

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 1389 Space and Aerospace Infrastructure
SPONSOR(S): Economic Development Policy Committee, Crisafulli and others
TIED BILLS: HB 1391 **IDEN./SIM. BILLS:** SB 2500

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Economic Development Policy Committee	10 Y, 0 N, As CS	Kruse	Kruse
2) Finance & Tax Council			
3) Economic Development & Community Affairs Policy Council			
4)			
5)			

SUMMARY ANALYSIS

Space Florida is responsible for promoting the development of a sustainable aerospace industry, space infrastructure, and educational opportunities for people interested in working in the space and aerospace industry. Numerous changes have occurred in the space industry as NASA has moved towards the end of the space shuttle program, and President Obama has recently outlined a new vision for the agency which has drastically altered the future of human space flight. These changes have serious economic consequences for the space industry in the state and associated jobs in those businesses. Members of Congress, the Governor, Space Florida, Brevard County, economic development organizations, as well as many others have been looking for solutions to alleviate those consequences, including the expected loss in jobs, and the changes made to NASA's human space flight plans.

The bill creates the Space Transition and Revitalization Act. The bill modifies the Quick Action Closing Fund to emphasize the importance of the transition from the end of the space shuttle program, and provides tools to Space Florida to make plans for capital assistance and financing services for aerospace business expansion, economic development, and infrastructure financing in the state. Additionally, the bill revises a previous appropriation to Space Florida to provide Space Florida with some flexibility in the use of the funds originally targeted to Space Launch Complex 36.

The bill provides an effective date of July 1, 2010, if HB 1391 or similar legislation is adopted in the same legislative session or an extension thereof and becomes law.

HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Space Florida's Mission

In 2006, the legislature created Space Florida within Chapter 331, Florida Statutes, as the successor organization to the Florida Space Authority, the Florida Space Research Institute and the Florida Aerospace Finance Corporation. Space Florida is responsible for promoting the development of a sustainable aerospace industry, space infrastructure, and educational opportunities for people interested in working in the space and aerospace industry. Commercial space flight is an important part of Space Florida's vision for space and aerospace operations for Florida's future. Space Florida's 2010 Spaceport Master Plan details the current commercial space flight landscape in the state. "Over the past ten years about 32% of all successful commercial orbital launches in the world occurred within the US. In the same time only 37% of all successful orbital commercial launches from the US occurred in Florida."¹ Space Florida believes the state is uniquely positioned to become a more dominant player in the commercial space industry.

Space Florida's latest strategic master plan is titled "Vision 2020." It lays out Space Florida's overall strategic plan to position Florida as the world's leader in space activity.² "Vision 2020" is an extensive document that thoroughly describes Space Florida's plan for space in the state. The following goals are a small portion of the document and do not reflect every facet of Space Florida's plan:

- Increasing space activity in the state three-fold before 2020
- Capturing key initiatives and markets during the next decade to position Florida as a powerhouse in the global aerospace market
- Leading active partnerships to foster bold economic development activities to expand domestic and international aerospace activities
- Supporting workforce talent development
- Growing core aerospace capabilities to manufacture, assemble, provide and launch aeronautical instruments, rockets, spacecraft and satellite communications equipment and services

¹ Space Florida 2010 Spaceport Master Plan. Found at: <http://www.spaceflorida.gov/docs/Space%20Florida%20-%20Spaceport%20Master%20Plan%202010.pdf> (last visited 1/28/2010)

² Space Florida Strategic Master Plan. Vision 2020. <http://www.spaceflorida.gov/vision2020.php> (last visited 1/28/2010)

Some of the sectors Space Florida sees as expanding are:

- Launch Systems and Support
- Satellite Systems and Payloads
- Ground Operations and Support Systems
- Agriculture, Climate and Environmental Monitoring
- Civil Protection and Emergency Management
- International Space Station and Human Life Sciences
- Communications, Cybersecurity and Robotics
- Adventure Tourism
- Clean Energy
- Advanced Materials and New Products

Members of Congress, the Governor, Space Florida, Brevard County, economic development organizations, as well as many others have been looking for solutions to alleviate the expected loss in jobs associated with the end of the space shuttle program and the changes made to NASA's human space flight plans.

Quick Action Closing Fund

Section 288.1088, F.S., provides the requirements that the Office of Tourism, Trade and Economic Development (OTTED) and Enterprise Florida, Inc., (EFI) must follow in order to approve a Quick Action Closing Fund project for funding:

- The company must be in an industry eligible for the Qualified Target Industry Tax Rebate program as referenced in s. 288.106. By law, the list of eligible industries is established by OTTED and EFI, and is updated annually.
- The project must have a positive payback ratio of at least 5 to 1. The project's economic impact must be at least 5 times that of the cost of the incentive. EFI uses an economic model of their choosing that in effect calculates this number based on location, jobs, capital investment, etc. There is no minimum capital investment or minimum number of jobs, but these amounts would affect this ratio.
- The incentive must be deemed an inducement to the company's decision to locate, retain jobs, or expand in the state.
- The project must pay an average annual wage of at least 125 percent of the area-wide or statewide private sector average wage. This is the average wage of all jobs being incentivized or guaranteed to be added to or kept in the state by the company.
- The project must be supported by the local community in which the project is to be located. This is usually demonstrated through a resolution of either the county or city commission which may include local financial or in-kind support.

There are no restrictions as to what, if any, other incentive programs can be combined with the Quick Action Closing fund.

Effect of Proposed Changes

The bill creates the Space Transition and Revitalization Act.

Quick Action Closing Fund

The bill adds to the list of the Quick Action Closing Fund's (QAC) findings and declarations by describing the end of the shuttle program, the gap in civil human space flight, the subsequent negative

workforce impacts, and that up to twenty percent of available resources may be used for projects to diversify the state's space industry.

The bill makes specific changes to EFI's criteria for waiving QAC requirements (see Current Situation). The bill adds a waiver category if the project would mitigate the impact of the conclusion of the space shuttle program. This change would allow projects that could not have previously been approved for QAC funds to now qualify.

Space Business and Financial Services Initiative

The bill provides a mechanism to tap into a to-be-created trust fund (see HB 1391 Space Business and Financial Services Trust Fund) to provide capital assistance and financing services for aerospace business expansion, economic development, and infrastructure. With final review and approval by its board of directors, Space Florida's president must develop a 5 year plan for the management and goals of the trust fund. The plan must be updated and approved annually by the board, and included in the financing assistance plan established in s. 331.305(6), F.S. However, s. 331.306(6), F.S., states only, as one of Space Florida's powers, that it may lend money for its purposes, invest and reinvest its funds, and take and hold real and personal property as security for the payment of funds loaned. Space Florida must submit a quarterly report to OTTED on the use and status of the trust fund. In addition, Space Florida must provide an annual report to the Governor and the Legislature beginning January 1, 2011.

Although Space Florida has authority to lend money and make investments, previous state programs that have allowed for direct loans to businesses have provided greater guidance in statute. Florida Aerospace Finance Corp. (FAFC), a predecessor entity to Space Florida, had to close its operations, in large part, because its loan criteria, statutorily allowed to be established and adopted by its board, failed to provide sufficient protections to the amount that could be lent for any single loan. However, the current president of Space Florida is familiar with the events that occurred with FAFC and has expressed that the appropriate lessons have been learned to prevent a repeat of that experience.

Launch Complex 36

The bill provides Space Florida with flexibility in current appropriations available for Launch Complex 36 to be used for a variety of purposes such as: other launch complexes; intermodal issues; the development of joint-use facilities and technologies. CS/HB 969 contains similar language.

The bill provides an effective date of July 1, 2010, if HB 1391 or similar legislation creating the Space Business and Financial Services Trust Fund is adopted in the same legislative session or extension thereof and becomes law.

B. SECTION DIRECTORY:

- Section 1. Creates the Space Transition and Revitalization Act.
- Section 2. Amends s. 288.1088 Quick Action Closing Fund to add additional findings and declaration and to provide an additional waiver category related to the end of the space shuttle program.
- Section 3. Creates s. 331.370, F.S., to establish the Space Business Investment and Financial Services Initiative.
- Section 4. Provides Space Florida flexibility in the use of a current appropriation.
- Section 5. Provides an effective date of July 1, 2010, if HB 1391 or similar legislation creating the Space Business and Financial Services Trust Fund is adopted in the same legislative session or extension thereof and becomes law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The additional programs and flexible funding provided for in the bill may allow Space Florida to attract or help expand space and aerospace businesses which may alleviate the expected job losses due to the end of the space shuttle program.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to affect county or municipal government.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES

On March 17, 2010, the Economic Development Policy Committee adopted a strike-all amendment, which:

- Removed the appropriations sections of the bill.
- Revised the language providing Space Florida with flexibility in Launch Complex 36 expenditures to nearly match CS/HB 969, except for creating a new statute.

The bill was reported favorably and the analysis has been updates to reflect the committee substitute.