do better if we were going to provide every opportunity for our children to one day reach their goals and dreams.

Three years ago, our education system was facing several challenges. We were in violation in the use of federal funds, and we were not using all that was available to us. Not all of our public high schools were accredited, and very few of our schools were meeting their Annual Yearly Progress goals, known as AYP.

Improving educational outcomes is slow and painstaking work. We have continued to take steps forward, day-by-day, year-by-year. Today, all of our public high schools are accredited. Today, we are compliant with federal regulations and spending all available federal funds. And this year we have come close to tripling the number of schools that are meeting their AYP goals.

At several of our middle schools, we are now implementing the AVID program - the Advancement via Individual Determination - to improve performance and prepare our students with the skills to ensure later success. And this past summer, we implemented the Governor's Reading Challenge for kindergarten through eighth grade, to collect and distribute books, and establish awards for the most active readers.

We have also initiated a survey of our students in Special Education with the goal putting focus on this group of students and their parents who require our greater attention and support. We are committed to improving our responsiveness to their special needs and to ensuring that their Individual Evaluation Plans are developed on time, are thorough and are implemented. To this end, I have hired the Government's first Americans with Disabilities Act Coordinator.

We have career and technical programs that will provide more national certifications for our students and provide career pathways to jobs in the innovation economy identified by our Workforce Investment Board.

And through the Department of Human Services we are currently reviewing new rules and regulations for our day care and development centers to ensure a universal standard for the next generation.

We have also rejoined the Jobs For America's Graduate program, with the initial programs at two high schools to ensure that our at-risk students have the school and career counseling to ensure their eventual success.

And we have continued to invest capital in school projects across the Territory - After 14 years, we are finally rebuilding the cafeteria at Cancryn School and will rebuild the auditorium as well. We have also expanded the cafeteria at Muller school to better accommodate the growing student population. At Central High, we have upgraded the electrical infrastructure, added new bleachers to the gym, replaced the old student lockers, and repaired the vocational building. As a result, Central High regained full accreditation from Middle States, and all the public high schools in the territory are now fully accredited.

At John Woodson School, the longstanding problem of hot classrooms, which led to shortened school days, has been fixed. We have air conditioned all the classrooms, renovated the auditorium, placed benches in the court yard, and removed the fiberglass from the cafeteria.

We also continue to work with the U.S. National Park Service to obtain land for a new school on the island of St. John. We are proceeding with a new wing at Charlotte Amalie High School, and I have instructed the Commissioner to also begin planning for a new building at Central High School.

The physical environment of any school has a direct impact on the ability of our students to learn and our teachers to teach. I stand before you tonight to say that the long-standing neglect of our schools has ended.

We all understand that our teachers are the foundation of our educational efforts. And I am pleased that we have succeeded in increasing the number of certified and highly qualified teachers in the public school system by nearly 50%.

Without the dedication of our teachers and education professionals our children would not have the guidance, knowledge, and nurturing they need to succeed.

And so at this time, I would like to recognize our Teachers of the Year. With us here tonight is Mr. Howard Jones, a fifteen-year veteran music teacher at the E. Benjamin Oliver School, who was selected as 2010 Teacher of the Year from the District of St. Thomas-St. John. We recognize as well Mr. Moordale Bryan, an eighteen-year veteran math teacher at St. Croix Central High School, who was selected as 2010 Teacher of the Year from the District of St. Croix and the State Teacher of the Year for the Virgin Islands.

Please join me in acknowledging their accomplishments, and those of all the teachers and education professionals that they represent here tonight.

I would also like to express my appreciation to the St. Croix Foundation and the Community Foundation of the Virgin Islands for their continuing support of our educational reform efforts.

And as we talk about our steady progress in improving schools and improving early childhood development, we note the increase in attendance at Parent-Teacher meetings. For our children to succeed they need the involvement of their parents and their families. We have expanded the Parent University program and we have high hopes for its impact as we seek more active involvement by parents in their children's schools and with their teachers.

And when we discuss parental involvement, one cannot help but look to that group of individuals who serve as the foundation of the family and the guiding force behind these efforts to support our children – I speak, of course, about the strength of our women. Our mothers, grandmothers, aunts, older sisters, guardians and all the women who sustain our families.

So tonight, I would like to recognize two special women who often work far more than full days of service to our community, women who were elected to no position and are paid for none, but who are vital contributors not just to our community but, frankly, to this government. I speak, of course, of my wife Cecile and the wife of our Lieutenant Governor, Cheryl Francis. Both go far beyond any traditional definition of the role of the politician's wife. They are mothers and they are professional women, but each has done so much more.

Cheryl saw early and clearly that the toll of violence on our communities could be traced back to failed efforts in the raising of children in ways that could no longer be ignored. She started the Stop the Bleeding Foundation, whose work has been increasingly focused and effective in addressing this area that affects all of our lives. The impact of the message is direct and powerful, and is reflected in a prize winning video produced on St Croix using local talent in telling its story. I urge you to go to You Tube and search "Stop the Bleeding Virgin Islands" and watch this video.

Cheryl's commitment to the children of our community is further reflected in her role as a member of the Virgin Islands Board of Education and her work to re-establish the Junior Achievement Program, as a vehicle to teach our young people about financial matters, entrepreneurship and life skills.

As our First Lady, Cecile chairs the Children and Families Council, sits on the national board of Children and Adults with Attention-Deficit/Hyperactivity Disorder, and has started local CHADD chapters and leads valuable efforts to improve literacy rates, and launched Camp Shriver, as part of her work to support children with disabilities.

Additionally, last year Cecile launched the Healthy VI Challenge to raise awareness on health and wellness issues, and with support from the National Governors Association, held a summit to develop a strategic plan with an overall goal of cutting childhood poverty in the Virgin Islands in half by 2020. Cecile also worked to organize the Rwanda Project V.I., where young Virgin Islanders traveled to Rwanda to give support to Rwandan children affected by HIV/AIDS and those who were orphaned by the 1994 genocide.

What Cecile and Cheryl have demonstrated is the power of individuals to make change. They have shown through their actions that by working together, we can all reach a higher ground.

Perhaps the greatest challenge that we face – and the greatest threat to our quality of life and to our future – is the challenge of crime. There is no way to, nor is there any reason to, gloss over crime and the criminal activity of this past year. The behaviors we have witnessed are not just unacceptable, they are uncivilized and they are destructive to our way of life.

The Police Department has kept reasonably close count of who has been victimized – and why. They have found that acts of reprisal and revenge, and drug involvement, account for most of the violence that we have experienced. But this certainly does not excuse what has been going on.

During the twelve months of 2009, we saw 54 homicides, with 51 involving guns. Most of these cases involved individuals who had previously been arrested, or a person of interest to the police, or a person who had already been involved in some manner with our justice system during their often brief lives.

Many of these eighteen, nineteen, twenty-something year olds who are so quick to pull a gun and open fire did not just become criminals overnight, they did not just become individuals with little sense of the worth of a human life, even their own.

Many of the young people who we find in the revolving door of our criminal justice system dropped out of our social service and educational systems when they were in the 7th and 8th grades.

- They did not have the support or the foundation that would allow them to imagine the possibilities of a constructive life.
- They never had the benefit of or the experience of steady, consistent and positive adult supervision.
- They lacked the benefit of a meaningful connection between home and school.

And without the benefit of continuing adult supervision and instruction, they found themselves in a downward spiral, with no job, with no future.

What they do have is a taste for immediate gratification that all too often they satisfy by taking from others without regard to the cost, whether financial or emotional. This is a sad and harsh reality. But it is both their present reality and ours. And, for their benefit, and for the security of the rest of us, it is a reality that I am committed to changing.

The list of factors that got us here is hardly unknown to us. This list is very much the same list it was three years ago and ten years ago and twenty years ago. And there is no single social policy, nor any single police action, that will fix this problem. It is a problem that needs to be attacked from many different directions:

- Yes we need more police – and we have not stopped recruiting and we are implementing more focused community policing.
- Yes we need to focus our prosecution efforts – and we are creating the environment to ensure fewer plea bargains thus getting us more convictions for significant violations.
- And yes the judges in our courts must do more and do better to assure that justice is swift and fair – and they must do so with the balance that sends the message that you will pay for your crime and not be able to take advantage of the system.

But all the police in the world – better trained and better equipped– cannot be on every street corner intervening in every insane dispute that insanely degenerates from slight or insult to stab wounds and gunfire. All the prosecutors in the world will not be able to convict those who were not raised to understand that words not beatings are how to raise a child and how children must learn to settle their differences. Schools and churches, teachers, pastors and coaches can only support parents, they cannot supplant them.

In the last year, we have stayed focused on the task of strengthening the capability and responsiveness of our enforcement system. We are moving forward with police substations in neighborhoods. We have expanded the cadet corps and continued to recruit new police officers. We have also tapped into the experience and knowledge of many of our retired officers and brought them back to lend their expertise. And we have taken hundreds of guns off the street. But that said, I know that more must done.

We have solved more crimes and made more arrests for these crimes, but we remain committed to gathering and using ever-better information and intelligence from every source to preempt illegal acts. Over the past few years we have seen a focus in the community not just on crime prevention, but on crime-solving too. Through Crimestoppers, calls to 9-1-1 and simple basic tips, our citizens are coming forward to assist law enforcement in making our communities safer. And I applaud their commitment and urge their continued vigilance in doing so.

We are adding more cameras throughout the territory. We have secured federal funds to improve our forensic and investigative capabilities. And we have beefed up our school security. We have appointed a Tactical Anti-Gang Coordinator at the Police Department to implement an anti-gang initiative.

While we may not be able to claim that we are preventing all that we wish we could prevent, we all know that better police work will identify criminals before they can act over and over again.

But anyone who tells you that force alone – a police force or any other – will stop this scourge of criminality is lying to you. The entire criminal justice system must be made to work better and to work smarter.

Better police work linked to better prosecutions can take offenders off of the streets earlier in their careers and provide at least the possibility of deterrence and rehabilitation.

We are in the process of expanding and improving the prosecutorial capacity in the Department of Justice. Our Assistant Attorneys General must be able to go to court with well prepared, well investigated cases if they are to prevail. The duty and the responsibility to prove their cases are upon our police and our prosecutors. We demand much of them and expect much of them.

In our courts we need consistency in bail hearings and bail restrictions. And we need fairness and consistency – and predictability – in sentencing. Only with this will we find that our mandatory minimum sentences, especially those involving guns, will be implemented and will provide the deterrence and the protection we look to these laws to provide. But our judges can only act on what our prosecutors bring before them.

I am pleased to say that as a newly established independent agency, the Bureau of Corrections has completed the significant improvements required at the Golden Grove facility. Now, with facility improvements completed and more corrections officers on the job, we have begun the process of repatriating some of our inmates back from off-island correction facilities to a facility where security and control are no longer at risk.

Implementing the reorganization plan that this legislative body approved, the Virgin Islands Territorial Emergency Management Agency, VITEMA, has made great progress as a stand-alone agency. We have put online our state-of-the-art 9-1-1 emergency communication system, which are staffed by well-trained emergency response professionals. With the development of the communications center that will be integrated into the new VITEMA building, this facility will function as the first federally certified fusion center in the Caribbean. The combination of our commitment, our investment, and its endorsement by FEMA, the FBI and the Homeland Security apparatus will put us in the forefront of emergency management and homeland security in the region.

And I want to thank all of the Territory's first responders - our police officers, our firemen, our EMTs, our other law enforcement professionals - who were called upon to put themselves in harm's way to protect us. This year we saw a number of major incidents - from the fire at Mountaintop to the Duccaneer accident - from bomb threats to the recent dummy grenade on a cruise ship - and our front line professionals deserve our acknowledgement, our gratitude and our respect.

I also want to take this moment to commend our Health Department and the medical community for their efforts during the H1N1 flu outbreak.

Our reorganization efforts have also provided the Virgin Islands National Guard the opportunity to expand its role, even as our service men and women continue their work in service to our community and our nation. As we have begun to undertake the construction of a new Regional Training Facility and the Joint Force Headquarters, we have also gained U.S. Department of Defense approval to build out the Air National Guard to expand our security involvement in the Caribbean.

Additionally - in line with our historic and social connections, and our recent acceptance as a government with observer status in the Organization of Eastern Caribbean States - the Guard has initiated the process to serve as the initial point of contact with the Regional Security System of the Eastern Caribbean.

For the past three years, I have emphasized two very important principles: The need to nurture new leadership across our government, and the importance of our collective commitment to the basic premise that we all work in and for One Government.

All of these efforts - improving how we work together, tackling the challenges of corruption that we continue to pursue every day, building a culture of openness and transparency - all of these are critical to meeting the goals that we have set, and our continuing effort to build a prosperous future for all Virgin Islanders.

Our work cannot be done in isolation. As I have discussed before, I have worked diligently from the beginning of our administration to rebuild relations with Congress and the Executive departments that are important to our well-being. These efforts have focused on rebuilding our credibility, establishing our capacity as an independent government, and asserting at all times the principle that we are entitled to fair and equitable treatment in all respects as Americans with the full rights of citizenship afforded to every American.

I want to take this moment to thank our Delegate, Donna Christensen, for her continued efforts and non-stop advocacy of the Virgin Islands, and all the insular areas, in the United States Congress. I have worked together with Delegate Christensen these past three years, and she has been by our side each and every step of the way as we worked together at the federal level to maximize support for our Territory.

The Delegate and I are continuing to work together to fix the inequities in Medicaid and other federal funding.

In this regard, we have made updates to our Medicaid State Plan, the first major changes in twenty years; we have secured federal funds to develop a modern Medicaid Management Information System; and we are negotiating a pharmaceutical benefits plan to reduce the costs to those in the greatest need. And with the data from our recently completed survey to determine the size of our uninsured population, we will be able to design a program to address the community's most pressing healthcare requirements.

If healthcare reform moves ahead in Congress, we anticipate that our annual federal Medicaid funding will grow to almost \$100 million, the percentage amount required as a local match will be dramatically reduced, and we will be able to provide insurance coverage to almost 30,000 people in our community.

And I thank those members of the 28th Legislature who supported my bond bill request taken up by you in Special Session. Through that legislation, and the financing that we were able to raise at historically low cost, we have pushed forward with our local capital investments and improvements across the Territory.

And I thank Senate President Louis Patrick Hill for his leadership within this legislative body. We might not agree on every issue but when it comes to working together for the people of the Territory, we have made very important progress.

Through the approval of our capital project initiatives, we have been able to focus on improvements to our recreational facilities including:

- Work at the D.C. Canegata Stadium,
- Campo Rico Playground and Basketball Court
- Estate Glynn Playground
- Fort Frederick Beach Bathhouse
- Estate Bordeaux Playground
- Alvin McBean Complex
- Estate Frydenhoj Field
- Pine Peace Basketball Court
- and Estate Nadir Basketball Courts, to just name a few.

We are also moving ahead with the design and construction of the new St. Thomas Library and Record Center, the Department of Justice Toro Building, and the LaReine, Frenchtown and Frederiksted fish markets.

Transportation improvements included the Red Hook sidewalk and Long Bay Road work in St. Thomas, Queen Mary Highway Improvements in St. Croix, and Route 104 and parking improvements in St. John. And we completed the construction of the new passenger dock on Water Island.

And after years of failed efforts and promises not kept with respect to the Paul E. Joseph Stadium, we are negotiating the final terms of a public private partnership, selected through a competitive process, that will include the construction of a sports complex which will have as its anchor a baseball stadium, and will include nationally sanctioned swimming and tennis facilities.

Our Department of Agriculture continues its work to increase the quantity and diversity of local food production. This past year, the Department completed a sediment pond in the St. Croix Community Garden to increase water storage and reduce flooding, while on St. Thomas, the Department completed the renovation of a roadway in Estate Bordeaux to help improve productivity. The Department also undertook a program to support home-grown food production and initiated a youth agricultural training program.

We are assisting our farmers through more focused crop selection and livestock usage, and seeking to ensure their access to proper business planning and financial resources.

The main objective remains to build this sector with a consistency that will result in sales to supermarkets, restaurants, hotels and schools, reflecting my belief that a growing degree of self-sufficiency in food production is indeed possible.

We continue to be just as supportive of our local fishermen as we are of our farmers, as we work with the Delegate, to ensure that our collective voices are heard at the Caribbean Fisheries Management Council, with the National Marine Fisheries Service, and at the Congressional level, to ensure that data collection is accurate, and that no unreasonable or burdensome catch limits are placed on our fisherman.

Because of the funding capacity that we have built through our agreements with Diageo and Cruzan, we are now prepared to move ahead with addressing two of the most important and long outstanding financial obligations that haunt our past and cloud our future: Our unfunded pension system and the issue of retroactive salary obligations.

We have initiated a strategy that will increase the funding level of the retirement system by \$600 million. This will be accomplished by placing a Government bond in the GERS portfolio that will capture a portion of the new rum revenues generated as the Captain Morgan distillery is completed, and as the production from the Cruzan plant is increased over the next several years.

I have instructed our bond counsel and underwriters to move ahead with the structuring of the pension funding program, and the drafting of appropriate legislation for your consideration and action. This will put us on the road towards solving our unfunded liability and ensure that our promise to our retirees is kept. And this promise is on top of the bonus payments made in September of last year, which we have every intention of doing again.

We will also move forward and take action when it comes to retroactive pay. I am in the process of appointing the Retroactive Pay Commission, and upon receipt of their recommendations will implement a resolution of this long-outstanding issue. This process was initiated with work done by the Division of Personnel and a dedicated team of retirees.

The issue of Retroactive Pay has been a contentious topic for over a decade. The debate has been constant as to whether retro is in fact a legally required obligation given in the absence of specific appropriations. But, in my mind this is not a legal question, but rather a moral commitment, and I intend to see this obligation addressed in a fair and equitable manner.

We will move forward with the development and implementation of a plan to address both the GERS and Retro Pay issues. What we have achieved in building new future revenues now gives us the opportunity us to plan realistically and to succeed where until now there was little chance of success.

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So let me conclude this report to our Virgin Islands community by saying once again that we enter this year with renewed hope.

We can move forward into this year confident that we have laid the groundwork that will enable us to meet the challenges that we face. Our hope is renewed and our conviction is strong because we have faced some very challenging years before, and we know that by working together, there are no challenges that we cannot overcome, no difficult times that we cannot endure as we build a better tomorrow for all Virgin Islanders.

And, we shall persevere, as we have in the past. My faith remains strong.

I know that with God's blessing, and with the cooperation and compassion of our neighbors and friends, we will come through.

We have put into motion many of the policies and programs that will power us to better days. Our progress has been steady. And our progress shall continue. Sure there will be setbacks, and even detours or wrong turns.

I will repeat here tonight what I have stated many times before: If we are to uphold the oaths that we have taken as the elected representatives of the citizens of the Territory, we must work together, each and every day, if we are to build a better tomorrow.

Today, the challenges we face are as great as they have ever been. So, today, more than ever, we must strive to set aside all of those things that will surely undermine our ability to succeed. We must - each of us - strive to overcome the partisanship and pettiness, the cynicism and self-interest that will block our way to the higher ground to which we all aspire. Every act of pettiness, of meanness, of nay-saying and of disrespect diminishes not just the actor but also the audience. We can and we must rise above this.

We cannot back into the future, but we must look forward boldly and with confidence. We must turn and face the future even as we carry with us the best of the past. We must not wallow in the past, in past wrongs or slights, or even past injustices. We must turn and face the future working hard every day to do better.

We know this can only be done one way, and that is with the guidance of God. The one way of man, however, is to be found only in peace and with justice. This requires us to do what we know we can do and what we must do - work together. We must stand together as we face forward. We must turn and face the future together - bringing all along to a better tomorrow. We can do this only one way: Together. Together for tomorrow!

God bless you and God bless the Virgin Islands.