FISCAL IMPACT REPORT

		ORIGINAL DATE	01/31/14
SPONSOR	Cotter	**LAST UPDATED**	**HB**
SHORT TITLE	Spaceport Gross Receipt Taxes	**SB**	172
		ANALYST	van Moorsel

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY14	**FY15**	**FY16**	**FY17**	**FY18**		
	$600.0	$600.0	$600.0	$600.0	Recurring	Sinking Fund for Early Bond Redemption

(Parenthesis ( ) Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		($600.0)	($600.0)	($1,200.0)	Recurring	NM Spaceport Authority

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Finance Authority (NMFA)
New Mexico Spaceport Authority (NMSA)

SUMMARY

Synopsis of Bill

Senate Bill 172 amends current law to limit the use of proceeds of the county regional spaceport gross receipts tax.

Specifically, the bill amends the Regional Spaceport District Act, the County Local Option Gross Receipts Taxes Act, and the Spaceport Development Act to limit the use of proceeds of the county regional spaceport gross receipts tax (GRT) received on or after July 1, 2014, but dedicated to the district prior to July 1, 2014 to:

- paying principal and interest on bonds issued pursuant to the Spaceport Development Act to which the proceeds have been pledged;
- for acceleration of the payment of principal and interest on those bonds; or
- to retire or discharge that bond debt prior to the original term of those bonds.

The effective date of the provisions of this act is July 1, 2014.

FISCAL IMPLICATIONS

Currently, Doña Ana and Sierra counties impose a ¼ percent local option county regional spaceport GRT. In FY12, this tax raised $8.1 million and $400 thousand in the respective counties.

The revenue from these taxes not pledged to service debt on bonds, the excess pledged bond revenue, may be used for operating purposes. The New Mexico Finance Authority (NMFA) reports NMSA has two bonds outstanding with NMFA for which the Spaceport GRT is pledged:

- Series 2009C NMSA Bonds issued July16, 2009 in the par amount of $55,810,000; and
- Series 2010 NMSA Bonds issued December 10, 2010 in the par amount of $20,560,000.

The NMFA distributes excess Spaceport GRT directly to NMSA on an annual basis after bond debt service is paid. SB 172 would require that the excess Spaceport GRT distributions be captured in a sinking fund for early bond redemption and not be distributed to NMSA. NMFA estimates the reduction to the NMSA operating budget would be approximately $600 thousand per year.

Over the last three fiscal years, the 75 percent portion of Spaceport GRT has averaged $6,262,268 per year. Assuming a no-growth factor on GRT, excess Spaceport GRT available after debt service is approximated at $600,000 annually. The Series 2009C and 2010 NMSA Bonds are callable June 1, 2019 and December 1, 2020 respectively. The cumulative fund balance of the sinking fund is then estimated to be $3,600,000 in December of 2020, the point at which both NMSA bonds are callable. The $3,600,000 sinking fund balance could then be applied to the Series 2010 NMSA Bonds as a prepayment to the back-loaded final principal maturity in 2028, thereby reducing the cost implications of that larger principal maturity and interest savings would achieved throughout the remaining term of the bonds. If a prepayment is not applied when the NMSA bonds are callable, then the value of the sinking fund, in conjunction with the existing Series 2010 Debt Service Reserve Fund, would be sufficient to decrease the Series 2010 NMSA Bonds in FY 2027, two years ahead of scheduled maturity.

SIGNIFICANT ISSUES

Current law provides the counties must dedicate a minimum of 75 percent of the proceeds of the revenue to the regional spaceport district for the financing, planning, designing and engineering and construction of a spaceport or for projects or services of the district pursuant to the Regional Spaceport District Act. Counties may dedicate no more than 25 percent of the revenue for spaceport-related projects as approved by the county.

NMSA reports Spaceport America is entering a very critical stage in its development. NMSA adds FY15 marks a year when bond funds are exhausted and revenue must increase. Much is resting on when Virgin Galactic starts flying and when the Visitor Center opens. The authority states the excess pledged bond revenue is a lifeline to the spaceport as it can be used for operations, unlike the bond proceeds, and allows the spaceport to keep its doors open during this critical time.

NMSA adds that the release of the excess pledged revenues to NMSA has been approved by the NMSA Board, the Spaceport Regional Tax District Board and the NMFA Board. Finally, NMSA reports in its analysis of the bill that on January 24, 2014, a resolution intended for the same purpose as SB 172 was defeated by the Spaceport Regional Tax District Board made up of Doña Ana County and Sierra County elected officials.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy**: Revenue should be adequate to fund needed government services.
2. **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity**: Different taxpayers should be treated fairly.
4. **Simplicity**: Collection should be simple and easily understood.
5. **Accountability**: Preferences should be easy to monitor and evaluate

PvM/jl:ds