

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 837 (Senator Mautz, *et al.*)
 Education, Energy, and the Environment

Oyster Restoration - Use of Federal Funds - Prohibition

This bill establishes that – apart from the five oyster sanctuaries established in statute for large-scale restoration in accordance with the 2014 Chesapeake Bay Watershed Agreement – from July 1, 2025, to June 30, 2030, the Department of Natural Resources (DNR) may not use federal funds for oyster restoration projects in State waters. **The bill takes effect July 1, 2025, and terminates June 30, 2030.**

Fiscal Summary

State Effect: Federal fund revenues and expenditures decrease, beginning in FY 2025, and general fund expenditures increase, beginning in FY 2026, as shown in the table below and shown and discussed in more detail in the Analysis section. There is no effect after FY 2030 due to the limited duration of the bill’s prohibition.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
FF Revenue	(\$24,000)	(\$9,400,000)	(\$952,000)	(\$24,000)	(-)
GF Expenditure	\$0	\$400,000	-	-	-
FF Expenditure	(\$24,000)	(\$9,400,000)	(\$952,000)	(\$24,000)	(-)
Net Effect	\$0	(\$400,000)	(-)	(-)	(-)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law:

Five Sanctuaries Established in Statute for Large-scale Restoration

Chapters 17 and 754 of 2019 established in statute a network of oyster sanctuaries in the five tributaries identified by DNR for large-scale restoration in accordance with the 2014 Chesapeake Bay Watershed Agreement. The network consists of specified oyster sanctuaries in Harris Creek, the Little Choptank River, the Tred Avon River, the St. Mary's River, and the Manokin River.

Chapters 17 and 754 required development and implementation of restoration plans for each of the sanctuaries, including (1) acreage targets; (2) a project implementation timeline demonstrating how restoration targets would be achieved by 2025; and (3) plans for continued monitoring and corrective actions if future monitoring indicates a sanctuary is not meeting minimum requirements.

Prohibited Activities in Sanctuaries

Apart from a person who engages in aquaculture activities within an oyster sanctuary in accordance with a valid lease, a person may not catch oysters in or remove oyster seed from an oyster sanctuary (1) in the network of tributary-scale sanctuaries in statute (described above) or (2) established by DNR in regulation.

DNR regulations incorporate by reference [*Oyster Sanctuaries of the Chesapeake Bay and its Tidal Tributaries \(September 2010\)*](#), which designates oyster sanctuaries in the Chesapeake Bay and its tidal tributaries (including the five tributary-scale sanctuaries established in statute).

Repeal of Prohibition Against Reduction or Alteration of Sanctuary Boundaries

Chapters 543 and 544 of 2024 repealed a prohibition established by Chapters 5 and 9 of 2020 (as amended by Chapters 597 and 598 of 2020) against DNR taking any action to reduce or alter the boundaries of the oyster sanctuaries established in *Oyster Sanctuaries of the Chesapeake Bay and its Tidal Tributaries (September 2010)* until the department had developed an updated fisheries management plan for oysters through a specified consensus process. DNR adopted an update (Amendment 1) to the 2019 Maryland Chesapeake Bay Oyster Management Plan in December 2023.

State Fiscal Effect: Federal fund revenues and expenditures decrease, and general fund expenditures increase, as shown in **Exhibit 1**.

Exhibit 1
Estimated State Fiscal Effect of the Bill

<u>Description</u>	<u>Type</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Reef							
Construction	FF Rev	(\$24,000)	(\$9,000,000)	(\$952,000)	(\$24,000)	(-)	(-)
	FF Exp	(24,000)	(9,000,000)	(952,000)	(24,000)	(-)	(-)
Hatchery							
Production	FF Rev	0	(400,000)	(-)	(-)	(-)	(-)
	FF Exp	0	(400,000)	(-)	(-)	(-)	(-)
	GF Exp	0	400,000	-	-	-	-
State Net Effect		\$0	(\$400,000)	(-)	(-)	(-)	(-)

Exp: Expenditures
 FF: Federal fund
 GF: General fund
 Rev: Revenues
 -: indeterminate increase
 (-): indeterminate decrease

Source: Department of Legislative Services

The estimated State fiscal effect in Exhibit 1 is based on the following assumptions:

- Reef Construction** – The bill’s prohibition on the use of federal funds for oyster restoration from fiscal 2026 through 2030 prevents DNR from using a \$10.0 million National Oceanic and Atmospheric Administration (NOAA) grant the department has been awarded for oyster reef construction that it plans to use for restoration in Hooper Strait. The distribution of the corresponding reductions in federal fund revenues and expenditures for reef construction shown in Exhibit 1 across fiscal 2025 through 2028 (reflecting DNR’s foregone use of the NOAA grant funding) is based on information provided by DNR regarding the potential use of the funding across those fiscal years. The Department of Legislative Services notes that while DNR has indicated \$9.0 million is otherwise spent in fiscal 2026 in the absence of the bill, the fiscal 2026 budget as introduced only includes a portion of that amount – \$2.9 million. DNR indicates that it has not spent the \$24,000 of federal

funding shown in fiscal 2025 yet and may not for a few months. Despite the bill's prohibition being first applicable in fiscal 2026, this analysis assumes the full \$10.0 million grant is foregone by DNR, including the \$24,000 allocated to fiscal 2025 in Exhibit 1.

The indeterminate decreases in federal fund revenues and expenditures shown in Exhibit 1 in fiscal 2029 and 2030 reflect the potential for future federal grants to be awarded in those years for reef construction that, under the bill, are foregone.

- **Hatchery Production** – The bill's prohibition on the use of federal funds for oyster restoration projects is assumed to also prevent DNR from using federal funding it receives from NOAA for oyster hatchery production. DNR is nearing the end of a four-year grant for oyster hatchery production (ending after fiscal 2026) that supports the operations of the University of Maryland Center for Environmental Science's Horn Point Laboratory, which produces oyster larvae primarily for restoration but also for the commercial public oyster fishery and aquaculture industry.

The NOAA grant that DNR receives is for \$800,000 per year and it is unclear to what extent that funding amount is reduced in fiscal 2026 (the last year of the current grant) if a certain amount of hatchery production is still needed for the five tributary-scale sanctuaries (which the bill's prohibition does not apply to) allowing for a portion of the \$800,000 to still be used to support the Horn Point Laboratory. This analysis assumes that the funding is reduced by at least half (\$400,000) and that general funds are needed to replace the federal funding to allow the Horn Point Laboratory to continue its current efforts to support the State's restoration work and the commercial public oyster fishery and aquaculture industry.

The indeterminate decreases in federal fund revenues and expenditures, and indeterminate increases in general fund expenditures, shown in Exhibit 1 in fiscal 2027 through 2030 reflect potential future federal funding for hatchery production that is received in the absence of the bill that is foregone under the bill and assumed to be replaced with general funds.

Small Business Effect: Small business commercial oyster harvesters and marine contractors may be meaningfully affected by the bill, as follows:

- commercial oyster harvesters may benefit to the extent the bill's prohibition on use of federal funding for oyster restoration results in less area of the Chesapeake Bay included in oyster sanctuaries in future years and, as a result, more area available for commercial harvest; and

- marine contractors that are otherwise hired by DNR to conduct reef construction work supported by federal funding are negatively impacted by the bill's prohibition.

This analysis assumes general funds replace any foregone federal funding for the Horn Point Laboratory; however, to the extent sufficient general funds are not provided, commercial oyster harvesters and the aquaculture industry may be negatively affected by reduced quality and reliability of oyster larvae available from the laboratory.

Additional Information

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

Designated Cross File: HB 1022 (Delegate Hutchinson, *et al.*) - Environment and Transportation.

Information Source(s): University System of Maryland; Department of Budget and Management; Department of Natural Resources; Department of Legislative Services

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