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FISCAL IMPACT REPORT

ORIGINAL DATE 1/31/06

SPONSOR Ingle LAST UPDATED _____ HB _____

SHORT TITLE Spaceport Development Fund SB 354

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
\$99,000.0		Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to: House Bill 88, House Bill 89, and Senate Bill 348

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
\$99,000.0			Non-recurring	Spaceport De- velopment Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration

SUMMARY

Synopsis of Bill

Senate Bill 354 creates the Spaceport Development Fund in the treasury and appropriates \$99 million to the new fund from the general fund. From fiscal years 2007 to 2009, \$33 million is appropriated each year to the Department of Finance and Administration to plan, design, construct, equip, and furnish the Southwest Regional Spaceport in Sierra County. The bill requires

the Secretary of Finance and Administration and the executive director of the Spaceport Authority to report quarterly to the Legislative Finance Committee on the progress of the spaceport project, the purpose of expenditures, the status of federal and private matching funds, and the economic development impact of the project.

FISCAL IMPLICATIONS

The appropriation of \$99 million contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of any fiscal year shall not revert or be transferred to any other fund.

SIGNIFICANT ISSUES

SB 354 is one of several introduced bills to enable and promote the creation a spaceport in southern New Mexico. Construction of the Southwest Regional Spaceport, currently planned to be built on 27 acres of mostly state land near Upham, New Mexico, is estimated to cost \$225 million. The Governor has requested approximately \$100 million in capital outlay funding, of which \$33 million would be appropriated in FY07.

The Economic Development Department (EDD) has indicated that if the Legislature appropriates \$100 million, another \$125 million will be required from state, local, and federal sources. For the remaining \$125 million, the following sources have been identified:

- Local option gross receipts taxes. A conservative estimate by EDD puts local funding around \$30 million.
- Federal funds, either from federal earmarks and / or agency grants. Currently, there is no estimate of the amount of federal funding available for this project.
- GRIP II, approximately \$25 million would be set aside for spaceport access infrastructure.
- \$10 million in existing capital outlay appropriations.

No private investment is expected for construction of the spaceport.

The economic impact from the spaceport project could be significant, especially in southern New Mexico. The success of the project and the return on the state's investment, however, is dependent on the success of the personal spaceflight industry, which has yet to launch its first paying customer.

The Economic Development Department contracted with two entities to study the economic impact. The Arrowhead Center at NMSU finds that 2,200 to 2,800 jobs might be created, with total economic impact ranging from \$1 to \$1.2 billion, in the fifth year. Futron, Inc, a private consulting firm, estimates \$550 million in economic activity and 4,300 new jobs by 2020. An additional \$200 million and 1,800 jobs might result from related activities.

Any investment in this project should be considered long-term.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

Since the appropriation from this spaceport development fund would be administered by the De-

partment of Finance and Administration, there would be a direct impact to DFA. Additional personnel may be required to fulfill the administrative requirements of this legislation.

OTHER SUBSTANTIVE ISSUES

DFA indicates that, with the surplus in revenues, there has been a call for more spending in education and infrastructure projects, rather than the spaceport project which poses a greater financial risk.

Indeed, while there might be great economic gain for the State, the risks are many. The personal space flight industry is in its infancy. While Virgin Galactic has announced its intention to locate its headquarters in New Mexico if the spaceport is built, the first launch of passengers isn't anticipated until 2008 or 2009 from California, and the cost of that flight will be \$200 thousand per passenger. The first launch from New Mexico would not occur until 2010 or later.

Third-party liability issues are unresolved, and space flight is inherently dangerous.

Other states are actively pursuing this industry. While New Mexico has some competitive advantages, there is no guarantee the state will attract the companies that are assumed by the two economic impact studies.

ALTERNATIVES

According to DFA, the legislation could be altered and another state agency could be utilized to manage the spaceport development fund. However, it seems that the Department of Finance and Administration is the proper and correct agency to be charged with the oversight of this project and its resources.

BE/nt