

<b>LFC Requester:</b>	<b>Laird Graeser</b>
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**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

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**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

**Date Prepared:** 2/17/25 *Check all that apply:*  
**Bill Number:** H 396 Original  Correction   
 Amendment  Substitute

**Sponsor:** J. Ferrary, R. Lara, S. Silva **Agency Name and Code Number:** New Mexico Spaceport Authority, Agency 49500  
**Short Title:** Spaceport Board & Taxes **Person Writing:** Art Trujillo  
**Phone:** 575-281-0238 **Email:** [Art.trujillo@spaceport](mailto:Art.trujillo@spaceport)

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
N/A	N/A		

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$-0-	\$(7,448)	\$(7,895)	Recurring	Capital Projects
\$-0-	\$(3,000)	\$(3,456)	Recurring	General Fund

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected

Total	\$-0-	\$1,650	\$1,958	\$3,608	Recurring	General Fund
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(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: **This bill amends existing statutes related to the Regional Spaceport District (5-16-5 NMSA 1978, 5-16-7 NMSA 1978, 7-20E-25 NMSA 1978, 58-31-9 NMSA 1978).**

Duplicates/Relates to Appropriation in the General Appropriation Act: None noted.

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

**Synopsis: This bill proposes significant changes to the Regional Spaceport District, including altering board composition, limiting bond issuance, and requiring all GRT revenue to be used solely for bond repayment. It also mandates the repeal of the GRT once the bonds are fully paid off.**

#### **FISCAL IMPLICATIONS**

However, the repeal of the GRT after bond repayment could negatively impact long-term funding for the Spaceport Authority, as it would eliminate a significant revenue stream currently used to support spaceport-related projects and initiatives. As shown in the “Estimated Revenue Stream” table above, it would eliminate projected capital revenues of \$7,448 thousand in FY26 and \$7,895 thousand in FY27.

It also would impact operating revenues in that it would affect current and potential customers. Operating revenues are projected to decrease by \$3 million in FY26 and \$3.5 million in FY27 from lost revenues that could have been charged had facilities been built.

Some increases in operating expenses related to lack of facilities would also occur consisting of personnel, utilities, maintenance and repair costs would increase by \$1,450 thousand in FY26 and \$1,728 thousand in FY27. Although expense increases would be passed on to customers, there would still be a net increase which is what is shown here.

#### **SIGNIFICANT ISSUES**

We are recommending HB 396 be denied. The proposed bill HB 396 would have a detrimental impact on the New Mexico Spaceport Authority’s (NMSA) ability to continue capital project construction and severely limit its ability to expand infrastructure that is greatly needed in order for NMSA to fulfil its statutory mission in promoting economic development as required under NMSA 58-31-2, which states “(A) encourage and foster development of the state and its cities and counties by developing spaceport facilities in New Mexico; (B) actively promote and assist public and private sector infrastructure development to attract new industries and businesses, thereby creating new job opportunities in the state; (C) 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 (D) promote educational involvement in spaceport activities and education and training of the workforce to develop the skills needed for spaceport operations.”

In addition, it would impact operational customers such as Virgin Galactic who need

infrastructure to expand the present facilities they are currently planning on and could eventually cause them to relocate elsewhere. Other current and potential customers could be impacted which would affect our operating revenue and dependency on State appropriations and those customers that remain could result in increased costs.

#### **PERFORMANCE IMPLICATIONS**

The proposed bill would greatly impact the New Mexico Spaceport Authority (NMSA) in that we could not receive GRT funding for capital projects. Other sources of funding for capital projects are from State Severance and General Obligation Bonds which are limited and impact NMSA's Infrastructure and Capital Improvement Plan's for ongoing and future capital construction projects. NMSA cannot attract customers without the necessary infrastructure such as roads, runways, hangars, buildings, utilities and facilities for companies to operate their programs. This would limit NMSA's growth and would impact the economic development for the State which would impact job growth, businesses, housing and tax revenues.

Funding for the construction NMSA has originally and traditionally come from both neighboring counties (Dona Ana and Sierra) and the State of New Mexico. The cost sharing recognized that while the NMSA was a state project, its benefits would mostly be felt in those two counties, who should therefore help pay for the project. The passage of this bill completely alters this cost sharing relationship.

#### **ADMINISTRATIVE IMPLICATIONS**

NMSA will need to adjust its financial planning and budgeting processes to accommodate the changes in GRT revenue funding. Additionally increased expenses would need to be contained or funded by current fundings. The bill disenfranchises Dona Ana and Sierra County taxpayers who voted to allocate excess pledged revenues from GRT for planning, designing and constructing a spaceport.

Altering already-in-place tax collection mechanisms used to pay off bonds sets a very bad precedent for bond repayment stability and the reputation of the State of New Mexico for bond investors. If bond payment terms can be easily and repeatedly modified after the bond is issue, this will lower confidence in New Mexico bonds and has the potential to lower New Mexico bond ratings, which could cost New Mexico significantly more interest over time. The stability of bond and corresponding project payment constructs is paramount to confidence in the bond market. We are recommending that the New Mexico Finance Authority (NMFA) be consulted for their opinion on this matter.

#### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

There is no known conflict, duplication, companionship or relationship to HB 396.

#### **TECHNICAL ISSUES**

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.**

**OTHER SUBSTANTIVE ISSUES**

**None noted at this time.**

**ALTERNATIVES**

**The alternative to passage of HB 396 would be that NMSA would need to fund infrastructure through current severance and general obligation bonds provided by the NM State Board of Finance.**

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

**The New Mexico Spaceport Authority would likely continue to receive a portion of the GRT revenues providing a stable funding source for its operations and projects.**

**AMENDMENTS**

**None noted or recommended.**