

ISSUES FOR HEARING

Spaceport Authority

Competition among states building spaceports is increasing; likewise competition among space companies is also increasing. Each is vying to be the first to win the private space race.

Construction:

- The original construction budget of \$225 million included revenues of \$140 million from the state, \$58.9 million from the spaceport gross receipts tax district, \$25 million from federal sources, and \$2 million from other/private sources.
- The current construction budget is reduced to \$209.2 million and includes \$132.6 million from the state, and \$76.4 million from the tax district. The State's portion of the unfunded construction budget is \$7.5 million.
- Tax district revenues account for an increased share of construction costs. NMFA issued \$58 million of GRT backed bonds in June of 2009. Additional revenue generated from the tax district has been allocated to building the Southern road to the Spaceport and the visitor experience.
- The majority of the State's \$132.98 million appropriation was converted to severance tax bonds during solvency. The bonds expire June 2012 and December 2013. The balance of all capital appropriations is approximately \$38 million.
- The monthly cash balance report from SHARE showed a growing negative cash balance during FY11. The largest negative cash balance, \$31.4 million, was reported at the end of April. Being administratively attached to the Economic Development Department, and with the help of DFA, the spaceport was able to reduce the negative balance to \$13.3 million at the end of June.
- Phase 1 of the construction is 87 percent complete and phase 2 is 15 percent complete.

- Most construction contracts were awarded to New Mexico firms. The Spaceport Authority reports 828 jobs were created due to construction thus far.
- Community meetings and negotiations are underway regarding the location of the two welcome centers off Interstate 25.
- The department issued an RFP to create the Spaceport visitor experience and facilities.
- A risk of being the first purpose built spaceport, with an industry still largely emerging, is that the launch technology might not match the infrastructure over the long run.

Operating Budget:

- The general fund appropriations for FY12 were reduced 55 percent to \$500 thousand from the FY11 \$1.1 million operating level. A portion of the general fund reduction was offset with increased other state revenues from Virgin Galactic, for a total operating budget of \$700 thousand. In addition, two vacant FTE were deleted from the amount authorized in FY11.
- Given the probability of construction delays, it is highly optimistic that the infrastructure will be in place for Virgin Galactic to begin leasehold improvements and begin paying rent before the end of FY12. Any FY12 operating budget shortfall may be addressed with cash balances.
- The department may need additional nonrecurring funding in FY13 to bridge the funding gap until lease payments begin. The department may also need a greater operating budget to accommodate the ramped up activity expected during FY13.
- To address the fiscal staff weakness within the department and at EDD, the Spaceport Authority is executing a contract with a CPA to help sort out cash balances, overdue payment requests from contractors, and prepare annual audit reports.
- Not until late FY13 will lease payments and user fees contribute to the support of the department. Lease payments will generate \$1 million each year for the first five years then almost \$3 million each year thereafter. Per launch fees, or user fees and passenger fees, will contribute a

significant portion of the expected future revenue. Increased use of facilities

Economic Development:

- Studies in 2005 by NMSU and Fultron projected a positive economic impact, up to \$450 million, with earnings in excess of \$160 million supporting an average of 1,450 jobs each year, during construction phase. The studies did not specify the impact out-of-state contractors might have economic development.
- According to the NMSU study, economic success will be achieved from family and viewer tourism and ancillary businesses providing services. According to the updated business plan, the staff of the spaceport is working to increase the use of vertical launch capabilities and identify horizontal ancillary start-up businesses – transportation, concessions, restaurants, retail/merchandising, facilities maintenance, janitorial, grounds keeping, etc.
- Sustained growth will be achieved by identifying at least one new major tenant by 2015 to diversify the spaceport customer base. Recently, vertical launch capabilities have been used by Armadillo Aerospace, UP Aerospace, and Lockheed Martin. In addition, Boeing is conducting test flights of a helicopter avionics system.
- Additional economic development is expected from a vertical supply chain of ancillary business – airfield maintenance, fuel handling, flight safety, airspace management, medical/EMT services, etc.

Spaceport Board Members:

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| *Rick Holdridge (Chair) | David Buchholtz |
| *Jerry Stagner | Ben Woods |
| Irv Diamond | Scott Drahling |
| Lt. Gov. John Sanchez | |
| (*possibly present) | |

Spaceport Tour Operator:

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