

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 1086

SPONSOR: Military and Veterans' Affairs, Base Protection, and Spaceports and Senator Fasano

SUBJECT: Space-related Economic Growth

DATE: March 26, 2003 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Krasovsky</u>	<u>Krasovsky</u>	<u>MS</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>CM</u>	_____
3.	_____	_____	<u>ATD</u>	_____
4.	_____	_____	<u>AP</u>	_____
5.	_____	_____	<u>RC</u>	_____
6.	_____	_____	_____	_____

I. Summary:

This committee substitute provides a dedicated source of revenue for the Florida Space Authority, the Florida Commercial Space Financing Corporation, and the Florida Space Research Institute. The funding source is the sales tax generated by visitors to the Kennedy Space Center and Cape Canaveral Air Force Station. The money would be used on current statutorily identified projects as well as projects included by this legislation. The committee substitute also bestows tax exempt status on the Florida Commercial Space Financing Corporation similar to the existing tax exempt status of the Florida Space Authority.

The committee substitute substantially amends s. 212.20, Florida Statutes, and creates s. 331.411, Florida Statutes.

II. Present Situation:

Florida is recognized as one of the premier locations in the world for space-related business. Each year this important industry contributes almost \$5 billion to the state's economy. In recognition of the importance of the space industry, the State of Florida has established a number of entities to support and enhance space-related economic development activities.

Florida Space Authority - The Florida Space Authority (FSA) was created as a state government space agency in 1989 to retain, expand, and diversify the state's space-related industry. Chapter 331, F.S., gives FSA governmental powers similar to other types of transportation authorities (airport, seaport, etc.) to support and regulate the state's space transportation industry. With regard to spaceport development and operations, FSA is broadly empowered to own, operate, construct, finance, acquire, extend, equip, and improve the following types of space-related infrastructure: launch pads, landing areas, ranges, space flight

hardware, payloads, payload assembly buildings, payload processing facilities, laboratories, and space business incubators. In addition to these specific types of infrastructure, FSA is empowered to support facilities and equipment for the construction of payloads, space flight hardware, rockets and other launch vehicles, and other spaceport facilities and related systems (utility infrastructure, fire and police services, mosquito control, etc.).

The Authority is administered by a seven-member, Governor-appointed Board of Supervisors. There are also two ex officio nonvoting members on the board, one of whom is a state senator selected by the President of the Senate and one of whom is a state representative selected by the Speaker of the House of Representatives. The Authority's executive director reports to the board and provides day-to-day management of the agency. Functionally, FSA reports to the Governor through the Office of Tourism, Trade, and Economic Development (OTTED). As the state's space agency, FSA provides overall space policy advice to the Governor, Florida's congressional delegation, the Legislature, and other state-level elected officials.

The Florida Space authority is statutorily exempted from paying certain taxes on the theory that the work of the Authority is, generally, for the benefit of the people of the state. The Authority is not required to pay taxes on any project or other property owned by the Authority. Bonds, the income from the bonds, and all notes, mortgages, security agreements, letters of credit, and other instruments which arise out of or are given to secure the payment of bonds issued in connection with a project are exempt from tax by the state, or any local unit, political subdivision, or other instrumentality of the state.

Florida Commercial Space Financing Corporation - In 1999, the Legislature made substantial changes to statutes governing the state's involvement in promoting commercial space flight. Among other things, ch. 99-256, L.O.F., (codified at part III, ch. 331, F.S.) created the Florida Commercial Space Financing Corporation (corporation), a not-for-profit corporation established to expand employment and income opportunities for residents of this state by providing businesses domiciled in this state with information, technical assistance, and financial assistance to support space-related transactions, in order to increase the development within the state of commercial aerospace products, activities, services, and facilities. Specifically, s. 331.407, F.S., authorizes the corporation to:

- coordinate efforts with the United States Air Force, the National Aeronautics and Space Administration (NASA), the Export-Import Bank, the International Trade Administration of the United States Department of Commerce, the Foreign Credit Insurance Association, Enterprise Florida, Inc., and other public and private programs and organizations, domestic and foreign;
- establish contacts among public and private organizations in industry, both foreign and domestic, which provide information, technical assistance, and financial support to the aerospace industry;
- compile and disseminate information on financing opportunities and techniques of financing in the aerospace industry;
- organize and participate in seminars regarding aerospace financing;
- insure, coinsure, lend, guarantee loans, and originate for sale direct space-related loans;
- capitalize, underwrite, and secure funding for aerospace infrastructure, satellites, launch

vehicles, and any service which supports aerospace launches;

- construct, lease, or sell aerospace infrastructure, satellites, launch vehicles, and related services and activities;
- acquire and dispose of property; and
- make and exercise any and all contracts necessary to exercise its powers.

The corporation's governing board consists of seven voting members and two non-voting members. Voting members include a representative appointed by each of the following entities: the board of supervisors of Florida Space Authority, the board of directors of the Florida Export Finance Corporation, the director of OTTED, the board of directors of Enterprise Florida, Inc., and the Secretary of the Department of Transportation. The Governor appoints two additional voting members. Non-voting members include a member of the Senate selected by the President of the Senate and a member of the House of Representatives selected by the Speaker of the House of Representatives.

Florida Space Research Institute – In 1999, the Legislature created the Florida Space Research Institute (FSRI) to promote collaboration among the state's academic institutions, industry, and federal agencies to support statewide aerospace-oriented economic and academic development. Pursuant to s. 331.368, F.S., FSRI is to serve as a statewide center for space research, leveraging academic and economic development resources with those of industry, NASA and the military to expand and diversify Florida's space-related enterprise.

FSRI supports the coordination of Florida's K-20 academic resources with the state's space-related economic development strategy and priorities. In addition, FSRI develops and pursues opportunities for Florida's public and private universities to support NASA, military and commercial space technology programs. FSRI also combines State and NASA funding to sponsor statewide space research/education grants that support Florida's space diversification priorities. Finally, FSRI promotes space as a stimulus for statewide K-20 science, math, and technology education.

Tax on Sales, Use, and Other Transactions

Chapter 212, F.S., provides for a 6 percent tax on sales, use, and other transactions.

- Section 212.05, F.S., provides that every person who engages in the business of selling tangible personal property at retail in this state, including the business of making mail order sales, or who rents or furnishes any of the things or services taxable under ch. 212, F.S., or who stores for use or consumption any item or article of tangible personal property and who leases or rents such property is exercising a taxable privilege. Section 212.05(1)(a)1.a., F.S., provides for a 6 percent tax rate on the retail price of each item or article of tangible personal property when sold at retail in Florida. Section 212.05(1)(b), F.S., provides for a 6 percent tax on the cost price of any item of tangible personal property that is not sold but used in Florida.
- Section 212.04(1)(a), F.S., provides that every person is exercising a taxable privilege who sells or receives anything of value by way of admissions. Section 212.04(1)(b), F.S., levies a 6 percent tax of sales price or the actual value received from admissions.

- Section 212.031(1)(a), F.S., states that every person is exercising a taxable privilege who engages in the renting, leasing, letting, or granting of a license for the use of any real property. Section 212.031(1)(c), F.S., imposes a tax rate of 6 percent of and on the total rent or license fee charged for such real property by the person charging or collecting the rental or license fee.

Additionally, local governments are authorized to levy one or more of six types of Local Discretionary Sales Surtaxes, ranging from 0.5 percent to 1.0 percent each, with a maximum of 1.5 percent. Pursuant to ss. 212.054 and 212.055, F.S., the local discretionary sales surtaxes apply to all transactions subject to the state tax imposed on sales, use, services, rentals, admissions, and other authorized transactions. The surtax is computed by multiplying the rate imposed by the county where the sale occurs by the amount of taxable sale. The sales amount is not subject to the surtax if the property or service is delivered within a county that does not impose a surtax.

Presently, dealers conducting business at the Kennedy Space Center and/or at the Cape Canaveral Air Station collect and remit to the Department of Revenue sales tax on the sale of tangible personal property and admissions and on the leasing or licensing of real property. Sales tax collected by such dealers is presently credited to the General Revenue Fund and the Discretionary Sales Surtax Clearing Trust Fund, pursuant to s. 212.20, F.S.

III. Effect of Proposed Changes:

This committee substitute provides a dedicated source of revenue for the Florida Space Authority, the Florida Commercial Space Financing Corporation, and the Florida Space Research Institute. The funding source is the sales tax generated by visitors to the Kennedy Space Center and Cape Canaveral Air Force Station. The money would be used on current statutorily identified projects as well as projects included by this legislation. The committee substitute also bestows tax exempt status on the Florida Commercial Space Financing Corporation similar to the existing tax exempt status of the Florida Space Authority.

This committee substitute requires every dealer conducting business at a fixed location at the Kennedy Space Center or the Cape Canaveral Air Force Station that sells admissions to attractions or tours at those facilities pursuant to a contract or subcontract with the National Aeronautics and Space Administration to file a return each month with the Department of Revenue with segregated tax information regarding taxes collected on sales, admissions, tours, leases and licenses. Dealers are required to remit all taxes due in a timely manner. A copy of the returns are also filed with the Florida Space Authority and the Office of Tourism, Trade, and Economic Development.

The Department of Revenue would subsequently distribute these proceeds to the Florida Space Authority. The Authority would retain one-third of the proceeds and distribute one-third each to the Florida Commercial Space Financing Corporation and the Florida Space Research Institute. These entities would then be able to expend the distributed proceeds on current statutorily identified projects as well as projects that are identified in this legislation.

The committee substitute identifies these new projects on which the Florida Space Authority can use its distributed funds; aerospace infrastructure, space related education and research facilities, spaceport planning and development, statewide business development and support, among others.

The funds distributed to the Florida Space Research Institute would be expended for aerospace workforce training programs and activities, funding aerospace research and development grants, space education and teacher training programs, among others.

The tax exempt status provided to the Florida Commercial Space Financing Corporation recognizes that the functions of the corporation constitute the performance of essential public functions that benefit the people of the state. As such, the corporation is not required to pay taxes on any project or other property owned by the corporation or upon any resulting income. All notes, mortgages, security agreements, letters of credit or other instruments that arise out of, or are given to secure, the payment of debt issued in conjunction with a project financed under the corporation's authority is also free from taxation by the state or any local unit, political subdivision, or other instrumentality of the state. The exemption granted is not applicable to taxes imposed on interest, income or profits on debit obligations owned by corporations. This tax exempt status is similar to the existing tax exempt status of the Florida Space Authority.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

No current estimates as to the fiscal impact of this committee substitute are available. However, figures developed by the Revenue Estimating Conference for FY 2002-03 estimate a general revenue impact of \$2.7 million and a local government impact of \$400,000 associated with dedicating the sales tax revenues at Kennedy Space Center and Cape Canaveral to the Florida Space Authority.

B. Private Sector Impact:

Providing a dedicated funding source for the Florida Space Authority, the Commercial Space Financing Corporation and the Florida Space Research Institute would result in more funds being available for private sector space and aerospace projects, provided a corresponding reduction in state appropriations to these entities did not occur.

Dealers conducting business at fixed locations at the Kennedy Space Center and Cape Canaveral Air Station would experience nominal expense in providing duplicative monthly tax returns.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
