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FISCAL IMPACT REPORT

SPONSOR <u>Ferrary/Lara/Silva/Rubio</u>	LAST UPDATED _____
	ORIGINAL DATE <u>02/24/25</u>
SHORT TITLE <u>Spaceport Board & Taxes</u>	BILL NUMBER <u>House Bill 396</u>
	ANALYST <u>Graeser</u>

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
0.25% GRT	\$0	\$0	(\$15,150.0)	(\$15,370.0)	(\$15,590.0)	Recurring	Doña Ana County
0.25% GRT	\$0	\$0	(\$1,265.0)	(\$1,400.0)	\$1,530.0)	Recurring	Sierra County
	\$0	\$10,538.0	(\$4,622.0)	(\$4,622.0)	(\$4,622.0)	Recurring	Bond Fund
Admin Fee	\$0	\$0	(\$508.0)	519.0)	(\$529.0)	Recurring	General Fund
	\$0	(\$7,430.0)	(\$7,700.0)	(\$7,950.0)	(\$8,220.0)	Recurring	Spaceport Operating & Capital

Parentheses () indicate revenue decreases.

*Amounts reflect the most recent analysis of this legislation.

Relates to House Bill 261 and Senate Bill 174

Sources of Information

TRD's RP500 Reports
LFC Files

Agency Analysis Received From
Spaceport America (Spaceport).

Agency Analysis was Solicited but Not Received From
Taxation and Revenue Department (TRD)
New Mexico Counties (NMC)
New Mexico Municipal League (NMML)
New Mexico Department of Transportation (NMDOT)

SUMMARY

Synopsis of House Bill 396

House Bill 396 (HB396) amends both the Regional Spaceport District Act (5-16-1 through 5-16-15 NMSA 1978) and the Spaceport Development Act (58-31-1 through 58-31-18 NMSA 1978).

The bill:

- Changes the composition of the Regional Spaceport District Board such that Doña Ana County would have four board members and Sierra County would have one member on

the board. Note that the Spaceport District Board is separate and distinct from the Spaceport Authority.

- The proceeds of the revenue bonds supported by the Doña Ana and Sierra counties gross receipts taxes may not be used for “spaceport-related projects,” but only planning, designing, engineering, and construction of a regional spaceport. This provision prevents the Spaceport Authority from using the proceeds for any purpose except paying off the bonds early.
- When the bonds have been paid off, the county regional spaceport gross receipts taxes would be canceled.
- The 25 percent proceeds of the county regional spaceport gross receipts taxes currently retained by the two contributing counties are now directed to paying off the bonds early.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or June 20, 2025, if enacted. The provisions are applicable for county regional spaceport gross receipts taxes and bond repayments after July 1, 2025.

FISCAL IMPLICATIONS

The monthly bond payment amount is constant at \$368.3 thousand for Doña Ana County and \$16.8 thousand for Sierra County. Twenty-five percent of the proceeds of the county regional spaceport gross receipts taxes are retained by the sponsoring county for educational use. Amounts in excess of the mandated bond repayment and the 25 percent for the sponsoring counties are available to the Spaceport Authority for capital or operating.

Analysis provided by the Spaceport expects a reduction in amounts from the provisions of this bill amounting to (\$7,448 thousand) for FY26 and (\$7,895 thousand) for FY27.

The principal remaining on the bond as of June 30, 2025, is approximately \$13.6 million, based on the audited amount at the end of FY22 of \$26,950,671¹. With the full proceeds of the county regional spaceport tax contributed by Doña Ana and Sierra counties devoted to paying off the bonds early, the estimated date of that payoff is approximately May 2026. A small amount of GRT distribution would be reverted to the sponsoring counties. However, if there are any payments to be made on the bond that crosses the fiscal year, the transition may be a bit difficult for TRD to administer.

Spaceport operating and capital funds would have to be made up with some combination of severance tax bonds (STBs) and budget appropriations. The 2024 budget for Spaceport America shows general fund appropriations of \$4.10 million and other support of \$7.3 million. In the proposed 2025 budget, these amounts have been increased to \$4.14 million from the general fund and \$8.6 million for other support.

SIGNIFICANT ISSUES

Spaceport America is the world's first purpose-built commercial spaceport. The state of New Mexico designed, built, owns, and operates Spaceport America. Its anchor tenant is Virgin

¹ FY22 audit summaries are attached to this review.

Galactic. Other tenants include SpinLaunch, UP Aerospace, AeroVironment, and HAPS Mobile.

Spaceport America was built with more than \$220 million in taxpayer money. In 2007, the New Mexico Legislature authorized up to \$100 million in STBs for Spaceport America. In 2009 and 2010, the Spaceport Authority issued an additional \$78.6 million in revenue bonds at 4.5 percent interest rate. The bonds were supported by a 0.25 percent local option gross receipts tax collected in Doña Ana and Sierra counties. Overall, the state provided about two-thirds of the funding, and the remainder came from revenue bonds.²

In 2021, the Spaceport Authority refinanced \$35.4 million of the spaceport bonds. This led to a reduction from a 4.5 percent annual interest rate to less than 0.8 percent. That would save \$8.2 million over the nine years it would take to pay off the bonds. These were 20-year bonds that mature in 2029 and 2030.

PERFORMANCE IMPLICATIONS

Spaceport America notes:

The bill raises questions about the long-term viability of the Spaceport Authority and to continue its consistent development of infrastructure development at the termination of GRT revenue. To remain competitive as a spaceport as the space industry continues to grow at an exponential pace and to further the NMSA's mission of "creating programs to expand high-technology economic opportunities within New Mexico" and "coordinate and expedite the involvement of the state executive branch's space-related development efforts" 58-31-5 NMSA 1978, the NMSA requires significant and stable financial support from governmental entities tasked with providing these resources.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to House Bill 261 and Senate Bill 174 concerning spaceport district fund investment.

ALTERNATIVES

Spaceport America periodically gets STB allocations. This is one way to make up for the early payoff of the bonds and allow for the cancellation of the GRT support from Doña Ana and Sierra County taxpayers.

LG/hj/SD/hg/sgs

² <https://www.lcsun-news.com/story/news/local/spaceport/2021/06/28/new-mexico-spaceport-america-projects-saving-millions-taxpayer-funds-virgin-galactic-license/7782819002/>

Attachments 1 & 2: FY22 Spaceport Authority Audit

**STATE OF NEW MEXICO SPACEPORT AUTHORITY STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$19,019,998
Cash Held at Trustee	11,118,399
Accounts Receivable, Net	7,590,422
Lease Receivable, Current	899,749
Prepaid Expenses	294,777
Inventory	<u>38,467</u>
Total Current Assets	38,961,812
Noncurrent Assets:	
Lease Receivable, Noncurrent	5,442,423
Capital Assets, Net	133,819,198
Lease Right to Use Assets, Net	<u>2,539,821</u>
Total Assets	<u>\$180,763,254</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,400,469
Accrued Payroll	91,215
Due to State General Fund	11,716
Unearned Revenue	446,721
Accrued Interest Payable	18,523
Bonds Payable, Current	4,399,148
Lease Liability, Current	107,185
Compensated Absences Payable, Current	<u>217,552</u>
Total Current Liabilities	<u>6,692,538</u>
Noncurrent Liabilities	
Bonds Payable, Noncurrent	26,950,671
Lease Liability, Noncurrent	<u>2,478,593</u>
Total Liabilities	<u>36,121,802</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows, Leases	<u>6,342,172</u>
Total Liabilities and Deferred Inflows of Resources	<u>42,463,974</u>
NET POSITION	
Net Investment in Capital Assets	102,423,422
Restricted	33,905,676
Unrestricted	<u>1,970,182</u>
Total Net Position	<u>138,299,280</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>180,763,254</u>

**STATE OF NEW MEXICO SPACEPORT AUTHORITY STATEMENT OF NET POSITION
JUNE 30, 2022**

	<u>Governmental Activities</u>
Expenses	
Spaceport Development	\$15,119,437
Total Expenses	<u>15,119,437</u>
Program Revenues	
Rental Revenue	6,054,688
Tours and Launch Revenue	1,409,589
Lease Interest Revenue	51,424
Interest Revenue on Deposits	<u>50,449</u>
Total Program Revenues	<u>7,566,150</u>
Net Program Revenues (Expenses)	<u>-7,553,287</u>
General Revenues, Reversions and Transfers	
Gross Receipts Tax	10,826,272
State General Fund Appropriation	3,074,500
Severance Tax Bond Appropriation	62,538
Other Financing Sources	<u>26,100</u>
Total General Revenues, Reversions and Transfers	<u>13,989,410</u>
Change in Net Position	6,436,123
Net Position - Beginning of Year	120,392,579
Restatement (<i>Note 18</i>)	<u>11,470,578</u>
Net Position - As Restated	<u>131,863,157</u>
Net Position - End of Year	<u>\$138,299,280</u>