

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Commerce Committee

BILL: CS/SB 2426

INTRODUCER: Commerce Committee and Senator Posey

SUBJECT: Space Florida

DATE: April 1, 2008

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Pugh	Cooper	CM	Fav/CS
2.			FT	
3.			TA	
4.				
5.				
6.				

I. Summary:

CS/SB 2426 creates the Space and Aerospace Catalyst and Enhancement (SpACE) Program, which will help finance upgrades to space-related infrastructure, such as launch facilities, and other types of facilities, or to compete for space-related businesses interested in partnering with the state.

The program is created within the Governor’s Office of Tourism, Trade, and Economic Development (OTTED), which is responsible for reviewing applications for grants from the fund and recommending to the Governor a list of ranked projects for program funding. The Legislative Budget Commission must review and release funds for the approved projects.

Assisting OTTED at various points in the process is Space Florida, the state’s space business entity created in ch. 331, F.S.

The proposed projects will be reviewed using a number of criteria, modeled after those used to evaluate project applications for other state incentive programs. Similarly, the terms and conditions in the contracts OTTED will sign with the selected project contractors is based on existing statutory language, including performance standards and sanctions for failing to meet those standards.

CS/SB 2426 also creates a \$15 million appropriation for SpACE program projects; the source of the funding is nonrecurring state general revenue.

Finally, CS/SB 2426 directs Space Florida to identify and designate an area near its headquarters as “Space Mile Marker 1.”

CS/SB 2426 creates s. 288.1087, Florida Statutes.

II. Present Situation:

History of Space Florida

Prior to July 1, 2006, Florida had three statutorily created space entities: the Florida Space Authority, the Florida Space Research Institute, and the Florida Aerospace Finance Corporation. Each had its own set of responsibilities, but there was some overlap, as well, particularly in the area of developing commercial space activities.

Within these primary space entities were councils or committees that had specific focus. For example, the Spaceport Management Council, within the Florida Space Authority, was directed to coordinate with government agencies and commercial space operators for the development of recommendations on projects and activities that would improve the capabilities of the state's space launch facilities, increase statewide space-related industry and opportunities, and promote space education, research, and technology development.

Prompted in part by recommendations of the Governor's 2005 Commission on the Future of Space and Aeronautics in Florida, the Legislature passed HB 1489 (ch. 2006-60, L.O.F.). The legislation combined all of the existing space entities into one, Space Florida, and substantially rewrote Part III of ch. 331, F.S. Space Florida's mission encompassed the responsibilities of all of its predecessor entities, with an emphasis on economic development.

Among Space Florida's economic development powers is the authority to acquire, own, and operate facilities, launch pads, experimental spaceport facilities, landing areas, ranges, payload assembly and processing buildings, laboratories, aerospace business incubators, launch vehicles, payloads, space flight hardware, and other aerospace-related systems or initiatives, including utilities, educational and cultural initiatives.¹

Space Florida is governed by a 19-member board of directors:

- Twelve voting, private-sector members, appointed by the Governor, who are to represent a broad range of business interests.
- Five voting government representatives: the Governor, the secretary of the state Department of Transportation, the state's Education Commissioner, the presidents of EFI and Workforce Florida, or their designees.
- One state senator and one state representative, appointed by their respective leaders, to serve as ex officio, nonvoting members.

A president and 23 staff persons, currently working out of facilities at Kennedy Space Center (KSC), handle Space Florida's day-to-day operations. According to Space Florida's 2006-2007 annual independent auditor report,² Space Florida had total revenues of \$11.44 million, including \$6.4 million in state appropriations, nearly \$1.88 million in rental fees and other

¹ Section 331.305(11), F.S.

² Can be viewed at: <http://69.89.14.74/docs/Financial%20Statements%206.30.07.pdf>. (Last visited March 24, 2008.)

services, and \$2.2 million in grants. Space Florida reported \$7.7 million in total expenses that same year.

Additionally, Space Florida has \$35.7 million in capital assets:

- Space Life Sciences Lab: Valued at \$23.4 million, this facility is a world-class laboratory with all the capability and systems necessary to handle processing of International Space Station (ISS) experiments as well as associated biological and life sciences research. Space Florida considers the lab the initial phase of a new 400-acre Research and Technology Park at KSC that can be leased to entities performing government and private research.
- The Operational Storage Facility: Valued at \$8.16 million, the storage facility is located on Florida National Guard property west of St. Augustine at Camp Blanding. The facility consists of four buildings totaling 80,000 square feet, and has rail access.
- Reusable Launch Vehicle Support Complex: Valued at \$2.57 million, the complex is a multipurpose facility that was developed in partnership with the NASA/Kennedy Space Center (KSC). The 50,000-square-foot hangar was completed in April 2000, and was developed as part of a broader initiative to expand the capability of the spaceport to support government and commercial research and technology development activities. It has been used to store various aircraft and International Space Station flight hardware until it was ready to be delivered to KSC, and housed the remains of the *Columbia* orbiter during the federal investigation into its explosion while re-entering the earth's atmosphere.

Space Florida also includes in its infrastructure two launch complexes. Space Launch Complex 46 (SLC 46) is designed to accommodate a variety of rocket types and sizes, to further Space Florida's partnerships with commercial space companies. Launch Complex 47 (LC 47) is being used as a training site for future aerospace technicians, to conduct university, Department of Defense, and NASA research, and launch very small rockets.

Space Florida's plans

Space Florida is partnering with a number of commercial businesses to promote space travel and economic development. In November 2007, it entered into an agreement with Bigelow Aerospace, LLC, an entrepreneurial space development company headquartered in Nevada, to support the development of commercial launch systems at Cape Canaveral. Bigelow already has launched two inflatable, unmanned modules, the Genesis I and II, from Siberia, and is developing a manned vehicle, the Skywalker.³ According to Space Florida, Bigelow has committed up to \$100 million to support initiatives to develop and launch commercial manned spacecraft.

In March, Space Florida entered into negotiations with Orbital Sciences Corporation (Orbital), which in February won NASA's second "Commercial Orbital Transportation Services" (COTS) contract of \$170 million over 3 years to develop a commercial cargo delivery system to low Earth orbit, with the potential to fly missions to the ISS following retirement of the Space Shuttle in 2010. Orbital apparently has not decided where in the United States it will build and launch its test rockets, although various aspects of the contract may be spread over several locations.

³ More information available at <http://www.bigelowaerospace.com/>.

Space Florida is hoping that it can persuade Orbital to consider Florida's space coast as one of its locations, and is suggesting that Launch Complex 36 on the Canaveral Air Force Station, if upgraded, can serve Orbital's needs, as well as provide launch facilities for Bigelow, Space X and PlanetSpace⁴ – all of which are private companies wanting to build a commercial space industry.

Space Florida is seeking \$15 million in state funds for FY 2008-2009 to help pay for the infrastructure updates at Launch Complex 36. The agency has compared this funding proposal to a \$35 million appropriation made by the Legislature in 2006 that encouraged Lockheed Martin to refurbish an existing facility at the Cape for assembling and testing NASA's proposed Crew Exploration Vehicle, another COTS contract to develop the successor to the Space Shuttle.

Economic Impact of Florida's Space Industry

According to information provided by the Brevard Workforce Development Board,⁵ approximately 9,235 people are employed statewide by the Space Shuttle program and related activities, for an estimated annual payroll of \$600 million. The Space Shuttle program's indirect economic impact is approximately \$2 billion.

Space Shuttle flights are scheduled to end in 2010, and its successor, the Constellation program with the Orion crew module, is not expected to make its first launch until 2015.

III. Effect of Proposed Changes:

CS/SB 2426 creates an incentive program for Space Florida using state appropriations to fund infrastructure or facility improvements, or to attract space- or aerospace-related businesses interested in partnering with Florida. It also appropriates \$15 million to OTTED's Economic Development Trust Fund to help finance the projects.

Section 1 creates s. 288.1087, F.S., the SpACE program. The section first expresses legislative intent about the importance of the space and aerospace industry to Florida's economic well-being, then details the new program's purpose and process of obtaining state funds set aside for Space Florida.

Applications submitted by Space Florida to OTTED about its proposed projects or partnerships, must include the following information:

- A description of the type of space and aerospace infrastructure project, its operations, and the associated product or services associated with the facility;
- The number of full-time-equivalent jobs that will be created by the space and aerospace infrastructure project and the total estimated average annual wages of those jobs or, in the case of privately developed infrastructure, the types of business activities and jobs stimulated by the investment;
- The cumulative amount of investment to be dedicated to the project within a specified period;

⁴ Email from Chris Snow of Space Florida. Dated March 21, 2008. On file with the Commerce Committee.

⁵ "Aerospace Workforce Outlook Report." Dated August 2007. On file with the Commerce Committee.

- A statement of any special impacts the space and aerospace infrastructure project is expected to stimulate in a particular business sector in the state or regional economy or in the state's universities and community colleges;
- A statement of how the incentive is expected to affect the decision of the applicant project business to locate or expand in this state; and
- Where Space Florida is entering into a public-private partnership with a business entity, a financial analysis of the private company's short-term liquidity ratio as measured by its assets to liability, the company's profitability ratio, and the company's long-term solvency as measured by its debt-to-equity ratio;

OTTED is directed to contract with nationally recognized economists to develop an economic impact assessment model that evaluates such business factors as costs, benefits, and useful life of the infrastructure. This model should be available for OTTED's use no later than December 31, 2008. OTTED staff has indicated Space Florida would administer this provision as a pass-through under the terms of the entities' contract.

Projects eligible to receive SpACE funds must:

- Assist Space Florida in carrying out its responsibilities under part II of ch. 331, F.S.;
- Create or retain high-quality, high-salary jobs in the space or aerospace industry in Florida;
- Have a positive payback ratio of at least 5 to 1;
- Be an inducement to a project's location or expansion in the state;
- Be supported by the local community in which the project is to be located;
- Be able to match the state investment, if a public-private partnership; and
- Have undergone the economic analysis required as part of the application process.

OTTED can waive these criteria based on extraordinary circumstances if the project would significantly benefit the local or regional economy where it would be located. The bill does not define "extraordinary circumstances" or "significantly benefit."

The steps in the application approval process are:

- The Space Florida executive board and the executive director of OTTED will meet to recommend approval or disapproval of each proposal. For projects recommended to receive funds, the executive board and OTTED's executive director will rank the projects in the order they met the criteria.
- The recommended list, along with performance conditions for each project on the list, will be forwarded to the Governor for evaluation. The Governor is directed to consult with the President of the Senate and the Speaker of the House of Representatives before giving final approval for a project on the list.
- The Governor's executive staff will present the recommended project list to the Legislative Budget Commission (LBC) for its review and release of funds, pursuant to s. 216.177, F.S. Each project recommendation must include performance conditions each project is expected to meet in order to receive SpACE funds.
- Next, the OTTED executive director and the grant recipient will enter into a contract that sets forth the conditions for receiving the funds. The contract must include a number of

criteria, including performance conditions, methodology for evaluating performance, schedule of payments, and sanctions for failing to meet performance conditions.

- Each contract must stipulate that payment of SpACE funds is contingent on legislative appropriation and release of funds by the LBC.

Space Florida will compile information about the projects funded through the SpACE program for inclusion in its annual report.

Section 2 creates a \$15 million appropriation in non-recurring state general revenue for the program in FY 08-09. The funds shall be deposited in OTTED's Economic Development Trust Fund.

Section 3 directs Space Florida to identify and designate an 18-inch by 18-inch square of land near its headquarters as the site for a marker designating the area as "Space Mile Marker 1."

Section 4 provides an effective date of July 1, 2008.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Commercial space businesses needing launch facilities, warehouses, or other commercial facilities, or who are interested in partnering with Space Florida on space-related endeavors, may benefit from CS/SB 2426. Florida's space and aerospace industry, in general, likely will benefit from the economic spillover effect.

C. Government Sector Impact:

CS/SB 2426 provides an appropriation of \$15 million in nonrecurring general revenue for implementing the SpACE program.

If the program is funded and proves successful, the state and local governments would benefit, at an indeterminate level, because of increased tax revenues, property values, and high-wage jobs.

VI. Technical Deficiencies:

CS/SB 2426 should more clearly delineate which entity -- OTTED or Space Florida -- is responsible for evaluating the project information derived from the economic model and for monitoring the contracts for performance.

VII. Related Issues:

None.

VIII. Additional Information:**A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by the Commerce Committee on April 1, 2008

The CS differs from the bill as filed in the following ways:

- The program is renamed, from the Space and Aerospace Development Enhancement Infrastructure (SADIE) Fund, to the Space and Aerospace Catalyst and Enhancement (SpACE) Program.
- Enterprise Florida, Inc., no longer has a role in the evaluation of the project proposals, recommending a waiver of the evaluation criteria, or validating contractor performance. OTTED or Space Florida will perform these tasks.
- Space Florida will compile information about the SPACE program projects for inclusion in its annual report.
- The sum of \$15 million in nonrecurring state general revenue is appropriated for the SpACE program, and the funds will be deposited in the Economic Development Trust Fund, not the SADIE Fund.
- Space Florida is directed to identify and designate a small plot of land near its headquarters as Mile Marker One.
- The contingent effective date has been replaced with an effective date of July 1, 2008.

B. Amendments:

None.