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 Transportation and Economic Development Appropriations Committee

BILL: CS/CS/SB 2500

INTRODUCER: Transportation and Economic Development Appropriations Committee, Commerce Committee, and Senator Altman

SUBJECT: Space and Aerospace Infrastructure

DATE: April 19, 2010 REVISED:

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

Please see Section VIII. for Additional Information:

A. COMMITTEE SUBSTITUTE.....	X	Statement of Substantial Changes
B. AMENDMENTS........................		Technical amendments were recommended
		Amendments were recommended
		Significant amendments were recommended

I. Summary:

Space Florida was created by the Legislature in 2006 to act as the state's space-related economic development entity. Space Florida's major challenge is the retirement of NASA's Space Shuttle Program. The last shuttle mission is scheduled for September 2010. The "moon to Mars" successor program (known as Constellation) is scheduled to begin launches no earlier than 2015. The intervening period is referred to as the "shuttle gap," in which a number of employees in the aerospace industry, in Florida and other states, likely will lose their current jobs. But the Obama Administration's plan to end Constellation and rely instead on commercial spaceflight companies to fly cargo and crew into space has added more uncertainty. Current estimates are that 9,000 Florida aerospace workers may be unemployed after the last shuttle flight, creating a ripple effect throughout the Space Coast communities of other job losses and business failures.

The bill:

- Creates the Space Transition and Revitalization (STAR) Act;
- Modifies the Quick Action Closing Fund (QAC) to cap at 20 percent of its legislative appropriation projects that retain or create high-technology jobs associated with developing a more diverse aerospace economy in Florida;

- Waives QAC requirements for projects that seek to mitigate the negative economic impacts on Florida of the Space Shuttle Program's impending retirement; and
- Provides Space Florida with flexibility in how it spends the remaining $10.8 million from Specific Appropriation 2649 of ch. 2008-152, L.O.F.

The bill amends s. 288.1088, F.S.

II. Present Situation:

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.

That changed with the passage of HB 1489 (ch. 2006-60, L.O.F.), which combined the three existing space entities into one, Space Florida, and substantially rewrote Part III of ch. 331, F.S. Space Florida's mission encompasses the responsibilities of all of its predecessor entities, but with a current emphasis on economic development. As expressed in s. 331.302(1), F.S., Space Florida was created to:

> "… foster the growth and development of a sustainable and world-leading aerospace industry in this state. Space Florida shall promote aerospace business development by facilitating business financing, spaceport operations, research and development, workforce development, and innovative education programs."

Space Florida is funded with a combination of state funding and revenues from leases and fees from conduit financing agreements. The state funding typically is general revenue, and is initially deposited in the Economic Development Trust Fund managed by OTTED.

As an agent of the state, Space Florida holds title to four aerospace-related infrastructure assets, and has obtained, or is in the process of obtaining, licenses or leases for two others. The major assets are the Space Life Sciences Lab, Reusable Launch Vehicle (RLV) Hangar, Solid Rocket Operational Storage Facility (OSF) at Camp Blanding, and Space Launch Complexes 36, 46, and 47.[1]

Space Florida also is developing plans for "Exploration Park," planned as a mixed-use, multi-tenant technology and commerce park supporting both government and commercial space activities. Space Florida recently selected a general contractor to design and build the complex in phases. It will be located near the existing Space Life Sciences Lab, and on non-restricted property within Kennedy Space Center (KSC).

A final aspect of Space Florida's economic-development abilities is the use of conduit financing. Space Florida and its predecessor agencies have, over the years, entered into four

[1] http://www.flsenate.gov/data/Publications/2010/Senate/reports/interim_reports/pdf/2010-307cm.pdf.

conduit financing agreements, pursuant to s. 331.305, F.S., whereby it can issue revenue bonds or other debt instruments for the express purpose of providing capital financing for a third party, typically a private business, which in turn is solely responsible for repaying the debt. Among the four facilities built using this financing structure are two KSC attractions: the "Shuttle Launch Experience"[2] and the "Saturn V" Visitor Center.[3]

A New Direction for the National Aeronautical Space Administration (NASA)

Since 2005, concerns have been growing over the scheduled 2010 retirement of the Space Shuttle program and the estimated 5-year gap before its successor, Constellation, was scheduled to begin flights to the ISS and beyond.

In preparation, NASA in 2006 announced two separate, but intertwined programs: the Commercial Orbital Transportation Services (COTS) program, designed to develop vehicles capable of flight to the ISS and which could ferry cargo and human crew; and the Commercial Resupply Services (CRS) program to handle the actual deliveries to the ISS.[4]

For the next 2 years, NASA evaluated the proposals submitted by aspiring commercial spaceflight companies, and on December 23, 2008, entered into CRS contracts with Orbital Sciences and SpaceX to utilize their COTS cargo vehicles for cargo delivery to the ISS. On February 1, 2010, NASA awarded $50 million in preliminary funding to five companies to further development of their proposed human-rated commercial ships: Blue Origin, Boeing, Paragon Space Development Corporation, the Sierra Nevada Corporation, and United Launch Alliance.[5]

When President Obama released his FY 10-11 budget request on Feb. 1, 2010, there was no funding for the Constellation program, but increased funding over each of the next 5 years to:

- Invest in opportunities to use commercial spaceflight companies to carry astronauts and cargo into space;
- Pursue new exploration research and development programs (in areas such as in-orbit refueling, heavy-lift and propulsion rocketry, and robotic precursor missions to outer space in advance of astronaut travel;
- Provide more funding for the ISS, with a goal to extend its lifetime to at least 2020 or beyond with assistance from other nations;
- Add nearly $1 billion to modernize KSC to improved use by NASA and others;
- Spend an additional $600 million to assist the remaining Space Shuttle flights;
- Provide grants and other funds to promote space-related research and development; and
- Increase funding for NASA's expanded responsibilities for climate research.

Congress has begun committee hearings on the Obama Administration's space proposals, and opposition has been expressed by some members of Congress, including members of the Florida

[2] More information about the attraction is available at http://www.kennedyspacecenter.com/shuttle-launch-experience.aspx. Site last visited Aug. 15, 2009.
[3] More information is available at http://www.kennedyspacecenter.com/apollo-saturn-v-center.aspx. Site last visited Aug. 15, 2009.
[4] More information about NASA's commercial space program is available at http://www.nasa.gov/offices/c3po/home/. Last visited March 18, 2010.
[5] United Launch Alliance (UAL) is a joint venture of Lockheed-Martin and Boeing.

delegation, about the proposed shift from a space launch program using government-owned vehicles to one using private commercial vehicles, albeit financed with public money.

NASA's Economic Impact

NASA's operations in Florida are a major economic driver.[6] The total amount of NASA spending (so-called "outside money") for KSC-related activities was $1.96 billion, including $1.1 billion in wages in FY 2007-2008. Counting indirect spending, the total economic impact of NASA to Florida was estimated at $4.1 billion in production output; $2.1 billion in household income; 40,802 jobs; and $103 million in state and local tax revenues. The study also found that 98 percent of the output impact and 99 percent of the jobs and wage impacts occur in the seven-county Central Florida region[7] around KSC.

State Incentives for Space-Related Businesses

The state of Florida offers three aerospace-specific financial incentives, along with a number of general business incentives and tax exemptions, of which aerospace companies can take advantage, depending on their location and investment.

The three specific incentives are:

- the Qualified Defense Contractor and Space Flight Business Tax Refund Program,[8] which authorizes a tax refund based on $3,000 per retained or created job, which pays an annual wage of at least 115 percent of the area's average annual wage and meets other conditions of the business' agreement with OTTED;
- A sales tax exemption for heavy machinery and equipment used in aerospace, defense, and semiconductor facilities;[9] and
- A sales tax exemption for heavy machinery and equipment used in spaceport activities, defined as activities directed or sponsored by Space Florida on spaceport property.[10]

Aerospace or spaceflight businesses also could be eligible – based on their location, job creation and wage numbers, and level of investment – for 12 other state incentives.[11] One of them is the Quick Action Closing Fund (QAC),[12] which, as its name implies, is used by the state to "close the deal" when recruiting new businesses or encouraging existing businesses to remain in Florida and expand.

The statutory criteria for QAC projects are:

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[6] Information in the paragraph was obtained from the report, "Economic Impact of NASA in Florida, FY 2008." Available at http://www.nasa.gov/centers/kennedy/pdf/318131main_economic-impact08.pdf. Last visited Feb. 24, 2010.

[7] The report lists those seven counties as Brevard, Flagler, Lake, Orange, Osceola, Seminole, and Volusia.

[8] Section 288.1045, F.S.

[9] Section 212.08(5)(j), F.S.

[10] Section 212.08(5)(b)1. and 2., F.S

[11] The 12 incentives are the: Brownfield Redevelopment Bonus Refund Program; Capital Investment Tax Credit; Contaminated Site Rehabilitation Tax Credit; High Impact Performance Incentive Grant; Incumbent Worker Training Program; Innovation Incentive Program; Quick Action Closing Fund; Qualified Targeted Industry Tax Refund Program; Quick Response Training Program; Rural Job Tax Credit Program; Economic Development Transportation Fund, or the "road fund;" and Urban High-Crime Area Job Tax Credit Program.

[12] Section 288.1088, F.S.

- Operating in a state-designated "targeted industry" pursuant to s. 288.106, F.S.,[13] which aviation and aerospace companies are;
- Having a return on investment (ROI) or "payback" to the state of at least $5:$1;
- Being an inducement in the company's decision to locate or remain in Florida;
- Paying an average wage of at least 125 percent of the statewide or areawide private-section annual average wage; and
- Having the support of the local community.

However, these criteria may be waived by OTTED and the state's business recruiter, Enterprise Florida, Inc., (EFI) for two reasons: undefined "extraordinary circumstances" or projects in rural areas of critical economic concern.

The QAC incentive is awarded by the Governor, after consultation with the President of the Senate and the Speaker of the House of Representatives and approval of the Legislative Budget Committee. For FY 09-10, the Legislature appropriated $13.8 million to QAC.

III. Effect of Proposed Changes:

The bill creates the Space Transition and Revitalization (STAR) Act; specifies that up to 20 percent of the annual QAC resources appropriated by the Legislature may be used for aerospace companies; waives QAC requirements for companies or project intended to alleviate the negative impacts of the retirement of the Space Shuttle Program; and provides flexibility in how Space Florida may spend a 2008 appropriation.

Section 1: Names this legislation the Space Transition and Revitalization (STAR) Act.

Section 2: Amends s. 288.1088, F.S., to express legislative findings about the negative impact the Space Shuttle retirement will have on Florida, and how it is in the state's interest to provide incentives to mitigate the anticipated job losses and other economic impacts, and to create a more diverse aerospace economy in Florida.

The bill specifies that up to 20 percent of the funding made available under the QAC program may be used for projects that "retain or create high-technology jobs directly associated with developing a more diverse aerospace economy" in Florida. As worded, this provision caps QAC expenditures for space projects. It also allows OTTED and EFI to waive the wage, return on investment (ROI), and other eligibility criteria to mitigate the impacts of the conclusion of the Space Shuttle Program.

Section 3: Provides flexibility for Space Florida on how to spend funds appropriated in Specific Appropriation 2649 of ch. 2008-152, L.O.F. [14]

In 2008, the Legislature appropriated $14.5 million in general revenue to Space Florida specifically to renovate SLC-36 into a multi-use, multi-vehicle launch facility for liquid-fueled

[13] The complete targeted industry list is available in the 2009 Incentives Report, page 49. Published by Enterprise Florida, Inc. Available at: http://www.eflorida.com/uploadedFiles/Florida_Knowledge_Center/My_eFlorida_EFI_and_Partners/Floridas_Economic_Perspective/2009%20Incentives%20Report.pdf. Free registration required. Site last visited March 19, 2010.

[14] This provision is the subject of CS/CS/SB 1776 (which passed the Commerce Committee on March 3, 2010, and is included in CS/SB 1752, which passed the Policy & Steering Committee on Ways and Means on March 18, 2010.

rockets. For a number of reasons, release of the funds by OTTED was delayed.[15] Currently, about $3.7 million of the $14.5 million has been spent on the SLC-36 project, and Space Florida officials want the ability to shift those funds to projects at other SLCs, and to otherwise advance aerospace technology related to the commercial space transportation industry.

Section 4: Specifies this act shall take effect July 1, 2010.

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:

Indeterminate, but likely positive, if Space Florida's initiatives to position the state for commercial spaceflight business are successful. Commercial spaceflight companies may be inclined to launch from Florida, rather than other competitor states, if the appropriate infrastructure is available here. Increased commercial spaceflight business also may create jobs for highly skilled aerospace workers displaced by the retirement of the Space Shuttle Program and lengthy hiatus before a successor program begins.

C. Government Sector Impact:

Indeterminate to the extent that the proviso associated with Specific Appropriation 2649 of ch. 2008-152, Laws of Florida, does not permit Space Florida to expend the remaining balance, the funds are subject to reversion to the Economic Development Transportation Trust Fund; thus, such funds would be available for appropriation by the Legislature. This bill effectively appropriates such funds to Space Florida to be used for a broader range of projects.

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[15] For more details, see the analysis for CS/CS/SB 1776, available at http://www.flsenate.gov/data/session/2010/Senate/bills/analysis/pdf/2010s1776.cm.pdf.

VI. Technical Deficiencies:

None.

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/CS by Transportation and Economic Development Appropriations Committee on April 19, 2010:
- Removed the "Whereas" clauses that expressed the reasons for the legislation;
- Removed a section creating a revenue stream of sales and use tax collections, related to retail activities at the Kennedy Space Center, for use by Space Florida;
- Removed a section explaining the STAR initiative and requiring a 5-year strategy plan from Space Florida;
- Removed three sections appropriating a total of $25.575 million in non-recurring state general revenue to Space Florida for a variety of activities.
- Removing references to a linked trust fund bill and the contingent effective date.

CS by Commerce Committee on March 24, 2010:
- Adds a new funding source for STAR: the sales tax revenues collected from attractions vendors at KCS. This language diverts from the state General Revenue Fund about $5.2 million in FY 10-11 for use by Space Florida to implement STAR.
- Prevents mandates questions from being raised because it exempts local-option sales taxes from being included in this revenue stream to STAR.
- Specifies general uses of funds earmarked for the STAR initiative, and specifies that these funds must not be used for Space Florida's personnel, administrative, or overhead expenses.
- Revises the language providing Space Florida with flexibility in approved uses of a 2008 state appropriation for the entity to match the language in CS/SB 1776. It specifically adds "advancing aerospace technology…for the commercial space transportation industry" as another approved use, which is consistent the Obama Administration's plan to expand aerospace R&D spending.
- Replaces OTTED with the Space Business Investment and Financial Services Trust Fund, as the recipient of $10 million for space infrastructure projects.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.