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FISCAL IMPACT REPORT

SPONSOR Boykin DATE TYPED 02/14/05 HB 419/aHBIC

SHORT TITLE Spaceport Development Act SB _____

ANALYST Ford

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	Indeterminate			Recurring	Spaceport Authority Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	Indeterminate	Indeterminate	Recurring	Spaceport Authority Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB 165.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment specifies that one of the 6 appointed members shall be a resident of Sierra county.

Synopsis of Original Bill

House Bill 419 enacts the Spaceport Development Act, which creates the Spaceport Authority to encourage and foster the development of spaceport facilities that support public and private sec-

tor space activities within the state of New Mexico. House Bill 419 creates a special fund, the Spaceport Development Fund, and allows the spaceport authority to issue revenue bonds. Finally, House Bill 419 creates the statutory framework for the development and operation of the spaceport authority and associated spaceport facilities.

Significant Issues

House Bill 419 enacts the Spaceport Authority Act, creating the authority and providing for its purpose, membership, powers and duties, and financing.

Purpose: The purpose of the spaceport authority is to foster development of spaceport facilities in New Mexico, actively promote public and private sector infrastructure development to attract new industries and businesses, create the statutory framework that will enable the state to design, finance, construct, equip and operate spaceport facilities necessary to ensure the timely, planned and efficient development of a southwest regional spaceport; and promote educational involvement in spaceport education and training of the workforce.

Membership: The authority is administratively attached to the EDD and shall consist of seven voting and two nonvoting members. Six members are appointed by the Governor with the consent of the Senate. The secretary of economic development (or the secretary's designee) shall be the seventh voting member and shall serve as the chair of the authority. The Lieutenant Governor and the executive director of the authority shall be non-voting members. House Bill 419 further provides procedures related to the members' terms, reimbursements, meetings, and vacancies.

Powers and Duties: The authority is charged with a variety of duties to develop space related projects, expand high technology economic opportunities, provide advice and information regarding the southwest regional spaceport and other scientific and technological trends, and generally support efforts to develop space related technologies and industries in New Mexico. The authority shall hire an executive director and staff to fulfill its duties.

In addition, the bill authorizes the authority to operate spaceport facilities, solicit outside funds, issue revenue bonds, refinance projects and collect tolls (see "Financing" below).

Finally, the authority is prohibited from operating a project as a business or in any manner except as a lessor, incurring general obligation debt, pledging the full faith and credit of the state, and expending funds or incurring debt for the improvement, maintenance, repair or addition to property not owned by the authority.

Financing: House Bill 419 provides for the financing of the authority. It establishes the Spaceport Authority Fund, a non-reverting special fund within the state treasury. Money shall be appropriated from the fund to the authority for the purposes of carrying out the Spaceport Development Act.

Money deposited in the fund will include:

- Proceeds of the issuance of revenue bonds;
- Proceeds from loans;
- Tolls, fees, rentals and charges for the use of or services rendered by any authority facility, program or service;

- Interest earned upon any money in the fund;
- Earnings of properties and securities acquired through the use of the fund;
- Money received from public or private sources.

House Bill 419 prohibits the authority from issuing general obligation bonds or pledging the faith and credit of the state to repay debt. The bill lays out the procedures and requirements for the issuance of bonds and specifies that the bonds are exempt from taxation by the state or its subdivisions.

PERFORMANCE IMPLICATIONS

EDD operates the Office for Space Commercialization as part of the Technology and Space Commercialization program for the purpose of increasing the start-up, relocation and growth of technology-based businesses in New Mexico. The LFC is recommending \$713.8 thousand in funding for FY 06. The program has several performance measures related to the creation of jobs. This bill could help improve on those performance measures by developing new spaceport facilities and attracting new businesses to the state.

However, EDD notes that the relationship between the Spaceport Authority and Office for Space Commercialization is not defined by the bill (see “Technical Issues” below).

FISCAL IMPLICATIONS

House Bill 419 creates a Spaceport Authority Fund and appropriates money from the fund for the purpose of carrying out the Spaceport Development Act.

The bill authorizes the Spaceport Authority to issue revenue bonds. The bill presents no direct impact to the state’s general fund.

Continuing Appropriations

This bill creates a new fund and provides for continuing appropriations. The LFC is concerned about including continuing appropriation language in the statutory provisions for newly created funds. Earmarking reduces the ability of the legislature to establish spending priorities.

ADMINISTRATIVE IMPLICATIONS

Although the spaceport authority is administratively attached to the EDD, the bill provides for the authority to hire its own staff and provide its own administrative support.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 419 duplicates Senate Bill 165.

TECHNICAL ISSUES

EDD notes that the relationship between the current Office for Space Commercialization and the Spaceport Authority is not defined in the bill. This could cause overlap and duplication of efforts.

NMFA recommends that the authority partner with NMFA to issue bonds in order to take advantage of its financial expertise.

OTHER SUBSTANTIVE ISSUES

New Mexico is in the process of establishing the southwest regional spaceport at Upham, located approximately 45 miles north of Las Cruces and 30 miles east of Truth or Consequences. The EDD will request \$10 million for the spaceport, which is scheduled to be licensed in early 2006. The Legislature has already appropriated \$9 million for infrastructure at White Sands Missile Range and other expenses related to the X-Prize Competition (an annual competition for reusable space vehicles to promote space tourism and related industrial development). The X Prize Cup has the potential to generate significant economic impact. However, as the LFC notes in its recommendations for FY 06, this impact will depend on recurring funding yet to be secured, continued competition with six other spaceports, and the X-Prize Foundation plans for expansion at other spaceports.

Both the EDD and the NMFA believe that this bill is an economic development initiative that will create new job opportunities, attract new industries, and improve New Mexico's reputation as a leader in high-technology.

EF/sb