



MARBIDCO
growing rural ventures™

MARYLAND AGRICULTURAL AND RESOURCE-BASED
INDUSTRY DEVELOPMENT CORPORATION
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Mary Shank Creek, *Chair* / Stephen R. McHenry, *Executive Director*

TESTIMONY STATEMENT

BILL: Senate Bill 830 (Natural Resources – Oysters – Spat, Shells, and Substrate)

COMMITTEE: Education, Health and Environmental Affairs (and Budget and Taxation)

DATE: March 1, 2022

POSITION: Support with Amendments

The Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) supports with amendments, Senate Bill 830, Natural Resources-Oysters-Spat, Shells and Substrate. Senate Bill 830 tries to accomplish several things in relation to supporting oyster production in the Chesapeake Bay. With respect to MARBIDCO, the legislation provides \$1,000,000 in FY 2024 for MARBIDCO to establish loan and grant programs to finance seafood processing projects. MARBIDCO understands that the sponsor is working with the affected stakeholders to develop appropriate amendments in a number of areas in the bill.

Proposed MARBIDCO Amendments

Amendment #1

On page 4, strike language on lines 13-14, and substitute the following:

(4) MEETS ANY OTHER ELIGIBILITY REQUIREMENTS ESTABLISHED BY THE CORPORATION; AND

(5) AGREES TO THE FINANCING TERMS AND CONDITIONS ESTABLISHED BY THE CORPORATION THAT ARE OTHERWISE IN CONFORMANCE WITH THIS SECTION.

Rationale: The first amendment clarifies MARBIDCO's ability to determine the terms and conditions of loans that are made that are otherwise in conformance with the conditions established in the legislation. There are other terms and conditions that MARBIDCO must routinely set with any loan that it makes, e.g., the loan's maturity date and amortization schedule, the interest rate, personal guarantees by the principal borrower(s), certain reporting requirements, loan default procedures, etc.,

Amendment #2

On page 5, strike the language on lines 14-16 and substitute the following:

(D) (1) FOR FISCAL YEAR 2024, THE GOVERNOR SHALL INCLUDE IN THE ANNUAL BUDGET BILL AN APPROPRIATION OF \$1,000,000 TO THE CORPORATION FOR THE PURPOSE OF PROVIDING LOANS UNDER THIS SECTION.

(2) THE APPROPRIATION IN PARAGRAPH (1) OF THIS SUBSECTION SHALL BE DISTRIBUTED TO A SPECIAL ACCOUNT, TO BE USED ONLY TO:

(I) MAKE LOANS UNDER THE PROGRAM; AND

(II) PAY THE COSTS NECESSARY TO ADMINISTER AND OPERATE THE PROGRAM.

Rationale: The second amendment would allow MARBIDCO to recover the costs for administering the new program, especially during the first year or two when it can be expected that there would be quite a lot involved with setting up and running this new programmatic undertaking. The out-year expenses should hopefully be covered by the anticipated loan interest payments.

MARBIDCO Background

MARBIDCO was established by the Maryland General Assembly 15 years ago as a relatively specialized economic development financial intermediary instrumentality of the State to enhance the sustainability of the State's agricultural and resource-based industries to help support locally produced food and fiber products, bolster local economies, and preserve working farm and forest land for future generations. MARBIDCO is governed by a Board of Directors that consists of 17 individuals who bring a wide range of perspective and experience to the Corporation's operations. MARBIDCO employs a small staff consisting of experienced agribusiness credit underwriters and loan/grant servicers.

Since 2007, MARBIDCO has:

- Cumulatively approved **1,058** project financings totaling **\$80 million** for food and fiber business projects located in of all Maryland's counties (including in Baltimore City).
- Invested in **395** agricultural/rural business lending projects (with \$64 million deployed) and leveraged nearly **\$170 million** in private commercial loan capital (approaching a 3-to-1 leverage of MARBIDCO's debt capital).
- Helped **541** young or beginning farmers buy their first farms or expand their business operations (with \$59 million deployed).
- Assisted with funding **277** value added food or fiber processing enterprises (\$7 million deployed).
- Financed **85** specialty shellfish aquaculture (oyster farming) projects (\$5.2 million deployed).
- Funded a total of **234** seafood and aquaculture projects combined (\$6.6 million deployed).
- Assisted **33** "beginner farmers" recently with purchasing their first farms (\$9 million deployed) and at the same time helped put 3,080 acres of good quality farmland on a path to become permanently preserved through the Next Generation Farmland Acquisition Program.

Today, MARBIDCO offers more than a dozen agricultural and rural business financial assistance programs. Assisting young and beginning farmers are a special focus for MARBIDCO, as is farm operation diversification (through value added processing activities). Commercial urban farming has also become an increasingly important focus of MARBIDCO's efforts. MARBIDCO also endeavors to support Maryland's watermen and seafood processors where it appropriately can as well.

MARBIDCO's lending and agribusiness development incentive programs are designed to help fill an important economic development void by promoting commercial business start-up and expansion in the agricultural sector. Moreover, the Corporation aims to help agricultural and resource-based businesses to innovate, diversify and exploit emerging market opportunities. MARBIDCO does this, in part, by filling gaps in privately provided capital, and by helping rural businesses to leverage federal, regional, and local government support to sustain or increase operational sustainability and profitability.

MARBIDCO currently receives an annual appropriation to help capitalize its “Core” revolving loan programs, which are used to make secured (collateralized) loans to eligible agribusiness borrowers. This funding is scheduled to cease in FY 2025. MARBIDCO’s basic operating framework for its Core programming balances two key objectives: 1) Help make higher risk capital and credit available to qualifying agricultural, forestry and seafood enterprises at affordable interest rates; and 2) Conduct the organization’s financial affairs in such a manner that it can reach self-sustainability after FY 2025 (with respect to its Core programs). MARBIDCO is on track to meet this self-sustainability requirement.

MARBIDCO also receives grants from various other public and private sources from time-to-time to offer “Specialty” loan and grant incentive programs. Today, the Corporation offers four specialty loan programs and three specialty grant programs. All of these programs are designed to eventually be self-liquidating. The **financing program established in SB 830 will fall into this category.**

In summary, MARBIDCO respectfully requests a Favorable Report with Amendments for Senate Bill 830.

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