Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 120 (Delegate T. Morgan, *et al.*)

Environment and Transportation Finance

Economic Development – Maryland Watermen's Microloan Program – Eligibility

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This bill alters eligibility for loans under the Maryland Watermen's Microloan Program (MWMP) and repeals the minimum and maximum loan amounts under the program. More specifically, the bill alters the definitions of "beginner waterman" and "generational waterman" so that such an individual (1) must be a resident of the State but (2) may hold a commercial license to catch finfish, crabs, clams, and oysters issued by the Potomac River Fisheries Commission (PRFC) instead of just a tidal fish license issued by the Department of Natural Resources (DNR). **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: Altering program eligibility and potential loan amounts does not affect overall State finances; however, program funds are likely reallocated to different recipients, and potentially at different amounts, beginning in FY 2025.

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law:

Maryland Watermen's Microloan Program

Chapter 384 of 2022 established MWMP in the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO). MARBIDCO is a quasi-public

economic development organization chartered by the State; MARBIDCO employees are not State employees.

The purpose of MWMP is to provide loans to qualified commercial fishermen to continue commercial operations in the State, including for purchasing boats, mechanical equipment, fishing gear, fishing quota, and any other item used in commercial seafood harvesting.

For fiscal 2024 through 2026, the Governor must include in the annual State budget bill an appropriation of $500,000 to the program; the appropriation must be distributed to a special fund that may only be used to make loans and pay the necessary costs to administer and operate the program. The Act did not create a new special fund or specify an existing special fund; in practice, the fiscal 2024 appropriation of $500,000 was part of MARBIDCO's overall general fund appropriation.

Through June 30, 2025, only "generational watermen" are eligible to receive an MWMP loan. "Generational watermen" are individuals with a tidal fish license issued by DNR that can demonstrate through tax returns and other supporting documents that at least 50% of their annual income is derived from commercial seafood harvesting. Beginning July 1, 2025, "beginner watermen" and seafood processing businesses are also eligible for loans. "Beginner watermen" are individuals with a tidal fish license who have between 2 and 10 years of experience in commercial seafood harvesting.

MARBIDCO must determine the eligibility of an applicant, the loan amount to be given to a borrower, the terms and conditions for a loan contract, and the amount of debt forgiveness that may be provided for loan repayment performance. A loan must be between $7,000 and $15,000, and a borrower may not have more than one outstanding loan from the program during any time period. MARBIDCO has structured the loans so that the final year of the four-year loan term is forgiven if all other payments are made.

Tidal Fish License

In general, DNR issues a single commercial fishing license known as the tidal fish license. A tidal fish license authorizes the holder to engage in each authorization indicated on the license. DNR sets targets for the number of each tidal fish authorizations to be issued annually and maintains a waiting list of qualified applicants.

Potomac River Fisheries Commission

PRFC, comprising representatives of Maryland and Virginia, was established by the Potomac River Compact of 1958 and regulates fisheries (including recreational and commercial licensing) in the mainstem tidal Potomac River, from Washington, DC, to the

Chesapeake Bay. The commission's regulations are jointly enforced by DNR's Natural Resources Police and the Virginia Marine Resources Commission Marine Police.

State Fiscal Effect: MARBIDCO advises that MWMP is nearly fully subscribed. As such, the bill generally reallocates program expenditures between eligible recipients but does not affect the overall amount of funding provided under the program. In practice, MARBIDCO currently limits eligibility for its programs to State residents, so most likely, some watermen licensed solely by PRFC will receive loans that would have otherwise been available to watermen licensed solely by DNR. Alternatively, some individuals may receive larger or smaller loans than under current law. In any case, the bill does not alter the amount of general funds that must be provided to MARBIDCO for MWMP under current law, and subsequent lending activity under the program is nonbudgeted.

Small Business Effect: Program funding is likely reallocated beginning in fiscal 2025 due to altered program eligibility and loan amounts. Most likely, some small watermen licensed solely by PRFC will receive loans that would have otherwise been available to watermen licensed solely by DNR, and some small watermen may receive larger or smaller loans than under current law.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 32 (Senators Bailey and Klausmeier) - Finance.

Information Source(s): Maryland Agricultural and Resource-Based Industry Development Corporation; Department of Commerce; Maryland Department of Agriculture; Department of Natural Resources; Maryland Food Center Authority; Potomac River Fisheries Commission; Department of Legislative Services

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