

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 283

(Senator Klausmeier, *et al.*)

Education, Health, and Environmental Affairs

Environmental Matters

Fish and Fisheries - Seafood - Aquaculture

This bill establishes an 18-member Seafood Program Management Team, an Innovative Seafood Technologies Program, an Aquaculture Coordinator, and a 5-member Aquaculture Review Board within the Maryland Department of Agriculture (MDA). The bill renames the Seafood Marketing Authority as the Seafood Marketing and Aquaculture Development Program. The bill also renames the Aquaculture Advisory Committee as the Aquaculture Coordinating Council and modifies its duties. The bill makes other changes relating to seafood and aquaculture.

The bill takes effect June 1, 2005. Certain provisions sunset December 31, 2006.

Fiscal Summary

State Effect: General fund expenditure increase of at least \$62,800 in FY 2006 to begin implementing the bill. Future year estimates are adjusted for inflation and reflect ongoing operating expenses related to initial implementation. Full implementation could result in a significant increase in expenditures. No direct effect on revenues.

| (in dollars) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|----------------|------------|------------|------------|------------|------------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 62,800 | 59,400 | 62,900 | 66,600 | 70,600 |
| Net Effect | (\$62,800) | (\$59,400) | (\$62,900) | (\$66,600) | (\$70,600) |

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

Local Effect: The bill would not directly affect local government operations or finances.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The Seafood Program Management Team is to be administered by the Maryland Cooperative Extension (MCE). The team must:

- establish and monitor a grant program for the implementation of appropriate projects that support the economic health of the Maryland seafood industry;
- prioritize, select for funding, and oversee seafood industry projects under a rapid response structure; and
- examine new technologies, equipment, raw and value-added products, feasibility studies, and market development and cost control strategies.

The Innovative Seafood Technologies Program is directed to:

- evaluate existing and innovative seafood technologies to determine the nature and extent of limitations on expansion and profitability and to identify strategies for growth;
- conduct applied studies to determine effective and efficient methods to expand production and profitability;
- conduct market tests to determine new product acceptability and potential demand;
- implement pilot projects and small commercial demonstrations as appropriate to resolve any outstanding quality or production issues and to educate the industry, regulators, and other partners;
- support the seafood industry in its efforts to implement innovative procedures and to comply with associated regulations; and
- enhance the awareness of innovative products and programs among commercial buyers and the general public.

The bill provides that MDA is the lead agency for coordinating and streamlining the process of applying for a State aquaculture permit. The Aquaculture Review Board is directed to:

- coordinate the development of statewide aquaculture policy and, to the maximum extent possible, the streamlining of the application process;
- track each application as it progresses through each department; and
- ensure full and meaningful departmental communication with an applicant.

The Aquaculture Coordinator is the single point of contact for an applicant for all permits and licenses necessary to conduct aquaculture in the State.

The 21-member Aquaculture Advisory Committee is renamed as the Aquaculture Coordinating Council and reduced to 17 members. The council must:

- formulate and make proposals to the Governor and specified committees of the General Assembly for advancing Maryland aquaculture;
- establish and monitor a grant program for the implementation of appropriate projects that support the economic health of the State aquaculture industry;
- conduct applied studies of projects and products that will expand the aquaculture industry in the State;
- conduct market tests to determine acceptability and potential demand for new products;
- implement pilot projects and small demonstrations as appropriate;
- support the aquaculture industry in its efforts to implement innovative procedures and to comply with associated regulations;
- enhance the awareness of innovative aquaculture products and programs among commercial buyers and the general public;
- develop, by December 31, 2006, best management practices (BMPs) that provide guidance for aquaculture permitting and compliance and serve as the basis for the adoption of State regulations regarding aquaculture;
- investigate and enhance the area of State waters that is available to private lease for purposes related to the aquaculture and seafood industries;
- provide for the establishment of Aquaculture Enterprise Zones in the Chesapeake and Coastal bays; and
- on a regular basis, review State regulations impacting aquaculture and make recommendations to the Aquaculture Review Board.

The Department of Natural Resources (DNR) is directed to identify and use effective methods of cleaning diseased oyster bars, provide clean shell for the bars, and use hatchery-produced oysters to replant sites. The Tidal Fisheries Advisory Commission and the Sport Fisheries Advisory Commission within DNR, by December 1, 2006, must:

- develop a long-term process to define and prioritize specific fishery management objectives;

- within priority species, identify appropriate management measures and preferred strategies and make the measures and strategies available to State officials, stakeholders, and the general public;
- review existing regulations and recommend changes as appropriate; and
- report to the Governor and specified committees of the General Assembly.

Current Law: MDA's Seafood Marketing Authority promotes the increased sale and consumption of Maryland seafood and aquaculture products through education, promotion, and advertising. The 13-member Seafood Marketing Advisory Commission assists the Seafood Marketing Authority and the Division of Market Development in promoting increased consumption and distribution of Maryland seafood and seeking efficient methods to reduce cost and improve the quality and marketability of Maryland seafood.

MDA is the lead agency for promoting, coordinating, and marketing aquaculture and aquaculture products. The 21-member Aquaculture Advisory Committee is charged with formulating and making proposals for advancing Maryland aquaculture, including recommendations for a fee structure on aquaculture operations in order to reduce State expenditures on aquaculture programs. Members of the committee may not receive a salary but are reimbursed for reasonable expenses.

DNR is directed to take measures which in its judgment seem best calculated to increase the productivity or utility of any part of the natural oyster bars of the State.

DNR works closely with the Maryland Department of the Environment (MDE) and the Department of Health and Mental Hygiene (DHMH) to ensure that Maryland's shellfish industry maintains the National Shellfish Sanitation Program's standards for the commercial harvest of shellfish.

Background: Chapter 535 of 2002 established the Task Force to Study the Economic Development of the Maryland Seafood and Aquaculture Industries. The task force consisted of a seafood industry workgroup and an aquaculture industry workgroup. The seafood workgroup was charged with reviewing the current methods of processing and marketing Maryland seafood and developing innovative methods to increase the demand for Maryland seafood both locally and nationally. The aquaculture workgroup was charged with examining the viability of different types of aquaculture in the State and developing methods to encourage and foster aquaculture. The task force submitted its final report on November 10, 2004. The seafood workgroup made several recommendations, including increasing funding and staffing. Some of the workgroup's recommendations include:

- forming a seafood management team to establish and monitor a grant program for the implementation of appropriate projects that support the economic health of the Maryland seafood industry;
- developing a long-term process to define and prioritize fishery management objectives;
- providing advice within priority fisheries species to help stakeholders and decision makers recommend appropriate management measures;
- reviewing and evaluating all fisheries management regulations to make sure that they are relevant to current conditions; and
- restoring historical oyster grounds.

The aquaculture workgroup developed several recommendations, including the need for increased funding and additional staff. Some of the workgroup's recommendations include:

- establishing a single point of contact for aquaculture applications through a review board whose members include agencies having regulatory responsibility for aquaculture or a role in aquaculture development;
- restructuring the Aquaculture Advisory Committee as a coordinating council to develop BMPs for freshwater and marine aquaculture and periodically review BMPs and State regulations impacting aquaculture; and
- establishing Aquaculture Enterprise Zones to encourage responsible and sustainable development of aquaculture in the Chesapeake and Coastal bays.

The seafood workgroup estimated a funding need of approximately \$1.3 million in the first year and \$1.2 million annually thereafter to implement all of its recommendations. The aquaculture workgroup estimated a funding need of approximately \$2.1 million annually to implement all of its recommendations. This bill is a direct result of the task force and would implement some of its recommendations.

State Expenditures: Initial implementation of the bill could result in an increase in general fund expenditures of \$62,830 in fiscal 2006 for additional part-time staff within MDE and DNR. Other affected agencies could absorb initial implementation with existing resources. Full implementation could result in a significant increase in expenditures, as described below.

Maryland Department of Agriculture

MDA advises that existing resources could be used to begin implementing the bill's requirements. Existing staff could serve as the Aquaculture Coordinator, and existing resources could be shifted to begin implementing the bill's other provisions.

Legislative Services advises that, although some of the bill's requirements could be met with existing resources, full implementation could result in a significant increase in expenditures within MDA. MDA did not provide any information relating to the potential costs to fully implement the bill. Based on information provided in the task force report, however, Legislative Services advises that such costs could be significant.

First, the bill requires two different groups (the Aquaculture Coordinating Council and the Seafood Program Management Team) to establish and monitor grant programs. Although MDA advises that it does not currently plan to request funding for any such grant programs, expenditures could increase to the extent the grant programs are implemented in the future. Although the task force report identified a funding need of \$250,000 annually for the grant program to be established by the Seafood Program Management Team, it did not specify a level of funding for the other grant program. Legislative Services notes that the bill provides that the Seafood Program Management Team is to be administered by MCE; however, because the team is established within the Agriculture Article, it is assumed that any funding associated with the team would be appropriated in MDA's budget, although this is unclear.

Second, other requirements, such as conducting studies, market tests, pilot projects, and demonstrations, would also likely result in an increase in expenditures. For example, the task force report indicated a funding need of \$470,000 in the first year and \$384,000 annually thereafter to hire one seafood technology specialist, one food engineer, and at least two technicians to support field work and demonstrations for the Innovative Seafood Technologies Program.

Maryland Department of the Environment

Administrative expenditures (general funds) within MDE could increase by \$33,922 in fiscal 2006. This estimate reflects the cost of hiring a part-time administrator to participate in the Seafood Program Management Team and to assist with the expanded duties of the Aquaculture Coordinating Council and the Seafood Marketing and Aquaculture Development Program. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

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|------------------------------|--------------|
| Salary and Fringe Benefits | \$29,265 |
| Equipment/Operating Expenses | <u>4,657</u> |

Total FY 2006 MDE Expenditures

\$33,922

Future year expenditures, which total \$32,030 in fiscal 2007, \$33,835 in fiscal 2008, \$35,771 in fiscal 2009, and \$37,849 in fiscal 2010, reflect: (1) 4.6% annual increases in the salary and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses. To the extent the bill results in an increase in commercial aquaculture, costs could increase significantly for MDE to conduct surveys and certify additional shellfish growing waters and enterprise zones.

Department of Natural Resources

Administrative expenditures (general funds) within DNR could increase by \$28,908 in fiscal 2006. This estimate reflects the cost of hiring a part-time natural resource planner to work with the Aquaculture Coordinating Council and Aquaculture Review Board to develop enterprise zones and BMPs and to assist with the Seafood Program Management Team, the Innovative Seafood Technologies Program, and the Tidal Fisheries Advisory Commission as needed. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

| | |
|---------------------------------------|-----------------|
| Salary and Fringe Benefits | \$26,420 |
| Equipment/Operating Expenses | <u>2,488</u> |
| Total FY 2006 DNR Expenditures | \$28,908 |

Future year expenditures, which total \$27,386 in fiscal 2007, \$29,041 in fiscal 2008, \$30,821 in fiscal 2009, and \$32,735 in fiscal 2010, reflect: (1) 4.6% annual increases in the salary and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses. To the extent the bill results in an increase in commercial aquaculture, enforcement costs for the Natural Resources Police could increase significantly.

University System of Maryland (Maryland Cooperative Extension)

MCE could handle any increase in workload with existing budgeted resources. As described above, it is assumed that any funding for the grant program to be established by the Seafood Program Management Team would be appropriated in MDA's budget.

Department of Health and Mental Hygiene

DHMH could handle any increase in workload with existing budgeted resources.

Small Business Effect: According to MDA, the total estimated value of the Maryland seafood industry is \$700 million annually. In 2002, 53.2 million pounds of seafood was landed at a dockside value of over \$49 million. There are currently 74 processing plants employing 1,341 people. MDA advises that the amount of landings and the number of plants and employment have been steadily decreasing, while consumer demand for seafood has been increasing. According to the 2002 Census of Agriculture, there were 48 aquafarms in Maryland. In addition, in 2002, sales of aquaculture products in Maryland totaled approximately \$14.6 million.

The intent of the bill is to promote the seafood and aquaculture industries, which are composed mostly of small businesses. Accordingly, to the extent the bill encourages the development of the seafood and aquaculture industries in the State, small businesses would be positively impacted.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Agriculture, Department of Natural Resources, Maryland Department of the Environment, Department of Health and Mental Hygiene, University System of Maryland, Department of Legislative Services

Fiscal Note History: First Reader - February 11, 2005
l/ljm Revised - Senate Third Reader - March 26, 2005

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