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DATE: April 12, 2001

HOUSE OF REPRESENTATIVES

FISCAL RESPONSIBILITY COUNCIL
ANALYSIS

BILL #: HB 1111

RELATING TO: Spaceport Infrastructure Reinvestment Act

SPONSOR(S): Representative(s) Allen

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

(1) ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE YEAS 10 NAYS 0
(2) FISCAL POLICY AND RESOURCES YEAS 12 NAYS 0
(3) FISCAL RESPONSIBILITY COUNCIL
(4)
(5)

I. SUMMARY:

This bill requires dealers doing business under contract with NASA at the Kennedy Space Center or the Cape Canaveral Air Station to collect taxes from sales and admissions and remit the taxes to the Department of Revenue for subsequent distribution to the Florida Commercial Space Financing Corporation. The tax proceeds are to be used solely for funding aerospace infrastructure.

The bill authorizes the Department of Revenue to promulgate rules to implement the provisions of the bill.

This bill is estimated to have a total impact of $2.9 million annually on state and local revenues. This estimate includes an annual reduction of ($2.6) million from the General Revenue Fund and an annual reduction of ($0.3) million from local government revenues.

The bill takes effect July 1, 2001.

The Committee on Economic Development and International Trade adopted a strike all amendment that clarifies the administration of the bill by the Department of Revenue and the disposition of discretionary sales surtax proceeds.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes []	No []	N/A [X]
2.	Lower Taxes	Yes []	No []	N/A [X]
3.	Individual Freedom	Yes []	No []	N/A [X]
4.	Personal Responsibility	Yes []	No []	N/A [X]
5.	Family Empowerment	Yes []	No []	N/A [X]

For any principle that received a “no” above, please explain:

B. PRESENT SITUATION:

Florida Commercial Space Financing Corporation (FCSFC)

In 1999, the Legislature made substantial changes to statutes governing the state’s involvement in promoting commercial space flight. Among other things, chapter 99-256, Laws of Florida, (codified at Part III, chapter 331, F.S.) created the Florida Commercial Space Financing Corporation, a not for profit corporation established to ensure the continued development of a viable commercial space industry in the state and an expanded technical and scientific job base for Floridians.

Section 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 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;

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[*] Applicants must be domiciled in Florida, have an equity interest in the business applying for the financial assistance, and must use Florida launch facilities to the maximum extent possible.

- Construct, lease, or sell aerospace infrastructure, satellites, launch vehicles, and related services and activities;

- Acquire property (tangible or intangible) and dispose of the same;

- Make and exercise any and all contracts necessary to exercise its powers.

Section 311.411, F.S., establishes a board of directors consisting of one representative appointed by :

- the board of supervisors of Spaceport Florida Authority,

- the board of directors of the Florida Export Finance Corporation,

- the board of directors of Enterprise Florida, Inc.,

- the director of the Office of Tourism, Trade, and Economic Development (OTTED),

- the Secretary of Transportation.

The Governor also appoints a representative of the investment banking industry and a lawyer in private practice to the board. The Speaker of the House and the President of the Senate each appoint a non-voting board member.

The corporation is required to submit a report on its activities each year to the Governor, the Speaker, the President of the Senate, and the minority leaders of the legislature.

The 1999 legislation that created the Florida Commercial Space Financing Corporation also appropriated $1 million in initial funding for the corporation. In fiscal year 2000-01, the General Appropriations Act appropriated $300,000 for the corporation. In its committee bill relating to general appropriations, the House has recommended again appropriating $300,000 in fiscal year 2001-02.

Chapter 212, Florida Statutes, Tax on Sales, Use, and Other Transactions

Chapter 212, Florida Statutes, 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 chapter 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. Additionally, local governments are authorized to levy one or more of six types of Local Discretionary Sales Surtaxes, ranging from 0.5 percent to 0.1 percent each, with a maximum of 1.5 percent.

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) levies a 6 percent tax of sales price, or the actual value received from admissions. Certain events, such as athletic events sponsored by schools, are exempt from the admissions tax imposed by chapter 212, F.S.

C. EFFECT OF PROPOSED CHANGES:

The bill allows the Florida Commercial Space Financing Corporation (FCSFC) to fund aerospace infrastructure from sales and admissions tax proceeds generated at the Kennedy Space Center and the Cape Canaveral Air Station.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Provides a title: “Spaceport Infrastructure Reinvestment Act.”

Section 2. States legislative finding that growth in the state’s space industry is a vital component of Florida’s overall economic plan and states that the reinvestment of certain sales tax receipts is a means of providing for space infrastructure growth.

Section 3. Adds sub-subparagraph e. to s. 212.20(6)(e)7., F.S., relating to the distribution of sales and use tax proceeds. Specifies that every dealer conducting business at a fixed location at the Kennedy Space Center or Cape Canaveral Air Station and selling admissions to those facilities pursuant to a contract or sub-contract with NASA must file a return each month to the Department of Revenue (DOR). The return must segregate information regarding taxes collected on sales and admissions at the facilities. Requires timely remittance of such taxes to the department. Requires a dealer to file copies of the return with the Florida Commercial Space Financing Corporation and the Office of Tourism, Trade, and Economic Development (OTTED). Directs DOR to distribute to the Florida Commercial Space Financing Corporation all taxes collected and remitted to the department according to the returns. Specifies that such funds are to be used solely for funding aerospace infrastructure.

Defines “aerospace infrastructure” as land, buildings and other improvements, fixtures, machinery, equipment, instruments, and software that will improve the state’s capability to support, expand, or attract the launch, construction, processing, refurbishment, or manufacturing of rockets, missiles, capsules, spacecraft, satellites, satellite control facilities, ground support equipment and related tangible personal property, launch vehicles, modules, space stations or components destined for space station operation. The definition also includes space flight research and development facilities, engineering, permitting, and other expenses directly related to the aforementioned items.

Section 4. Reiterates provisions of Section 3 of the bill (please see above) to accommodate certain repeal clauses in ch. 2000-260, L.O.F., regarding the distribution of communications services tax proceeds.

Section 5. Grants rulemaking authority to the Department of Revenue.

Section 6. Provides the Act shall take effect July 1, 2001, and shall apply to taxes due on or after that date.

III. <u>FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT</u>:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. <u>Revenues</u>:

This bill will reduce revenues deposited into the General Revenue Fund by ($2.6) million annually.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   This bill will reduce revenues received by local governments by ($0.3) million annually.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The commercial space flight industry may benefit from increased public financial support made possible by earmarking sales tax proceeds for aerospace infrastructure.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take action which requires the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

Article VII, Section 18(b), of the Florida Constitution provides:

> "Except upon approval of each house of the Legislature by two-thirds of the membership, the Legislature may not enact, amend, or repeal any general law if the anticipated effect of doing so would be to reduce the authority that municipalities or counties have to raise revenues in the aggregate, as such authority exists on February 1, 1989."

However, laws of insignificant fiscal impact ($1.6 million) are exempt from this provision. This bill has been estimated to have a local impact of ($0.3) million, which exempts the bill from Article VII, Section 18(b), of the Florida Constitution.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

The bill authorizes the Department of Revenue to promulgate rules to implement the provisions of the Act.

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Economic Development and International Trade adopted a strike all amendment that clarifies the administration of the bill by the Department of Revenue and the disposition of discretionary sales surtax proceeds.

On April 11, 2001, the Committee on Fiscal Policy and Responsibility adopted two technical amendments to the strike-all amendment. The first amendment corrected a statutory reference. The second amendment was grammatical, replacing the word "simultaneous" with "simultaneously".

VII. SIGNATURES:

COMMITTEE ON FISCAL POLICY AND RESOURCES:

Prepared by:	Staff Director:
Lisa Munroe	J. Paul Whitfield, Jr.

AS REVISED BY THE COMMITTEE ON FISCAL POLICY AND RESOURCES:

Prepared by:	Staff Director:
Kama Monroe	Greg Turbeville

AS FURTHER REVISED BY THE FISCAL RESPONSIBILITY COUNCIL:

Prepared by:	Staff Director:
Joe McVaney	David K. Coburn