



SUNSET ADVISORY COMMISSION

Texas Aerospace
Commission



Staff Report
August 2002

TEXAS AEROSPACE COMMISSION

SUNSET STAFF REPORT

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SUMMARY



Summary

Sunset Staff Report

Texas Aerospace Commission

In 1987, the Legislature created the Texas Space Commission, later re-named the Texas Aerospace Commission, to foster the development of an emerging commercial space industry in which private sector companies launch commercial satellites or other payloads into space. However, the commercial space industry has declined significantly in recent years, reducing the need and ability of the Commission to solely promote this industry. Given this situation, a continuing need for a separate, stand-alone state agency to foster the commercial space industry no longer exists.

The Sunset review of the Texas Aerospace Commission focused on whether a public need exists for the continuation of the Commission, based on the specific statutory Sunset criteria. The criteria include:

- assessing the efficiency of the agency's operations;
- identifying the agency's objectives and the extent to which they have been achieved; and
- determining whether the agency performs any activities outside its statutory authority, and under what authority these activities are performed.

The review found that the Commission has not clearly defined how to accomplish its statutory duties with its limited resources, and cannot demonstrate that its functions and activities result in a positive, measurable impact to the state. The review also concluded that the Commission does not have any actual programs, direct services, or tools necessary to carry out statewide economic development for the commercial space industry. Instead, acting as a facilitator, the Commission, and its activities, basically supplement economic development activities currently performed by other state and local economic development entities. Unlike the Commission, these other entities are equipped with the necessary tools and incentives to directly impact economic development.

*Staff concluded that the
need for the Texas
Aerospace Commission
no longer exists.*

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Additionally, the small size of the agency presents significant workload and accountability difficulties. The three-person agency operates without documented policies, procedures, or controls over key agency processes

related to fiscal management, human resources, and overall agency operations. This lack of controls hampers the Commission from operating effectively as a state agency.

Finally, the Sunset review found that the Commission engages in activities outside its statutory authority to support the aviation industry in Texas. With the decline of the commercial space industry, most of the agency's activities focus on promoting and supporting the aviation industry. Responses to Sunset staff's request for input from interested parties indicated support for the agency and its current activities. However, based on the agency's enabling statute, the Commission's overall purpose, functions, and duties should be focused on space-related industries and research.

After evaluating the agency based on the Sunset criteria, staff could not conclude that a continuing need for the Texas Aerospace Commission exists, and recommend abolishing the Commission under the terms of the Sunset Act. The Texas Aerospace Commission would be abolished on its Sunset date of September 1, 2003, but would need the standard one-year period to conclude its affairs. Abolishing the Commission would result in an overall savings of \$212,815 beginning in fiscal year 2005, including a reduction of three employees.

ISSUE / RECOMMENDATIONS

Issue 1

Texas Has No Clear Need to Continue a Stand-Alone Agency to Foster Industries Related to the Commercialization of Space.

Summary

Key Recommendations

- The Texas Aerospace Commission should be abolished under the terms of the Sunset Act.
- Transfer the responsibility of administering the Spaceport Trust Fund to the Texas Department of Transportation's Aviation Division.

Key Findings

- State law directs the Texas Aerospace Commission to encourage economic development by fostering industries related to the commercialization of space, analyze space-related research, and assist local communities in establishing a spaceport.
- The Commission lacks the organizational capacity and necessary controls to operate efficiently as a state agency.
- The Commission's activities basically supplement economic development and research activities performed by other federal, state, and local entities.
- The Commission has taken on additional activities that exceed its current statutory authority and capabilities.
- No other state uses a stand-alone state agency to carry out functions similar to those of the Texas Aerospace Commission.
- In Texas, the Aerospace Commission is the only stand-alone state agency charged primarily with fostering a specific industry.

Conclusion

As part of the review of the Texas Aerospace Commission, Sunset staff applied the specific statutory Sunset criteria to determine whether a public need exists for the continuation of the Commission. The criteria, set by the Legislature, include identifying the agency's objectives and to what extent it has achieved them, as well as determining if the agency is efficient and doing what it was intended to do. The criteria also include determining whether the agency performs any duties outside its statutory authority and under what authority these activities are performed.¹ After evaluating the agency based on these criteria, Sunset staff could not conclude that a continuing need for the Texas Aerospace Commission exists.

The Commission has not established clear objectives that relate to its statutory duties and that can be carried out with existing staff and resources. Additionally, the Commission has not been able to show that the functions and activities it performs have a measurable impact or result in successful outcomes for the industries related to the commercialization of space.

Although the space industry encompasses a number of applications and services, most space commercialization efforts have centered around satellites and their launches. Unfortunately, the need for the commercial launch industry declined significantly in recent years, reducing the need for and ability of a separate state agency to foster this industry. Finally, the Sunset review found that the Commission has taken on activities outside its statutory authority and beyond its current capabilities.

Support

State law directs the Texas Aerospace Commission to encourage economic development by fostering industries related to the commercialization of space, analyze space-related research, and assist local communities in establishing a spaceport.

- The Legislature created the Texas Space Commission in 1987 to ensure that Texas remained competitive in the arena of space commercialization. The Commission is statutorily directed to foster the development of industries related to the commercialization of space and analyze space-related research.² Although the Commission's name was changed to the Texas Aerospace Commission in 1993, its statutory duties remained exactly the same. Currently, three staff in Austin perform the agency's functions.
- The Texas Aerospace Commission operates with an annual appropriation of approximately \$213,000 composed entirely of General Revenue Funds. The majority of the budget is spent on salaries and travel.
- The 77th Legislature appropriated an additional \$1.57 million to the Commission for the 2002-2003 biennium for grants to assist local communities with development costs associated with establishing a commercial spaceport. The funding is for initial business planning; and for preliminary economic, environmental, and infrastructure studies.

What is a Spaceport?

Spaceports are launch areas or facilities, similar to airports, for reusable launch vehicles (RLVs) or rockets that deploy satellites into space. Spaceports generally house launch pads, runways, and rail infrastructure. The launches and landings, as well as maintenance, repairs, and other services to the RLVs or rockets are performed at the spaceport. Currently, four states operate commercial spaceports and other states, including Texas, are working to establish additional spaceports.

To further support local spaceport development, the Legislature also established the Spaceport Trust Fund consisting of gifts, grants, or donations made for the development of spaceport infrastructure. The Texas Aerospace Commission is responsible for administering this Fund. However, no funding has been appropriated or raised, and if and when funds are available, they can only be used once a reusable launch vehicle has been created, commits to launching from

Texas, and obtains a license from the Federal Aviation Administration Associate Administrator for Commercial Space Transportation.³ The Texas Aerospace Commission and the three local spaceports estimate that this may not happen for another five to 15 years.⁴

The Commission lacks the organizational capacity and necessary controls to operate efficiently as a state agency.

- The Commission has developed a broad mission to carry out its statutory duties, but has not clearly defined how to effectively accomplish it with its limited resources. The Commission has not set reasonable goals and strategies that are achievable for a three-person agency. Instead, the Commission's current strategic plan is based on a 10-member staff and a \$3.7 million budget, and includes numerous strategies and 22 performance measures, many of which go beyond the Commission's current statutory authority.
- The agency chooses projects and allocates staff time and resources on an ad hoc basis, rather than determining the most efficient allocation of time and resources. This ad hoc approach puts the agency at risk of appearing biased when determining which projects to pursue. Commission staff conduct various "projects" to fulfill the agency's economic development and research duties, including advocacy, technical assistance, and coalition building. However, the Commission has not established clear criteria for choosing which projects to pursue or activities staff must perform to complete a project, and the agency does not track the amount of time spent on each project.
- The Commission cannot demonstrate that its functions and activities result in a positive, measurable impact to the state. According to Commission staff and the State Auditor's Office (SAO), the creation of aerospace jobs or development of new or expanded aerospace facilities in Texas cannot be attributed directly to staff activities, as required by the agency's performance measures. SAO conducted a performance audit of the Commission in May 2000, and could not certify four out of five performance measures.⁵ The Sunset review confirmed that these problems still exist. For fiscal year 2002, the Commission is not meeting its performance targets related to new jobs in the aerospace industry because staff cannot demonstrate Commission activities actually led to a measurable outcome.
- The Commission, with its small staff, has difficulty performing the basic functions required of all state agencies. The Sunset review found that the agency operates without documented policies, procedures, or controls over key agency processes related to fiscal management, human resources, and overall agency operations. Having documented policies and procedures is especially critical

Commission Mission

- Provide leadership to attract, retain, facilitate, and promote a robust aviation and space industry.
- Coordinate statewide and regional economic development initiatives.
- Advocate, encourage and support educational research endeavors in math, science, and engineering curriculum.

The Commission cannot demonstrate that its functions and activities result in a positive, measurable impact to the state.

for the Commission which has had three Executive Directors since 1996 and 100 percent turnover since 1999.

Without documented fiscal policies or controls, the Commission cannot hold staff accountable for appropriate use of state funds.

The Sunset review found that the agency does not have formal policies or procedures for the fiscal management of the agency. The Commission has not developed or implemented proper budgeting, cash management, or accounting methods for expenditures such as travel, payroll, and contracts. Without documented policies or controls, the Commission cannot hold staff accountable for appropriate use of state funds, such as travel to ensure that costs are appropriate, reasonable, and meet the objectives of the agency. Staff indicate they follow basic fiscal management controls, but no formal policies documenting or requiring these types of procedures and controls exist. For example, although staff indicate they follow the legislative guidelines and requirements regarding state travel, the Comptroller's Office sanctioned the Commission for exceeding the state travel expenditure limits in fiscal years 1999 and 2000.⁶

Staff run the agency based on historical practice, without any documentation of policy other than what is found in Commission meeting minutes.⁷ Policies to guide staff in determining what activities and policies require Commission approval, or how to report standard information to the Commission members do not exist. The agency operates without a personnel manual documenting its policies and procedures for hiring and firing, or handling its grievances; compensation and benefits; vacation and sick leave; or travel. Additionally, employees are neither required to, nor do they keep time sheets, and the agency does not have a documented evaluation process.

The Commission does not have adequate controls in place over its non-profit Foundation.

The Commission also does not have adequate controls in place to ensure accountability of its non-profit foundation, described in the textbox, *Aerospace Commission Foundation of Texas*. Currently, Commission employees perform various functions to assist the Foundation, including identifying and contacting potential contributors.⁸ However, the agency does not track or account for time and expenses related to Foundation business, and therefore cannot be reimbursed for these expenses.

**Aerospace Commission
Foundation of Texas**

The Foundation is a non-profit corporation established by the Commission in June 2002, to accept, manage, invest, and expend funds for the benefit of aviation and aerospace interests. Two of the Commission's current board members and a private consultant comprise the Foundation's Board of Directors, and the Executive Director of the Commission serves as the Foundation's Chief Executive Officer.

- In response to many of Sunset staff's concerns regarding the lack of policies, procedures, and controls, the Commission has begun developing a personnel manual as well as basic policies describing the duties of the Commission members and staff, the complaint process, and ethical standards. The personnel manual and additional policies are not expected to be adopted by the Commission or implemented until September 2002, and therefore could not be evaluated by Sunset staff before the publication of this report.

The Commission's activities basically supplement the economic development and research activities performed by other federal, state, and local entities.

- The Commission does not have any actual programs, direct services, or tools necessary to carry out statewide economic development for the commercial space industry. Instead, the Commission must rely on other governmental, private, and academic entities to address the needs of the aerospace industry and accomplish its objectives.

For example, when a particular aerospace company is looking to locate its operations in Texas and contacts the Commission for assistance, the agency's only role is to act as a facilitator. The agency puts the company in contact with other state and local entities that can provide economic development incentives like tax abatements, financial incentive programs, or job training grants. These incentives are provided by entities such as local economic development corporations, chambers of commerce, the Texas Department of Economic Development, and the Texas Workforce Commission.

- Statewide economic development is already performed by another state agency, the Texas Department of Economic Development. This agency is responsible for marketing the state as a whole and assisting communities to maximize economic development opportunities. As such, the Department currently markets Texas as a business location for all types of business and industry, including aerospace. The Department also provides economic and demographic data, as well as business incentives and economic development tools to promote the state and to assist businesses and communities in creating and retaining jobs.

Additionally, most economic development in Texas, including the recruitment and retention of commercial space industries, occurs at the local level through local economic development entities such as economic development corporations and chambers of commerce. Unlike the Commission, these local entities have economic development tools, such as tax credits and financial incentives, as well as the organizational capacity to promote, expand, and retain industries, such as aerospace, that are important to the area's economic well-being. For example, the Clear Lake Economic

The Commission does not have the programs or tools necessary to carry out statewide economic development.

Most economic development in Texas occurs at the local level.

The Commission does not have a continuing role in establishing a commercial spaceport.

Development Foundation is heavily involved in activities to coordinate business recruitment and retention with workforce training and higher education to meet the needs of its local aerospace industry.

- With the establishment of the three local spaceport authorities, the Commission does not have a continuing role in establishing a commercial spaceport. In 1999, the Legislature authorized local governments to establish local spaceport authorities to oversee the pursuit, development, and operation of commercial spaceports. Although the Commission was instrumental in establishing and coordinating the initial efforts of the three spaceport authorities, each authority is fully operational and working to establish a commercial spaceport. Unlike the Commission, these authorities, in conjunction with the federal government and private sector, have the authority, decisionmaking ability, and tools to develop commercial spaceports and attract launch companies. The textbox, *Establishing Spaceports*, describes each of these entities and their spaceport responsibilities.

The Commission does administer \$1.57 million in spaceport pursuit grants to the three authorities. However, these grants will expire in September 2003.

Establishing Spaceports

Responsibility for commercial spaceports rests with the federal government, spaceports, and private sector.

Federal Government – The Federal Aviation Administration Associate Administrator for Commercial Space Transportation licenses and regulates commercial launch activities, and oversees spaceports. Each spaceport site and launch vehicle must be licensed.

Spaceports – States involved in this industry typically designate a public corporation, or spaceport authority, to oversee the development and operation of spaceport facilities. These public corporations or spaceport authorities are primarily responsible for recruiting potential customers to launch from the site, seeking a launch license, and overseeing the actual funding, construction, and operation of the spaceport. Most states designate a single corporation or spaceport authority for the state; however, Texas has given this authority to the local level. Currently, three local spaceport authorities carry out these responsibilities in Texas.

Private Sector – Companies launch space vehicles primarily to put commercial satellites into space, but need enough customers to purchase launch services to make their vehicles affordable. In the U.S., three major companies use expendable launch vehicles to put satellites into space. No company has developed a reusable launch vehicle for commercial use.

- The Commission is also statutorily required to analyze space-related research. However, according to agency staff, the Commission lacks the resources and staff expertise necessary to analyze or effectively further additional space research. Therefore, to meet this requirement, the Executive Director serves as an ex-officio member of the Texas Space Grant Consortium, a federally funded organization made up of a group of Texas universities that analyzes and promotes space-related research to benefit the public.

The Commission expanded its mission to include support of the aviation industry.

The Commission has taken on additional activities that exceed its current statutory authority and capabilities.

- Although statutorily directed to foster only commercial space industries, the Texas Aerospace Commission has greatly expanded its mission and functions to facilitate and promote the aviation industry. In fact, as of July 2002, the majority of activities and projects undertaken by the Commission supported aviation industries such as aircraft maintenance, repair, and manufacturing, and pilot training programs.⁹

According to the Commission, the decline in the commercial space industry, particularly in the reusable launch vehicle industry, decreased the need for a state agency dedicated solely to space-related functions. This decline is described in the textbox, *Rise and Fall of the RLV Market*.¹⁰ The agency also indicated that some of its Commission members and some members of the Legislature encouraged the agency to expand its functions to include supporting the aviation industry, but Sunset staff could not find any clear statutory authority directing the agency to do so.

The Commission's budget pattern and performance measures include enhancing the awareness of and attracting both space and aviation industries. However, the Legislative Budget Board indicated that an agency's performance measures are usually based on the vision and mission statements found in an agency's strategic plan which should reflect the agency's statutory duties and responsibilities. Therefore, using the Sunset criteria for this review, staff relied on the Commission's enabling statute to determine and evaluate the Commission's overall purpose, functions, and duties.

Rise and Fall of the RLV Market

In 1998, the federal government forecasted a dramatic increase in the number of commercial communication satellites launched over the next 10 years. This forecast prompted a number of proposals from private companies to build reusable launch vehicles (RLVs), similar to the space shuttle, to lower the cost of these launches. One of the most promising RLVs was Lockheed Martin's Venture Star, a replacement for NASA's space shuttle. All of the proposed RLVs would eventually need a spaceport to launch from. Many states, including Texas, saw this as a tremendous economic development opportunity.

Texas began the groundwork to promote the development of commercial spaceports by legislatively authorizing the creation of local spaceport development authorities. Currently, three spaceport authorities in Texas are working to raise funding, and develop and operate commercial spaceports in Pecos, Brazoria, and Willacy counties.

Unfortunately, the financial demise of the primary companies needing to launch communication satellites created less of a market for RLVs and spaceports. In 2001, Lockheed Martin cancelled the Venture Star Program, and a revised federal launch forecast confirmed that 84 percent of the RLV market had vanished before any companies had raised enough capital to launch, or even build an RLV. With the decline in the RLV market, some spaceports are seeking to launch other types of suborbital rockets.

- The Commission also facilitated the development of a Texas Aerospace Strategic Plan to support the aerospace enterprise in Texas. The plan proposes a number of goals and initiatives, most of which address needs of the aviation industry. The Commission incorporated many of these statewide goals into its agency strategic plan for fiscal years 2003-2007. These are not realistic goals for the agency, especially considering its current statutory authority, budget, and staffing level. The textbox, *Texas Aerospace Commission Goals 2003-2007*, summarizes some of the goals that even the Commission's Executive Director admitted could not be fully carried out by the agency within its current budget and structure.¹¹

Texas Aerospace Commission Goals 2003 - 2007			
•	Facilitate the creation of a specific technology project at a state institution of higher education to address specific technology gaps related to the Sonic Cruiser structure requirements.		
•	Establish a statewide committee to "Bring the Sonic Cruiser to Texas." Use aggressive advertising and marketing approaches to sell Texas to Boeing and their suppliers as the place to assemble the Sonic Cruiser.		
•	Use economic data to advocate state-sponsored initiatives to increase percentage of subcontracted work by Texas aircraft manufacturers.		
•	Develop a statewide, state-sponsored outreach program for aircraft manufacturing suppliers to convey future program requirements and technology advances.		
•	Build a technology corridor in the state focused on space research and technology development.		
•	Create a strategic Aerospace Investment Program that offers a state match to local communities which use the investment to keep, expand, or attract aerospace-related industries (defined as space and aviation).		
•	Offer incentives for aviation companies to open up new operations in Texas or to make significant new investments in existing operations.		
•	Spur the use of airline travel in the state by lowering ticket costs to stimulate commercial carrier aircraft purchases.		

- The Commission does not have the capacity or resources to carry out these additional functions successfully. The Commission had to contract with a private consultant for approximately \$14,000 to

Texas Aerospace Commission Additional Funding Requests			
	Requested FYs 04-05	Requested FYs 02-03	Received FYs 02-03
Expand Aerospace Industry	\$997,370	\$185,000	\$0
Attract and Develop Spaceport/RLV	\$2,375,000	\$3,100,000	\$1,570,000
Spaceport Trust Fund	\$0	\$19,000,000	\$0
Additional FTEs	7	4	0

facilitate and produce the Texas Aerospace Strategic Plan. The Commission has continually requested increases in its budget and staffing levels just to carry out its current statutory functions, as shown in the textbox, *Texas Aerospace Commission Additional Funding Requests*.

No other state uses a stand-alone state agency to carry out functions similar to those of the Texas Aerospace Commission.

- Most states do not have a dedicated function for promoting space commercialization or spaceport development. However, of the 13 states that do, the majority use a single public corporation, similar to Texas' local spaceport authorities, to carry out functions related to developing, operating, and promoting commercial spaceports and the space industry. None of these corporations performs activities to foster the aviation industry.

The remaining states use a special office or advisory body within a larger state agency to carry out spaceport pursuit activities. No state, other than Texas, uses both a state agency, and a separate public corporation to carry out these functions.

In Texas, the Aerospace Commission is the only stand-alone state agency charged primarily with fostering a specific industry.

- Although the state supports both the film and music industries, the Music, Film, Television, and Multimedia Office is located in and administratively supported by the Governor's Office. Unlike the Texas Aerospace Commission, the Office is not charged with encouraging the development of or fostering the industries it supports. Instead, the Office provides information about the resources available in the state for music, film, television, and multimedia production.

No other state uses a state agency and a public corporation to pursue spaceports.

Recommendation

Change in Statute

1.1 The Texas Aerospace Commission should be abolished under the terms of the Sunset Act.

Under this recommendation, no action would be needed by the Sunset Commission and no legislation would be needed to abolish the Commission. The Commission would simply be abolished on its Sunset date of September 1, 2003. The standard one-year period for an abolished agency to conclude its affairs would be necessary to ensure that any outstanding spaceport pursuit grants would be closed out by the agency's termination date.

The State has many other entities dedicated to promoting the economic development of the state. The Legislature established the Texas Department of Economic Development to market the entire state as both a business and tourist destination. Additionally, most economic development in Texas occurs locally through local economic development entities that encourage and promote economic development that is targeted for their areas.

Although the Texas Aerospace Commission was created to foster industries related to the commercialization of space, the commercial space industry has declined significantly in recent years. Having a small, stand-alone state agency dedicated to fostering this specific industry is not an efficient use of the State's limited resources.

The Commission has established a private, non-profit foundation, the Aerospace Commission Foundation of Texas, that will continue to operate for the benefit of aerospace industries in Texas. And, if a significant need for or growth in this industry arises, the Governor has the authority to create a task force to study and assess the industry, or to market Texas to the industry, much like the Boeing Task Force that was created in 2001. A task force would offer a more flexible and responsive way to identify and address the needs of this industry. The task force would have specific charges and deliverables, exist only until these charges were accomplished, and be free from the numerous administrative functions that challenge small state agencies.

1.2 Transfer the responsibility of administering the Spaceport Trust Fund to the Texas Department of Transportation's Aviation Division.

In 2001, the Legislature established the Spaceport Trust Fund consisting of gifts, grants, or donations made for the development of spaceport infrastructure. The Texas Aerospace Commission is responsible for administering this Fund; however, no funding has been appropriated nor have any funds been raised. Additionally, if and when funds are available, they can only be used once a reusable launch vehicle has been created, commits to launching from Texas, and obtains a license from the Federal Aviation Administration. The Texas Aerospace Commission and the three local spaceports estimate that this may not happen for another five to 15 years.

The Texas Department of Transportation's Aviation Division is currently responsible for administering infrastructure grants to small municipal airports. The Division administers grants totaling about \$60 million and has the expertise necessary to administer the Spaceport Trust Fund, if funds become available and the industry has progressed to the point of being able to use them.

Impact

Abolishing the Texas Aerospace Commission would not have a significant impact on the State or on the commercial space industry in Texas. The Commission was originally established in 1987 to foster the development of industries related to the commercialization of space and to analyze space-related research. At that time, Texas wanted to be able to compete in this new and growing arena of space commercialization. However, space commercialization and its related industries have declined in recent years reducing the need and ability of the Commission to solely promote the industry. As such, the Commission has focused more of its efforts on promoting the aviation industry, clearly outside of its current statutory authority.

Additionally, the Commission's activities basically supplement economic development activities currently performed by other entities at the federal, state, and local levels. The primary role the Commission plays in fostering economic development is acting as a facilitator and linking industry with those entities that have economic development tools and incentives. The Texas Department of Economic Development markets the state overall to encourage economic development in all industries, including aerospace. Also, local economic development entities, such as economic development corporations and chambers of commerce, encourage and foster economic development in their areas.

Unlike the Commission, these other state and local economic development entities are equipped with the necessary tools and incentives to directly impact economic development. These entities would continue to foster the economic development of the state and their local areas, regardless of the industry.

The Commission was also instrumental in helping establish and coordinate the efforts of the three local spaceport authorities to establish a commercial spaceport in Texas. However, the local authorities have been set up and are operational. The Legislature set up these authorities to be fully responsible and well-equipped for establishing a local spaceport in their regions. Although the Commission administers the \$1.57 million in spaceport pursuit grants, the grants will expire in September 2003.

Finally, the Commission lacks the resources and staff expertise necessary to analyze or effectively further space-related research in the state, and relies on its participation on the Texas Space Grant Consortium, to carry out this function. The federally funded Consortium, made up of a group of Texas universities that analyzes and promotes space-related research to benefit the public, would continue to analyze and promote space-related research in the state.

Fiscal Implication

These recommendations would result in an overall savings of approximately \$213,000, including the reduction of three full-time equivalent (FTE) positions. These savings would not begin until fiscal year 2005, following the one-year wind down period for agencies abolished under Sunset.

Fiscal Year	Savings to General Revenue	Change in FTEs from 2003
2004	\$0	0
2005	\$212,815	-3
2006	\$212,815	-3
2007	\$212,815	-3
2008	\$212,815	-3

¹ Texas Government Code, sec. 325.011.

² Texas Government Code, sec. 482.003.

³ In this instance, reusable launch vehicle is defined as a vehicle intended for repeated use that is built to operate in or place a payload in space; or a suborbital rocket. Texas Government Code, sec. 482.004.

⁴ Texas Aerospace Commission Meeting Minutes, May 2, 2002.

⁵ State Auditor's Office, An Audit Report on Performance Measures at 11 State Agencies, Phase 13 of the Performance Measures Overview, May 2000, p. 8.

⁶ Letter from the Comptroller of Public Accounts to Thomas M. Moser, Executive Director of the Texas Aerospace Commission, dated November 16, 2000.

⁷ Interviews with Texas Aerospace Commission staff (Austin, Texas, June 10 and July 17, 2002).

⁸ Letter from Bill Looke, April 2002. Available: www.tac.state.tx.us/centennial/letter2.htm. Accessed: July 25, 2002.

⁹ Texas Aerospace Commission, Actual Performance for Output/Efficiency Measures, 77th Regular Session, Performance Reporting, July 1, 2002.

¹⁰ Federal Aviation Administration/Associate Administrator for Commercial Space Transportation, 2002 U.S. Commercial Space Transportation Developments and Concepts, January 2002, pp. 1-3.

¹¹ Texas Aerospace Commission Meeting Minutes, July 7, 2002.

AGENCY INFORMATION

Agency Information

Agency at a Glance

The Legislature created the Texas Space Commission in 1987 to encourage economic development of industries related to the commercialization of space, later renaming it the Texas Aerospace Commission in 1993.

The Commission performs the following functions:

- helps recruit and expand aerospace industries in Texas by promoting working relationships among governmental agencies, academic and other research institutions, and industry;
- administers state grant funds to assist with the establishment of reusable launch facilities, or spaceports; and
- helps promote space-related research.

Key Facts

- **Funding.** The agency operates with an annual appropriation of about \$213,000, composed entirely of General Revenue Funds. The agency receives some revenue from the sale of its speciality license plates.
- **Staffing.** The agency has three full-time equivalent (FTE) positions, including an Executive Director and two staff that are responsible for planning and agency operations.
- **Spaceport Initiatives.** The Commission received an additional \$1.57 million in General Revenue for the 2002-2003 biennium for grants to local spaceport authorities to support initial planning and development costs for commercial spaceports.

Major Events in Agency History

1987 The Legislature created the Texas Space Commission to foster the development of industries related to the commercialization of space and to analyze space-related research in Texas.

1991 The Commission established its first office with a Director on loan from a private company, a \$20,000 biennial appropriation from the Legislature, and a \$100,000 interagency contract with the Texas Department of Commerce.

On the Internet

Information about the Commission is available at www.tac.state.tx.us.

What is a Spaceport?

Spaceports are launch areas or facilities, similar to airports, for reusable launch vehicles (RLVs) or rockets that deploy satellites into space. Spaceports generally house launch pads, runways, and rail infrastructure. The launches and landings, as well as maintenance, repairs, and other services to the RLVs or rockets would be performed at the spaceport. Currently, four states operate commercial spaceports and other states, including Texas, are working to establish additional spaceports.

- 1993** The Legislature changed the name of the agency to the Texas Aerospace Commission, but its statutory duties remained the same. The Legislature also zero-funded the agency for the 1994-1995 biennium, but the Commission continued outreach and advocacy efforts.
- 1995** The Commission received a \$400,000 appropriation for the 1996-1997 biennium. The Commission hired its own Executive Director and staff to carry out the duties of the agency.
- 1999** The Legislature authorized local governments to establish local spaceport authorities. The textbox, *Texas Spaceport Authorities*, explains the powers of these development corporations.

Although re-named the Texas Aerospace Commission in 1993, the agency's statutory duties remained the same.

Texas Spaceport Authorities

In 1998, 13 sites in Texas were evaluated to identify the most promising sites to build a spaceport for Lockheed Martin's proposed Venture Star reusable launch vehicle. Three counties (Pecos, Brazoria, and Kenedy) were identified as potential site candidates based on a set of technical site criteria.

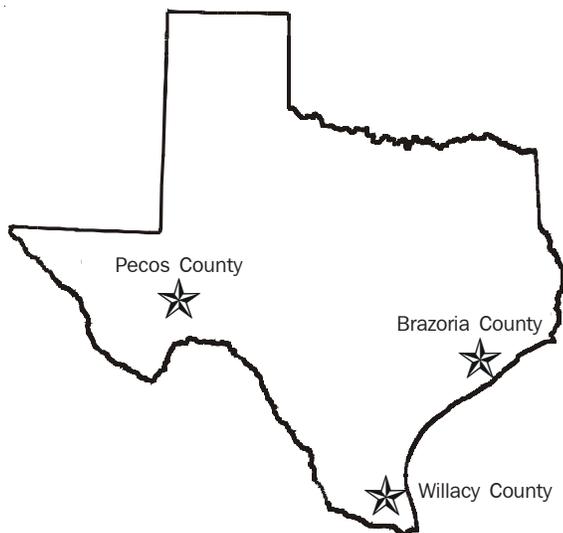
Once these sites were identified, the Legislature, in 1999, authorized the creation of a new type of local public corporation for the establishment of spaceport facilities. This law allows counties to create and appoint members to a public corporation, commonly referred to as a spaceport authority. The spaceport authority oversees the development and operation of an eventual spaceport and has the power to:

- raise and manage funds through donations, grants, fees, bonds, and investments;
- acquire and dispose of property;
- exercise power of eminent domain; and
- promote or develop educational and job training programs related to a spaceport.

Each of the three counties formed a spaceport development corporation. However, officials in South Texas decided to change the potential site location from Kenedy to Willacy County and formed a new South Texas Spaceport Development Corporation. With the cancellation of the Venture Star Program, the three spaceport authorities are now seeking to attract other potential launch vehicles to their respective areas.

2001 The Legislature, through a rider, appropriated \$1.57 million to the Commission for grants to local spaceport authorities trying to establish commercial spaceports in Texas. Three spaceport authorities were formed to develop local spaceports, which are shown on the map, *Proposed Spaceport Sites*.

Proposed Spaceport Sites



Organization

Policy Body

The Commission is composed of nine members appointed by the Governor for six-year, staggered terms. Eligible members must have demonstrated experience or expertise in space research, economic development, marketing, banking, or research and development in science or engineering. The Chair is elected for a two-year term by a majority vote of the Commission.

The Commission appoints an Executive Director and meets at least every quarter to monitor and make recommendations on agency priorities and activities. In fiscal year 2001 the Commission held five public meetings. The chart, *Commission Membership*, provides information on each Commission member.

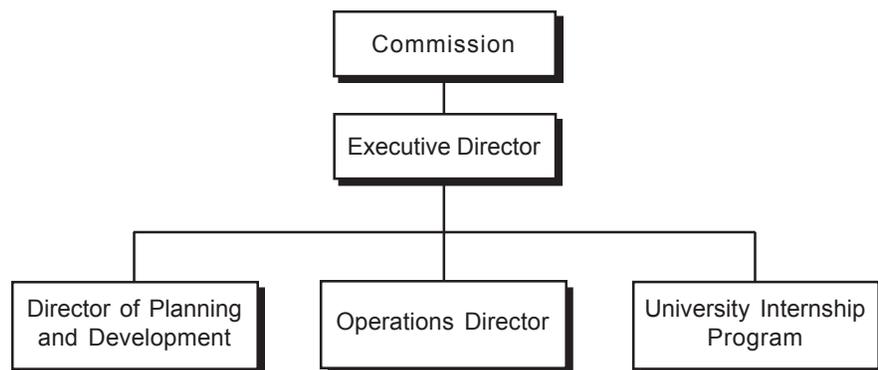
Commission Membership		
Name	Term	City
Norma Webb, Chair	1997-2003	Midland
Larry Griffin, Vice Chair	2001-2007	Hunt
Richard Azar	2001-2007	El Paso
Gale Burkett	1999-2005	Houston
J. Jan Collmer	1999-2005	Carrollton
Walter Cunningham	1997-2003	Houston
Arthur Rojas Emerson	2000-2005	San Antonio
Bryon Sehlke	1997-2003	Austin
Holly Stevens	2001-2007	Georgetown

Staff

The Executive Director oversees two staff; manages the daily operations of the agency; and acts as a liaison to the Governor's office, other state agency executives, private industry, and professional organizations. The *Texas Aerospace Commission Organizational Chart* shows the current agency structure. The Director of Planning and Development oversees the agency's strategic planning process and economic development activities. Fiscal, and other administrative duties are performed by the Operations Director. The Commission routinely provides unpaid internship opportunities for university students to obtain experience working with the aerospace industry. Because the Commission only has three employees, Sunset staff did not conduct trend analysis of the Commission's workforce for equal employment opportunity purposes.

The Commission is a small agency, with a staff of three and a budget of about \$213,000.

Texas Aerospace Commission Organizational Chart



Funding

Revenues

In fiscal year 2001, the Commission received an appropriation of approximately \$212,000, consisting entirely of General Revenue funds. The appropriation included a small portion of fee-generated General Revenue Funds from the sale of aerospace license plates. However, the agency could not provide documentation showing the exact amount of revenue generated from the sale of these license plates in fiscal year 2001.

Although statutorily authorized to solicit and accept public and private donations and grants, the Commission established a separate non-profit foundation to carry out this function. The Foundation, explained further

in the textbox, *Aerospace Commission Foundation of Texas*, has accepted \$30,000 in private donations since being formed in June 2002.

For the 2002 - 2003 biennium, the Legislature appropriated an additional \$1.57 million of General Revenue Funds to the Commission to be used as grants to local spaceport authorities for initial costs associated with establishing a commercial spaceport in Texas.

Expenditures

The agency spent about \$210,000 in 2001, with staff salaries accounting for \$131,161. The rest was spent on operating expenses, but the agency could not provide Sunset staff with an exact breakdown of these expenditures for fiscal year 2001. These operating expenses included items such as travel and printing. The agency did not have significant purchases for Sunset staff to evaluate its use of Historically Underutilized Businesses.

As of July 2002, the agency expended \$52,175 of spaceport grant funds. The agency uses a cost reimbursement method to expend grant funds to the local spaceport authorities, but estimates that most of \$1.57 million will be expended by January 2003.¹

Agency Operations

The agency performs three main functions: encourages economic development of industries related to the commercialization of space; administers state grant funds to assist local spaceport authorities establish reusable launch facilities, or spaceports; and helps promote space-related research.

Aerospace Economic Development

The agency works to attract and expand the commercial space industry by using a network of contacts to promote working relationships between industry, government, academic, and research institutions. The agency also tries to use this network to better leverage state and local business incentives to attract the broader aerospace industry to the state.

Although outside the agency's current statutory duties, staff recently worked with industry representatives to create an aviation and aerospace industry strategic plan for how the State of Texas can help meet industry needs. The Commission incorporated several of the broader industry plan's goals into its agency strategic plan to ensure staff are meeting the needs of its industry customers.

Aerospace Commission Foundation of Texas

The Foundation is a non-profit corporation established by the Commission in June 2002, to accept, manage, invest, and expend funds for the benefit of aviation and aerospace interests. Two of the Commission's current board members and a private consultant comprise the Foundation's Board of Directors, and the Executive Director of the Commission serves as the Foundation's Chief Executive Officer.

The Foundation's only current project is the Centennial of Flight Celebration scheduled for January 2003. The Foundation has hired an event coordinator to plan, organize, and carry out the project.

Spaceport Initiatives

From the additional \$1.57 million appropriated to the Commission for the 2002-2003 biennium, the Commission plans to provide about \$500,000 in grant funding to each of the three local spaceport authorities to begin establishing commercial spaceports. The funding will pay for initial business planning to attract companies to agree to launch from Texas; and for preliminary economic, environmental, and infrastructure studies. The Commission contracts with the Center for Transportation Research at the University of Texas-Austin to help administer the grant funds and provide technical expertise.

In 2001, the Legislature established the Spaceport Trust Fund consisting of gifts, grants, or donations made to the Commission for the development of spaceport infrastructure. Funding has not been appropriated to the trust fund, nor has the Commission raised any funds for this purpose. If and when funds are available, they can only be used once a company that can launch and land a reusable launch vehicle commits to locating in Texas. Additionally, the spaceport authority must raise 90 percent of the spaceport project funding, and the spaceport must obtain a federal license from the Federal Aviation Administration.²

Space-related Research

State law requires the agency to analyze and promote space-related research. The Executive Director sits on the Texas Space Grant Consortium, to fulfill this requirement. The textbox, *Texas Space Grant Consortium*, provides more information about this organization and its activities.

Texas Space Grant Consortium

The Consortium, formed in 1989, works to ensure that the benefits from space research and technology are available to all Texans by administering federal grants for space-related research, education, and public service projects. The Consortium's membership consists of 34 institutions that represent universities, industrial organizations, nonprofit organizations, and government agencies, including the Texas Aerospace Commission.

Source: *Texas Space Grant Consortium, www.tsgc.utexas.edu*

State law also allows spaceport authorities to promote and develop appropriate education and job training programs relating to a spaceport.³ However, the agency has also taken on this role and advocates for creating Space Technology and Research (STAR) Centers at each of the designated spaceports as a way to create future educational and research opportunities for Texas educational institutions.

¹ Texas Aerospace Commission Meeting Minutes, June 21, 2002.

² Texas Government Code, sec. 482.004.

³ Texas Senate Bill 1092, 76th Legislature (1999).

APPENDIX

Appendix A

Staff Review Activities

The Sunset staff engaged in the following activities during the review of the Texas Aerospace Commission.

- Attended meetings of the Texas Aerospace Commission and the Aerospace Commission Foundation of Texas, and worked extensively with agency staff.
- Interviewed representatives of the Texas Department of Transportation Aviation Division, Texas Department of Economic Development, and Center for Transportation Research at the University of Texas.
- Worked with, monitored activities of, and reviewed reports from the Governor's Office, Comptroller of Public Accounts, State Auditor's Office, Legislative Budget Board, Texas Department of Transportation, Texas Department of Economic Development, as well as legislative committees dealing with aerospace issues.
- Solicited input from national, state, and local interest groups including the United Space Alliance, Lyndon B. Johnson Space Center, and each of the three Texas spaceport authorities.
- Reviewed reports by the Commission on the Future of the United States Aerospace Industry, Federal Aviation Administration Office of the Associate Administrator for Commercial Space Transportation, U.S. Department of Commerce Office of Space Commercialization, Aerospace Industries Association, National Coalition of Spaceport States, and Aerospace States Association.
- Extensively researched the functions of and interviewed representatives from aerospace entities in other states.
- Reviewed agency documents and reports, state statutes, legislative reports, previous legislation, and literature on aerospace issues; performed background and comparative research using the Internet; and solicited input from interested parties.

**SUNSET REVIEW OF THE
TEXAS AEROSPACE COMMISSION**

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