

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

Senate Bill 558

(Senator Bailey, *et al.*)

Budget and Taxation

Environment and Transportation

Chesapeake Bay - Enhancement Program and Maryland Seafood Industry
 Financial Assistance Fund - Established

This bill establishes (1) a Chesapeake Bay Enhancement Program in the Department of Natural Resources (DNR); (2) a Maryland Seafood Industry Financial Assistance Fund, administered by the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO); (3) an authorization for specified MARBIDCO funding to be transferred to the financial assistance fund (subject to a repayment requirement); and (4) a specified process to help ensure borrower repayment of MARBIDCO loans. **The financial assistance fund, transfer authorization, and repayment assurance provisions take effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by \$2.0 million in FY 2027 only; the FY 2027 budget as passed by the General Assembly includes a \$2.0 million general fund appropriation for the financial assistance fund contingent on the enactment of this bill or its cross file. Nonbudgeted revenues increase by \$2.0 million, and nonbudgeted expenditures increase by \$2.7 million, in FY 2027. Nonbudgeted revenues and expenditures increase by indeterminate amounts in future years. This analysis assumes that the establishment of the Chesapeake Bay Enhancement Program in statute codifies an existing program (as discussed below) and is not expected to affect State finances.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
NonBud Rev.	\$2.0	-	-	-	-
GF Expenditure	\$2.0	\$0	\$0	\$0	\$0
NonBud Exp.	\$2.7	-	-	-	-
Net Effect	(\$2.7)	-	-/(-)	-/(-)	-/(-)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Chesapeake Bay Enhancement Program

The bill establishes a Chesapeake Bay Enhancement Program in DNR to provide funding for oyster propagation and replenishment projects that mitigate the effects of transportation projects on the State's oyster population. DNR must use funding under the program to support oyster propagation and replenishment and program management.

Maryland Seafood Industry Financial Assistance Fund

The bill establishes a Maryland Seafood Industry Financial Assistance Fund, administered by MARBIDCO, to provide financial assistance, including loans, to commercial watermen and small businesses in the seafood industry. The fund may be used only for (1) financial assistance, including loans, and (2) the costs of MARBIDCO to administer the fund.

The fund consists of (1) money appropriated in the State budget to the fund; (2) loan principal repayments related to the financial assistance; (3) money made available from the federal, State, or local government; and (4) any other money from any other source accepted for the benefit of the fund.

The bill also authorizes MARBIDCO to transfer up to \$337,500 each from the Oyster Shucking House Loan Program and the Maryland Watermen's Microloan Program to the fund to provide additional financial assistance to commercial watermen and small businesses in the seafood industry. MARBIDCO must repay, by June 30, 2028, any funds transferred from the programs to the fund.

For financial assistance, including loans, provided from the fund, MARBIDCO must determine (1) the application and award process; (2) eligibility criteria; (3) the amount of the financial assistance, including loans, for each applicant; (4) the terms and conditions of financial assistance, including loans; (5) the amount of loan forgiveness that MARBIDCO may provide for loan repayment performance; and (6) any other provisions necessary to carry out the provisions governing the fund.

Maryland Agricultural and Resource-Based Industry Development Corporation – Loan Repayment Assurance

The bill requires MARBIDCO to notify DNR (1) if a borrower who holds a tidal fish license is delinquent in the repayment of a loan to the corporation and (2) if such a borrower becomes compliant with the repayment of a loan. After receiving a notification that a tidal fish licensee is delinquent in the repayment of a loan, DNR may not approve a transfer of the tidal fish license or authorization until receiving a notification that the borrower has become compliant with the repayment of the loan.

Current Law:

Oyster Propagation and Replenishment

Statute requires DNR to take measures, which in its judgment seem best calculated to increase the productivity or utility of oyster resources in the State, including (1) identifying and using effective methods of cleaning diseased oyster bars; (2) providing clean shell for the bars; (3) using hatchery produced oysters to replant sites; and (4) applying for a permit to dredge buried oyster shells.

DNR and the Maryland Department of Transportation (MDOT) indicate that they have had a formal agreement for approximately 30 years under which MDOT provides funding to DNR for oyster recovery/reseeding efforts – titled (in its current form) the *Agreement Between the Maryland Department of Transportation and the Maryland Department of Natural Resources for the Chesapeake Bay Enhancement Program (Oyster Recovery)*.

The agreement has been modified and extended numerous times – most recently in April 2022, which extended the term of the agreement through June 30, 2026, and included the following language:

“MDOT shall pay to DNR the amount of two million dollars (\$2,000,000) annually. These funds shall be used by DNR solely for the activities that support oyster recovery within the Maryland Waters of the Chesapeake Bay. To the greatest extent practicable DNR shall ensure that no less than nine hundred twenty-five thousand dollars (\$925,000) shall be spent annually on oyster propagation and replenishment efforts through 2027. DNR shall coordinate annually with the county oyster committees and Maryland oyster harvesters on the enhanced funding for the public fishery that may be spent on oyster replenishment plantings, activities, and projects.”

Maryland Agricultural and Resource-based Industry Development Corporation

MARBIDCO is a quasi-governmental economic development organization chartered by the State to support the State's agricultural and resource-based industries. MARBIDCO manages its finances independent of the State Treasury and its employees are not State employees. The corporation administers several existing programs relating to the seafood industry:

- the Maryland Watermen's Microloan Program, which provides loans to (1) 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, and (2) seafood processing businesses;
- the Maryland Oyster Shucking House Loan Program, which provides loans to finance the establishment or expansion of oyster shucking houses that help increase the amount of oyster shells retained in the State and returned to the Chesapeake Bay; and
- two loan programs that support the development of the shellfish aquaculture industry in the State.

Tidal Fish License and License/Authorization Transfers

Apart from commercial licenses to fish for Chesapeake Channa and blue and flathead catfish, DNR uses a single, commercial license, known as a tidal fish license, which authorizes a licensee to engage in each activity indicated on the license. The department may issue authorizations for activities listed in statute for which the indicated fee has been paid.

Statute allows for specified permanent and temporary transfers of tidal fish licenses and authorizations, with DNR's approval, including (1) the temporary transfer, up to twice per license year, of a license or authorization for not more than the remainder of the license year and (2) the permanent transfer of a license or authorization from a person who has held a valid tidal fish license for at least two years to a person who provides a notarized bill of sale for the license or authorization being transferred.

State Fiscal Effect:

Maryland Seafood Industry Financial Assistance Fund

General Fund Expenditures – Fiscal 2027 Only

General fund expenditures increase by \$2.0 million in fiscal 2027 only, to capitalize the Maryland Seafood Industry Financial Assistance Fund, reflecting a \$2.0 million

general fund appropriation for the fund included in the fiscal 2027 budget as passed by the General Assembly, contingent on the enactment of this bill or its cross file. This analysis assumes that only one year of general fund capitalization is needed for the fund.

Nonbudgeted Revenues and Expenditures – Fiscal 2027 and Future Years

Nonbudgeted revenues increase by \$2.0 million in fiscal 2027, reflecting the receipt of the contingent appropriation by the Maryland Seafood Industry Financial Assistance Fund (administered by MARBIDCO, a nonbudgeted entity). Nonbudgeted expenditures increase by \$2.7 million in fiscal 2027 to (1) provide financial assistance (which MARBIDCO expects to provide in the form of loans) and (2) cover any costs of administering the funding. The \$2.7 million in spending reflects spending of the \$2.0 million received by the fund through the contingent appropriation and a total of \$675,000 transferred to the fund from the Oyster Shucking House Loan Program and the Maryland Watermen’s Microloan Program (\$337,500 from each of those programs). The expenditure estimate assumes that:

- the full authorized amount of \$337,500 is transferred to the fund from each program; and
- those amounts would not otherwise be spent, in the absence of the bill, from the time that they are transferred to the financial assistance fund until their repayment to the programs by June 30, 2028 (MARBIDCO indicates that the temporary transfer of \$675,000 from the programs to the financial assistance fund – during fiscal 2027 and 2028 – is not expected to affect the programs’ ability to fully meet demand for loans under the programs during those fiscal years).

Nonbudgeted revenues and expenditures increase in future years by indeterminate overall amounts, reflecting (1) the fund’s receipt of loan repayment revenues; (2) issuance of further loans using the repaid funds; (3) in fiscal 2028, the repayment of the \$675,000 to the Oyster Shucking House Loan Program and the Maryland Watermen’s Microloan Program (\$337,500 to each program); and (4) any expenditures to cover administrative costs.

Chesapeake Bay Enhancement Program

This analysis assumes that the establishment of the Chesapeake Bay Enhancement Program in statute codifies the program that (1) has existed, to date, under the agreement between DNR and MDOT discussed under Current Law (which terminates June 30, 2026) and (2) is expected to be continued pursuant to a new agreement (or memorandum of understanding) between the two agencies. DNR and MDOT indicate that they are nearing agreement on the funding and other details of the program for fiscal 2027 and future years, with funding currently expected to be \$2.0 million in fiscal 2027 and \$2.25 million annually in fiscal 2028 through 2031.

The program is expected to continue under the new agreement even in the absence of the bill, and, therefore, codifying the program in statute is not expected to affect State finances.

Loan Repayment Assurance

The process established in the bill for MARBIDCO's notification of DNR regarding a delinquent borrower who holds a tidal fish license, and DNR's nonapproval of any transfer of the holder's license or authorization, can be handled, by both MARBIDCO and DNR, with existing resources. The process may contribute to increased or more timely loan repayment revenues for MARBIDCO, whether loan repayment revenues of the Maryland Seafood Industry Financial Assistance Fund or loan repayments under other MARBIDCO programs.

Small Business Effect: Small business oyster harvesters and/or other seafood industry small businesses in the State meaningfully benefit from loans or other financial assistance provided through the Maryland Seafood Industry Financial Assistance Fund.

Additional Information

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

Designated Cross File: HB 1599 (Delegate Jacobs, *et al.*) - Environment and Transportation.

Information Source(s): Department of Budget and Management; Maryland Department of the Environment; Maryland Agricultural and Resource-Based Industry Development Corporation; Department of Natural Resources; Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History:
jg/lgc

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