

Department of Legislative Services  
 Maryland General Assembly  
 2022 Session

FISCAL AND POLICY NOTE  
 Enrolled - Revised

Senate Bill 826  
 Finance

(Senator Klausmeier, *et al.*)

Environment and Transportation and  
 Ways and Means

Economic Development - Maryland Watermen's Microloan Program -  
 Establishment

This bill establishes the Maryland Watermen’s Microloan Program (MWMP) within the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO). The purpose of the program 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.

Fiscal Summary

**State Effect:** No effect assumed in FY 2023. General fund expenditures increase by \$500,000 annually in FY 2024 through 2026 due to the bill’s mandated appropriation and may increase in subsequent years, as discussed below. **This bill establishes a mandated appropriation for FY 2024 through 2026.**

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	500,000	500,000	500,000	-
Net Effect	\$0	(\$500,000)	(\$500,000)	(\$500,000)	(\$-)

*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:** MARBIDCO must implement and administer MWMP. 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 the Department of Natural Resources (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.

**Current Law:** MARBIDCO is a quasi-public economic development organization chartered by the State. Its mission is to help Maryland’s farm, forestry, and seafood businesses to prosper through the provision of targeted financial and other services that help retain existing resource-based industry production and commerce, promote rural entrepreneurship, and nurture emerging or expanding agricultural enterprises.

MARBIDCO’s programs fall into three broad categories: (1) its “core programs” – the rural business loan programs and small matching grant programs; (2) the Next Generation Farmland Acquisition Program; and (3) specialty loan programs (funded by partnering organizations for targeted purposes). MARBIDCO’s specialty loan programs include the Maryland Shellfish Aquaculture Financing Fund program and the Remote Setting Shellfish Aquaculture Loan Fund.

The Maryland Shellfish Aquaculture Financing Fund, in collaboration with DNR, helps watermen who wish to transition from wild oyster harvesting to start or expand underwater shellfish farming enterprises using leased growing areas in the Chesapeake or Atlantic Coastal Bays. The loan proceeds can be used to purchase shell, seed, spat, or equipment. Bottom culture and water column (cages or floats) projects are eligible. The borrowers make interest-only payments (at 3.00% initially) for up to three years while oysters grow to market size. After that, for borrowers that have made timely payments, 40% of the principal balance may be forgiven for first-time borrowers (25% for existing borrowers). The maximum single loan amount is \$100,000 (and the maximum cumulative subsidized loan amount is \$300,000).

The Remote Setting Shellfish Aquaculture Loan Fund, in collaboration with DNR, provides affordable financing to commercial watermen who want to start or expand shellfish remote setting (nursery) aquaculture operations. The nursery grower purchases larvae from a hatchery and places it in a tank containing cultch for the larvae to set on. Spat on shell setting systems consist of a tank, pump, piping, valves, and a blower to provide low-pressure air to circulate larvae during setting. Eligible expenses include seed (larvae), shell (substrate), tanks, pumps, blowers, and tank heaters. The maximum loan amount is \$30,000 and includes a partial grant of approximately 25% for borrowers with good loan repayment performance.

**State Fiscal Effect:** General fund expenditures increase by \$500,000 annually in fiscal 2024 through 2026 to meet the bill's mandated appropriation and capitalize the loan program in MARBIDCO. Although the bill requires the State appropriation to be distributed to a special fund, it neither creates nor specifies a special fund for such distribution. Accordingly, this analysis does not reflect an effect on special fund finances.

As the bill authorizes MARBIDCO to make loans, MARBIDCO revenues may further increase beginning in fiscal 2024 as loans are repaid, followed by additional expenditures as those funds are redistributed under the program.

MARBIDCO advises that approximately 7% of funds (\$35,000 annually) will be retained to hire one part-time employee and cover other administrative expenses, leaving approximately \$465,000 available for loans annually in fiscal 2024 through 2026. MARBIDCO employees are not State employees.

MARBIDCO estimates granting between 31 and 66 loans annually in fiscal 2024 through 2026; all loans in fiscal 2024 and 2025 must be made to generational watermen. Beginner watermen and seafood processing businesses are not eligible to receive loans until fiscal 2026. Additional general fund expenditures beyond fiscal 2026 are discretionary; if provided, more loans can be made to beginner watermen and seafood processing businesses. Otherwise, loans continue to be granted beyond fiscal 2026 only as MARBIDCO receives loan and interest payments under MWMP, until funds are eventually depleted.

**Small Business Effect:** Small businesses that are generational watermen benefit from being eligible to receive loans of between \$7,000 and \$15,000 beginning in fiscal 2024. Beginning in fiscal 2026, small businesses that are beginner watermen or seafood processing businesses also benefit from being eligible to receive loans. To the extent that a portion of these loans is forgiven, commercial fishermen further benefit. MARBIDCO anticipates forgiving \$3,984 of a \$15,000 loan in the final year of the loan.

## Additional Information

**Prior Introductions:** None.

**Designated Cross File:** HB 1242 (Delegate Mautz, *et al.*) - Environment and Transportation and Ways and Means.

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

**Fiscal Note History:** First Reader - February 24, 2022  
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