



**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 32 (Economic Development - Maryland Watermen's Microloan Program - Eligibility)

**COMMITTEE:** Senate Finance

**DATE:** February 6, 2024

**POSITION:** Support with Amendments

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The Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) supports Senate Bill 32 (with three amendments), which expands the eligibility for the Maryland Watermen's Microloan Program administered by MARBIDCO to include Maryland watermen that hold a commercial license issued by the Potomac River Fisheries Commission (PRFC). **MARBIDCO respectfully requests a Favorable Report for Senate Bill 32 with the Sponsor's amendments.**

### MARBIDCO Background Overview

MARBIDCO was established by the Maryland General Assembly 17 years ago as a rather specialized economic development financial intermediary and instrumentality of the State to enhance the sustainability of the State's agricultural and resource-based industries and support locally produced food and fiber products, bolster local economies, and preserve working farm and forest land for future generations (as over one-half of the State's land area, about 3.4 million acres, still remains as privately-owned rural working land). 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 (9.8 FTEs, and a contracted assistant attorney general) consisting of experienced agribusiness credit underwriters, loan/grant administrators, and accounting personnel.

Since 2007, MARBIDCO has financed 1,306 agricultural, forestry, and seafood business projects located throughout the State, totaling about \$103 million. This includes making 484 loans totaling \$80.3 million. MARBIDCO's investment in agricultural and resource-based business lending has also leveraged over \$219 million in private commercial loan capital (yielding a leverage ratio of approximately 3-to-1).

MARBIDCO has also assisted with 401 value-added food or fiber processing projects and **helped 739 young or beginning farmers buy their first farms or expand their business operations** through loans, grants, and other farmland purchase programs. This includes 46 beginner farmers who have been funded with \$13.4 million for farm purchases through the Next Generation Farmland Acquisition Program and Small Acreage Next Gen Program (which is also helping to permanently preserve most of this farmland.) **MARBIDCO has also financed 94 "Specialty" shellfish aquaculture (oyster farming) loans totaling \$5.8 million**, through the Maryland Shellfish Aquaculture Financing Fund and Remote Setting Shellfish Aquaculture Loan Fund. *(Most MARBIDCO "Specialty" loan programs are by-design self-liquidating.)*

## **Maryland Watermen’s Microloan Program Background**

For generations Maryland watermen have labored to harvest delicious fish and shellfish products from the Chesapeake Bay for the benefit of consumers in this State and around the country and world. Maryland’s iconic seafood industry has contributed greatly to Maryland’s economy and stature as a wonderful tourist destination, and a great place to live. **Maryland watermen – now largely an aging cohort – have historically had a tough time accessing affordable commercial capital and credit** and have faced many challenges in recent years (including during the COVID-19 pandemic and the loss of markets, and now the growing threat of invasive fish species). For these reasons, SB 826 was passed during the 2022 Session to establish and fund the Maryland Watermen’s Microloan Program with MARBIDCO as the program’s administrator. Mandatory annual appropriations of \$500,000 were also required to be funded in the State Budget through FY 2026 (providing a total loan program fund capitalization of \$2 million).

**Under existing law, the Maryland Watermen’s Microloan Program offers loans between \$7,000 and \$15,000 to a “Generational Waterman”,** who is defined as an individual that has a Tidal Fisheries License (TFL) from the Department of Natural Resources (DNR) and can demonstrate through the submission of two years of tax returns, that at least 50% of the individual’s annual income is derived from commercial seafood harvesting. Beginning July 1, 2025, generational watermen, beginner watermen (individuals with a TFL license and at least 2 years of experience but not more than 10 years of experience) and seafood processing businesses will be eligible to apply.

**As established by the MARBIDCO Board of Directors, the program offers low interest unsecured loans with an interest rate of 3.00%. Repayments include a 6-month interest-only period followed by four years of quarterly amortizing payments. If all the payments are made as agreed by the borrower, the final four quarters of the loan term are forgiven by MARBIDCO.**

A waterman may only have one program loan at a time and may not receive more than one loan during a 24-month period (as MARBIDCO is seeking to assist as many eligible applicants as possible.)

## **Information Concerning Licensed Commercial Watermen and Microloan Program Utilization**

MARBIDCO received a \$500,000 appropriation for the program in the State Budget in fiscal years 2023 and 2024 to help launch the program. Since the program’s inception, MARBIDCO has received 68 loan applications and approved 40 of them (59%) for about \$566,000. The average loan amount approved has been \$14,200. Loan principal repayments from the first microloans that were closed are just now starting to trickle in. At the present time, MARBIDCO has approximately \$433,000 available to lend.

DNR has provided the following information concerning TFL holders. There are approximately 5,630 DNR-licensed watermen in Maryland, but only about 40% of them submitted a harvest report on at least one day during a year recently (2,338 in 2022, and 2,281 in 2023); resulting in an average of about 2,310 submitting a report on at least one day. Many of these watermen, it is believed, commercially fish on just a part-time basis and therefore presumably for have other employment or other sources of income.

MARBIDCO “guestimates” that about one-half of the individuals who actively fished recently would be classified as “generational watermen” (1,155), meaning that they earn a majority of their annual income from commercial fishing. So, using 1,155 as a basis for a calculation, MARBIDCO estimates that perhaps 3.5% of the potential eligible applicant pool has applied for a microloan thus far.

## **Bill Summary and Estimated Fiscal Impact**

Senate Bill 32 expands eligibility for loans under the Maryland Watermen’s Microloan Program to also include Maryland watermen holding a commercial license to catch finfish, crabs, clams or oysters issued by the Potomac River Fisheries Commission (PRFC). Currently, Maryland watermen that fish in the Potomac River must be licensed by the PRFC and are not eligible for this loan program (unless there are also holders of a DNR-issued TFL license).

Senate Bill 32 would provide additional Maryland commercial watermen access to capital to purchase boats, mechanical equipment, fishing gear, fishing quota, among other items. **The PRFC advises that there are 380 to 400 commercial watermen residing in Maryland that are licensed by it**, although it is not known how many of those licensees also hold a DNR-issued TFL license (and may therefore otherwise be qualified for financing under the existing law).

Using the same calculation methodology deployed above to estimate how many Potomac River commercial fishermen would be eligible to apply, the pool of potential applicants is estimated to increase by an estimated 7% to 14%. More specifically, MARBIDCO estimates that between three (3) and seven (6) PRFC-licensed fishermen would potentially be able to make qualifying applications during a 12-month period, requesting between \$43,000 and \$86,000 in financing support. **MARBIDCO believes that it will have sufficient resources available to accommodate this modest additional program expenditure utilizing existing and revolving resources and planned State appropriations (ending after FY 2026).**

### **Sponsor Amendments**

MARBIDCO has suggested three amendments that the Sponsor has agreed to offer (which are attached).

1. The first amendment corrects a bill drafting error that would conform the program eligibility of the PRFC-licensed commercial fishermen to that which exists for the DNR-licensed watermen.
2. The second amendment strikes the minimum and maximum loan amounts which would therefore provide the discretion to determine what the appropriate individual loans amounts should be in the future to the MARBIDCO Board of Directors. The decision-making would be undergirded on the projected availability of loan-making resources and the projected loan demand. Additionally:
  - a. MARBIDCO expects to administer this “self-liquidating” microloan program for the next decade or more following the program’s fund capitalization period ending after FY 2026. The availability of funds to lend will vary from year-to-year after this time based upon the amount of loan principal that is being repaid. (Note: these loans are not secured.)
  - b. Beginning on July 1, 2025, the program’s eligibility will be extended under the statute to include seafood processing businesses as well as to Beginner Watermen. A “Beginner Waterman” is defined as an individual who has a TFL from DNR and at least 2 years but not more than 10 years of experience. MARBIDCO would like to have more flexibility in determining the limits of the loan amounts in the future, especially beginning in FY 2006, as the Beginner Watermen begin to become eligible for loans. (These individuals will comprise the next generation of crabbers and blue catfish hunters!) For the purposes of an illustration here, a decent used workboat can easily cost \$35,000 or more to purchase. It might then be desirable for MARBIDCO in the future to want to be able to make a \$20,000 or \$25,000 loan to a qualifying Beginner Waterman, rather than being limited to just a \$15,000 loan – assuming of course the funds are available in the program to do so.
3. The third amendment alters the effective date of the bill from October 1, 2024, to July 1, 2024, to enable the PRFC-licensed commercial fishermen to be eligible to apply for microloans three months sooner. (Hopefully, this will help lead to more blue catfish being harvested sooner too!)

### **Conclusion**

MARBIDCO believes that it can accommodate the otherwise eligible Potomac River commercial fishermen into the Maryland Watermen’s Microloan Program. As such, **MARBIDCO respectfully requests a Favorable Report for Senate Bill 32 with the attached Amendments.**

Amendments to be offered in the Senate Finance Committee

**Senate Bill 32**  
(First Reading File Bill)

**Amendment No. 1**

**On Page 1 of the bill, strike lines 19 through 21, and substitute the following:**

(2) “Beginner waterman” means an individual THAT IS A RESIDENT OF MARYLAND who has:

- (i) a tidal fish license under § 4–701 of the Natural Resources 20 Article OR WHO HAS A COMMERCIAL LICENSE TO CATCH FINFISH, CRABS, CLAMS, OR OYSTERS ISSUED BY THE POTOMAC RIVER FISHERIES COMMISSION IN ACCORDANCE WITH §4–306 OF THE NATURAL RESOURCES ARTICLE; and

**On Page 2 of the bill, strike lines 3 through 5, substitute the following:**

- 3) “Generational waterman” means an individual THAT IS A RESIDENT OF MARYLAND who:  
(i) has a tidal fish license under § 4–701 of the Natural Resources Article OR WHO HAS A COMMERCIAL LICENSE TO CATCH FINFISH, CRABS, CLAMS, OR OYSTERS ISSUED BY THE POTOMAC RIVER FISHERIES COMMISSION IN ACCORDANCE WITH §4–306 OF THE NATURAL RESOURCES ARTICLE; and

**On Page 2 of the bill, in line 11 strike the brackets, in line 12 strike the word “AND”, and strike lines 13 through 16 in their entirety. And on Page 3 of the bill, in line 4 strike the brackets, in line 5 strike the word “AND”, and strike lines 6 through 9 in their entirety.**

Explanation:

*This amendment corrects a drafting error and puts the Potomac River commercial fishermen into the same posture for microloan program eligibility as the other DNR-licensed watermen.*

**Amendment No. 2**

**On Page 3 of the bill, strike lines 16 and 17 in their entirety, and in line 18 strike “(3)” and substitute with “(2)”.**

Explanation:

*This amendment removes a no longer needed loan-making constraint and otherwise enables the MARBIDCO Board of Directors to periodically establish the minimum and maximum loan amounts for this program based upon the projected revenues and loan demand in the future.*

**Amendment No. 3**

**On Page 3 of the bill, in line 27 strike “October 1, 2024.” and substitute “July 1, 2024.”.**

Explanation:

*This amendment moves the effective date of the bill forward to permit the Potomac River fishermen to apply to the program three months sooner beginning on July 1, 2024.*