

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 120

(Chair, Environment and Transportation Committee)(By
Request - Departmental - Agriculture)

Environment and Transportation

Education, Health, and Environmental Affairs

Department of Agriculture - Seafood and Aquaculture Product Marketing

This departmental bill transfers seafood and aquaculture marketing functions from the Department of Natural Resources (DNR) to the Maryland Department of Agriculture (MDA). The bill also (1) limits the use of revenues generated from an annual surcharge imposed on commercial fishing licensees to only the marketing of wild-caught seafood, with the exception of revenues generated from licensees who are authorized as seafood dealers, which are used for marketing of wild-caught seafood and aquaculture products and (2) requires those revenues to be credited to the Seafood and Aquaculture Products Marketing Fund.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: Special fund revenues of approximately \$190,000 annually shift from DNR to MDA. Special fund expenditures of the same amount shift correspondingly. The overall level of special fund revenues and expenditures does not change.

Local Effect: None.

Small Business Effect: MDA has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The bill renames the Seafood Marketing and Aquaculture Development Program as the Seafood and Aquaculture Products Marketing Program and transfers the program from DNR to MDA. The bill also (1) eliminates a related Division of Market Development under DNR; (2) transfers provisions governing the Seafood Marketing Fund from the Natural Resources Article to the Agriculture Article and modifies provisions governing the fund (including renaming it as the Seafood and Aquaculture Products Marketing Fund); and (3) transfers provisions governing the Seafood Program Management Team, the Innovative Seafood Technologies Program, and the Seafood Marketing Advisory Commission from the Natural Resources Article to the Agriculture Article.

The bill's modifications of provisions governing the newly renamed Seafood and Aquaculture Products Marketing Fund specify that the fund is a special, nonlapsing fund that consists of (1) revenue distributed to the fund from an annual surcharge imposed on commercial fishing licensees; (2) money appropriated in the State budget to the fund; (3) proceeds from activities conducted by the Seafood and Aquaculture Products Marketing Program; and (4) any other money from any other source accepted for the benefit of the fund. The fund is administered by the Secretary of Agriculture. The purpose of the fund is to facilitate the marketing of seafood and aquaculture products, and the fund may be used only for expenses related to seafood and aquaculture marketing.

The bill designates MDA as the lead agency for the marketing of aquaculture products. DNR's responsibilities are modified, eliminating its designation as the lead agency for promoting, coordinating, and marketing aquaculture and aquaculture products; instead, DNR is designated as the lead agency for the development and overall management of aquaculture and aquaculture products and identifying economic development opportunities related to aquaculture. DNR retains its designation as the lead agency for coordinating and streamlining the process for applying for a State aquaculture permit and enforcing laws, regulations, and rules related to aquaculture.

Current Law:

Seafood and Aquaculture Marketing Functions under the Department of Natural Resources

There is a Seafood Marketing and Aquaculture Development Program and a Division of Market Development within DNR. There is also a Seafood Marketing Fund that is authorized to receive proceeds from activities conducted by the Seafood Marketing and Aquaculture Development Program, which may include cookbook sales, poster sales, seafood festivals, and similar activities. A 13-member Seafood Marketing Advisory Commission, which includes the Secretary of Agriculture, the Secretary of Natural

Resources, and various other members appointed by the Governor, assists the program and division in promoting, and seeking efficient methods to reduce the cost and improve the quality and marketability of, Maryland seafood.

An 18-member Seafood Program Management Team, appointed by DNR and administered by the Maryland Cooperative Extension, is responsible for (1) establishing and monitoring a grant program for the implementation of appropriate projects that support the economic health of the Maryland seafood industry; (2) prioritizing, selecting for funding, and overseeing seafood industry projects under a rapid response structure; and (3) examining new technologies, equipment, raw and value-added products, feasibility studies, and market development and cost control strategies. An Innovative Seafood Technologies Program supports the development, implementation, and promotion of innovative seafood technologies and, as appropriate, utilizes the expertise of representatives of the Seafood Program Management Team.

Department of Natural Resources as a Lead Agency on Aquaculture

DNR is the lead agency for (1) promoting, coordinating, and marketing aquaculture and aquaculture products; (2) coordinating and streamlining the process of applying for a State aquaculture permit; and (3) enforcing laws, regulations, and rules. The University System of Maryland is the lead agency for research in aquaculture production and is responsible for development of education and extension programs which promote aquaculture as an industry.

Annual Surcharge for Seafood Marketing Programs

In addition to normal license fees, a tidal fish licensee (commercial licensee) must pay an annual surcharge to DNR, to be credited to DNR's Seafood Marketing Office to fund seafood marketing programs approved by the department. The surcharge is \$50 for licensees that buy, process, pack, resell, market, or otherwise deal in fish caught in the tidal waters of the State (seafood dealer) and \$20 for licensees that are fishing guides or that harvest or land fish or shellfish in the State, that are not also authorized as a seafood dealer.

Background: The seafood and aquaculture marketing functions within DNR were transferred to DNR from MDA under Chapter 411 of 2011, as part of a consolidation of State aquaculture activities within DNR. DNR does not currently have staff exclusively devoted to the seafood and aquaculture marketing functions. In addition, MDA has expertise in marketing resource commodities, under its Marketing and Agribusiness Development section, which DNR does not have. MDA also has not entirely stopped working with seafood industry partners to promote their products, despite the seafood marketing program being transferred to DNR in 2011.

State Revenues: Special fund revenues of approximately \$190,000 annually shift from DNR to MDA, reflecting the transfer of the Seafood Marketing Fund (renamed the Seafood and Aquaculture Products Marketing Fund) to MDA and the direction of revenue from the annual surcharge on commercial licensees to the fund. This estimate is based on information provided by DNR regarding the average annual revenues from fiscal 2014 through 2016 that are transferred under the bill.

State Expenditures: Special fund expenditures of approximately \$190,000 annually also shift from DNR to MDA, reflecting expenditure of the revenues that are transferred under the bill. The seafood and aquaculture marketing functions transferred under the bill are expected to be implemented by MDA using the transferred revenues and efforts of existing staff. MDA plans to use the funding for advertising, marketing materials, trade show and industry events, and special promotions and events.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Agriculture; Department of Natural Resources; Department of Legislative Services

Fiscal Note History: First Reader - February 6, 2017
mm/lgc Third Reader - March 21, 2017
Revised - Amendment(s) - March 21, 2017

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Department of Agriculture – Aquaculture

BILL NUMBER: HB 120

PREPARED BY: Mark Powell, Marketing Specialist
(Dept./Agency): Maryland Department of Agriculture

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The Department anticipates that Maryland's seafood industry will benefit from a coordinated marketing initiative.