

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 135 Spaceport Territory

SPONSOR(S): Economic Development & Tourism Subcommittee, Goodson

TIED BILLS: **IDEN./SIM. BILLS:** SB 848

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Economic Development & Tourism Subcommittee	12 Y, 0 N, As CS	Tecler	West
2) Transportation & Economic Development Appropriations Subcommittee	12 Y, 0 N	Proctor	Davis
3) Local & Federal Affairs Committee	18 Y, 0 N	Baker	Rojas
4) Economic Affairs Committee			

SUMMARY ANALYSIS

The bill amends s. 331.304, F.S., to designate the following properties in Brevard County as spaceport territory: the Space Coast Regional Airport, the Space Coast Industrial Park and the Spaceport Commerce Park. As a result of the bill, new and expanding businesses engaged in spaceport activities at those designated properties would likely be eligible for a tax exemption on machinery and equipment pursuant to s. 212.08, F.S.

On March 16, 2013, the Revenue Estimating Conference adopted a negative recurring impact of \$100,000 on the General Revenue Fund related to that machinery and equipment tax exemption.

The bill takes effect on becoming a law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Commercial Space Industry

With the retirement of the Space Shuttle Program in July of 2011,¹ the United States will increasingly rely on the private sector for the transportation of cargo and passengers to the International Space Station, low Earth orbit, and beyond.² Historically, the commercial space industry has focused on putting payloads, such as satellites, into orbit using expendable launch systems. As the spaceflight industry shifts toward space tourism, expendable launch systems are slowly being replaced by reusable systems capable of transporting humans and general cargo into space. In response, several states have developed or proposed commercial spaceports in order to capture a greater share of what is anticipated to be a growing market in the near future.³

Space Florida

In 2006, the Florida Legislature merged the Florida Space Authority, Florida Space Research Institute, and Florida Aerospace Finance Corporation into an entity known as Space Florida.⁴

Space Florida is an independent special district designed to “foster the growth and development of a sustainable and world-leading aerospace industry in [Florida].”⁵ Space Florida has authority to transact business in many ways with the aim of promoting “aerospace business development by facilitating financing, spaceport operations . . . [and] workforce development.”⁶

Current tax law and business incentives for space activities

If a business satisfies certain conditions, it can receive limited incentives and state tax exemptions.⁷

¹ See Dave Berman, “Kennedy Space Center, Brevard County gear up for what’s next,” Florida Today, Jul. 21, 2011, *available at* <http://www.floridatoday.com/article/20110721/NEWS02/107210316/Kennedy-Space-Center-Brevard-County-gear-up-what-s-next> (visit www.google.com; enter article’s full name as search term; select first result) (last visited Apr. 9, 2013).

² See generally Pub. L. 111-314, s. 6, Dec. 18, 2010, 123 Stat. 3444 (repealing the statement from the National Aeronautics and Space Act of 1958 that “the general welfare of the United States requires that [NASA] seek and encourage . . . commercial use of space[.]”)

³ FAA, Office of Commercial Space Transportation, Launch Data and Information, Active Licenses, *available at* http://www.faa.gov/about/office_org/headquarters_offices/ast/launch_license/active_licenses/ (scroll to “Active Launch Site Operator Licenses: 8”) (last visited Apr. 9, 2013) (Florida, Alaska, California, New Mexico, Oklahoma, and Virginia currently have FAA approved launch sites).

⁴ ch. 2006-60, L.O.F. (codified at s. 331.301, *et seq.*, F.S.)

⁵ Section 331.302(1), F.S.

⁶ Section 331.302 (Space Florida; creation; purpose); *see* s. 331.305, F.S. (powers).

⁷ Section 212.08(5)(j), F.S. (space technology production); s. 212.08(16), F.S. (space vehicles and components thereof); s. 220.194, F.S. (Florida Space Business Incentives Act); s. 288.1045, F.S. (Qualified Defense Contractor and Space Flight Business Tax Refund); s. 288.1083, F.S. (space-related tax refund to expire in July 2013); s. 331.305(9), F.S. (setting forth Space Florida’s ability to finance space-related projects); and Space Florida’s Sub-Orbital Flight Incentive Program that ends in December 2013, *available at* <http://www.spaceflorida.gov/news/2012/01/11/space-florida-announces-sub-orbital-flight-incentive-program> (last visited Apr. 5, 2013).

Federal Regulations

The Office of Commercial Space Transportation within the Federal Aviation Administration (FAA) is the federal agency responsible for regulating and facilitating the safe operations of the U.S. commercial space transportation industry.⁸

The Commercial Space Launch Act of 1984, as amended, authorizes the FAA to establish licensing and regulatory requirements for launch vehicles, launch sites, and reusable suborbital rockets.⁹ The FAA's launch regulations and licensing procedures apply to all commercial launches taking place in U.S. territory, and for launches conducted abroad by U.S. citizens or companies.¹⁰ In general, the FAA does not license launch sites owned or operated by agencies of the U.S. government.¹¹ Since 1984, the FAA has licensed the operation of eight FAA-approved launch sites, including the Cape Canaveral Spaceport and the spaceport at Cecil Field.¹²

Spaceports in Florida

The FAA has licensed two commercial spaceports in Florida:

- 1) the Cape Canaveral Spaceport, operated by Space Florida, and
- 2) the Cecil Field Spaceport, operated by the Jacksonville Aviation Authority.

The FAA issued a Space Launch Site Operator license for the Cecil Field Spaceport in 2010.¹³

Recently, the spaceflight business known as Rocket Crafters, Inc. relocated its operations from Utah to the Titusville area.¹⁴ The Economic Development Commission of Florida's Space Coast (EDC), a community coalition, won an award in an investors' magazine for the local economic impact of obtaining Rocket Crafters' relocation to Florida.¹⁵

The federal government also owns and operates two spaceports, which are the Cape Canaveral Air Force Station and the Kennedy Space Center.

Space Coast Regional Airport and nearby property

The Space Coast Regional Airport is located about 5 miles south of Titusville and features a 7,319 foot runway. That airport is governed by the Titusville-Cocoa Airport Authority and serves as a corporate and commercial charter aviation facility. The Titusville-Cocoa Airport Authority is currently seeking a Space Launch Site Operator license from the FAA. Two industrial properties, the Space Coast Industrial Park and the Spaceport Commerce Park, are adjacent to the airport.

⁸ See 14 C.F.R. s. 401.1-401.3.

⁹ 51 U.S.C. Ch. 509, §§ 50901-23.

¹⁰ See 51 U.S.C. s. 50902 (definition of citizen); see also 14 C.F.R. s. 400.2 (scope of FAA regulations adopted under the Commercial Space Launch Act).

¹¹ Fact Sheet – Commercial Space Transportation, FAA *available at* http://www.faa.gov/news/fact_sheets/news_story.cfm?newsId=11559 (last visited Apr. 9, 2013) (hereinafter "FAA Fact Sheet"); the FAA also exempts certain classes of small rockets from licensure. See 14 C.F.R. § 400.2.

¹² California Spaceport, Kodiak Launch Complex (AK), Mid-Atlantic Regional Spaceport (VA), Mojave Air and Space Port (CA), Clinton-Sherman Industrial Airpark (OK), and Spaceport America (NM).

¹³ See FAA Fact Sheet, *supra* note 11.

¹⁴ "Rocket Crafters planning new spaceport in Titusville," WFTV, July 10, 2012, *available at* <http://www.wftv.com/news/news/local/rocket-crafters-planning-new-spaceport-titusville/nPqhJ/> (last visited Apr. 8, 2013).

¹⁵ "Governor Rick Scott Applauds EDC of Florida's Space Coast, City of Titusville for Winning fDi Magazine Award," Staff News Release, Rick Scott, 45th Governor of Florida, Feb. 21, 2013, *available at* <http://www.flgov.com/2013/02/21/governor-rick-scott-applauds-edc-of-floridas-space-coast-city-of-titusville-for-winning-fdi-magazine-award> (last visited Apr. 9, 2013).

Spaceport Territories Designated in the Florida Statutes

Section 331.304, F.S., provides that certain real property in the following areas constitute a spaceport territory:

- Brevard County and within the 1998 boundaries of Patrick Air Force Base, Cape Canaveral Air Force Station, or John F. Kennedy Space Center,
- Santa Rosa, Okaloosa, Gulf, and Walton Counties and within the 1997 boundaries of Eglin Air Force Base,
- Duval County which is included within the boundaries of Cecil Airport and Cecil Commerce Center, and
- Real property licensed as a spaceport by the Federal Aviation Administration, and designated as spaceport territory by the board of directors of Space Florida.

Currently, the Space Coast Regional Airport, the Space Coast Industrial Park and the Spaceport Commerce Park are not designated as a “spaceport territory” in the Florida Statutes.

Effect of Proposed Changes

The bill amends s. 331.304, F.S., to designate the following real property as spaceport territory: real property in Brevard County located in the boundaries of the Space Coast Regional Airport, the Space Coast Industrial Park and the Spaceport Commerce Park.

Eligibility for Machinery and Equipment Tax Exemption

Florida law requires a spaceport territory designation in order for a taxpayer to be eligible for the sales tax exemption for machinery and equipment.¹⁶ The tax exemption is for machinery or equipment purchased for new or expanding businesses engaged in spaceport activities.¹⁷ Any new and expanding businesses located on property as designated by the bill, would likely be eligible for this exemption.

The bill takes effect upon becoming a law.

B. SECTION DIRECTORY:

Section 1: Adds subsection (5) to s. 331.304, F.S., designating the Space Coast Regional Airport, Space Coast Regional Airport Industrial Park and the Spaceport Commerce Park as spaceport territory.

Section 2: Provides for an effective date of upon becoming a law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

New and expanding businesses engaged in spaceport activities and located within the spaceport territory designated by this bill, may be eligible for a tax exemption on purchased machinery and equipment. On March 16, 2013, the Revenue Estimating Conference adopted a negative recurring impact of \$100,000 on the General Revenue Fund related to this exemption.

¹⁶ See s. 212.08(5)(b), F.S.; see also Rule 12A-1.096, Fla. Admin. Code (Industrial Machinery and Equipment for use in a New or Expanding Business).

¹⁷ “Spaceport Activities” are activities directed or sponsored by Space Florida on spaceport territory pursuant to its powers and responsibilities under the Space Florida Act. Section 212.02(22), F.S.

2. Expenditures:
None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:
The Revenue Estimating Conference estimates the bill will have a negative insignificant impact on local revenues.
2. Expenditures:
None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill may facilitate the development of new aerospace-related businesses in the Titusville area.

FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:
The bill does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds. The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. The bill does not require a reduction of the percentage of state tax shared with municipalities or counties.
2. Other:
None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On February 13, 2013, the Economic Development & Tourism Subcommittee adopted one amendment, which designates the Spaceport Commerce Park as spaceport territory under s. 331.304, F.S. The bill was reported favorably as a committee substitute and the analysis has been updated to reflect the amendment.