

SB 433_CBF_FAV.pdf

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Position: FAV

SB 433_COA_SUP.pdf

Uploaded by: Chesapeake Oyster Alliance

Position: FAV



Chesapeake
OYSTER ALLIANCE
10 Billion for the Bay

ANNAPOLIS AQUACULTURE – CAPE CONSERVATION CORPS – CHESAPEAKE BAY FOUNDATION
CHESAPEAKE BEACH OYSTER CULTIVATION SOCIETY – COASTAL CONSERVATION ASSOCIATION MARYLAND
DOWNTOWN SAILING CENTER – LIVING CLASSROOMS FOUNDATION – MARINE SCIENCE FOUNDATION
ORCHARD POINT OYSTER CO. – PIRATES COVE OYSTER COMPANY – SHORERIVERS
ST. MARY'S RIVER WATERSHED ASSOCIATION – WATERFRONT PARTNERSHIP OF BALTIMORE
ADVOCATES FOR HERRING BAY – SOLAR OYSTERS, LLC

Senate Bill 433

Economic Development – Woman- and Minority-Owned Shellfish Aquaculture Enterprise Fund

DATE: February 21, 2023

POSITION: **SUPPORT**

The Chesapeake Oyster Alliance is a broad coalition of non-profits, community organizations, oyster growers, academic institutions, and business owners with the shared goal of adding 10 billion oysters in the Bay by the year 2025. With a focus on expanding aquaculture, increased oyster restoration, and science-based fishery management, the Chesapeake Oyster Alliance aims to accelerate oyster recovery efforts and in so doing the recovery of the Chesapeake Bay.

Oyster aquaculture, as known as oyster farming, is the practice of cultivating oysters on areas leased from the State for harvest. Since 2010, Maryland oyster aquaculture harvest has grown, on average, 24% annually. The industry provides valuable economic benefits and employment opportunities in Maryland's coastal communities.¹ Additionally, oysters planted by oyster farmers provide water filtration, habitat, and a low-carbon source of nutritious seafood to local markets. In 2016, oyster aquaculture was approved by the Chesapeake Bay Program as a nutrient reduction 'best management practice'² allowing municipalities to partner with oyster farmers to help reach their Bay clean-up goals.³

The Chesapeake Oyster Alliance strongly supports Senate Bill 433 and recommends a favorable report from the Senate Finance Committee.

SB433 establishes an aquaculture business enterprise fund to provide loans of up to \$50,000 to new women- and minority-owned aquaculture businesses for equipment, infrastructure, and training to start or expand their oyster production. This fund works alongside existing loan programs to create new opportunities for traditionally underrepresented business owners to succeed this growing industry.

Oyster aquaculture is a key component of long-term oyster recovery in Chesapeake Bay. This bill will help ensure the viability and productivity of Maryland's nascent oyster industry, helping to reduce the seafood trade deficit, create jobs in working waterfront communities, and provide Marylanders with locally produced seafood. For these reasons, the Chesapeake Oyster Alliance urges a **favorable** report on Senate Bill 433 from the Senate Finance Committee. Please contact Tanner Council (tcouncil@cbf.org) with any questions.

¹ van Senten, Jonathan et al. 2020. Analysis of the Economic Benefits of the Maryland Shellfish Aquaculture Industry. Available [online](#).

² Oyster BMP Expert Panel Report. 2016. Available [online](#).

³ Wheeler, Tim. Oyster farming co-op earns money from Maryland county to help reduce pollution. Bay Journal. 23 January 2023. Available [online](#).

Support of SB 433 - Economic Development - Woman-

Uploaded by: Colby Ferguson

Position: FAV



Maryland Farm Bureau, Inc.

3358 Davidsonville Road • Davidsonville, MD 21035 • (410) 922-3426

February 21, 2023

To: Senate Finance Committee

From: Maryland Farm Bureau, Inc.

Re: **Support of SB 433 - Economic Development - Woman- and Minority-Owned Shellfish Aquaculture Enterprise Fund**

On behalf of our Farm Bureau member families in Maryland, I submit this written testimony in support of SB 433. This bill would create a fund to provide no-interest loans to women- and minority-business owners in the aquaculture sector. Loans up to \$50,000 would be administered by MARBIDCO, which already manages several other aquaculture loan programs. Because it creates a separate fund for this purpose, it does not impact or take funding away from any existing programs. The intent is to increase opportunities for groups underrepresented in the seafood/aquaculture industry by reducing financial barriers to entry.

Creating more opportunities for women and minorities to get into aquaculture will help grow the industry while also helping clean up the bay.

MDFB Policy: We recommend that greater attention and research be given to what is happening in the water column of the Bay itself. The filter feeders and small aquatic life will have to be a part of the long-term solution for the Bay cleanup.

MARYLAND FARM BUREAU SUPPORTS SB 433 & REQUESTS A FAVORABLE REPORT

A handwritten signature in black ink, appearing to read 'Colby Ferguson'.

Colby Ferguson
Director of Government Relations

For more information contact Colby Ferguson at (240) 578-0396

Sandolo Testimony SB0433.pdf

Uploaded by: Cristina Sandolo

Position: FAV

February 20, 2023

Maryland General Assembly
Room 251
House Office Building
Annapolis, MD 21401

RE: Senate Bill 433 - Economic Development - Woman- and Minority-Owned Shellfish
Aquaculture Enterprise Fund

Position: Support

To the Maryland General Assembly,

I am writing to provide feedback and support regarding Senate Bill 433 which aims to establish the Women- and Minority- Owned Shellfish Aquaculture Enterprise Fund. While I am not a resident of Maryland, this Bill is of significance importance to me. I write to you as a food systems and food justice professional with over 15 years of experience and a Professional Science Master (PSM) Degree in Ocean Food Systems from the University of New England. I am a Grants Specialist Consultant for the Ecological Aquaculture Foundation while also employed as a Grants Manager at a leading agricultural food systems nonprofit organization.

My PSM thesis, "[Adopting Principles of Food Justice for Equitable Oyster Aquaculture Industry Development](#)," established recommendations to integrate food justice principles into mid-Atlantic aquaculture industry management to facilitate entry into the industry among interested BIPOC (Black, Indigenous, People of Color) individuals and to promote socioeconomic diversity among business-owners. The set of recommendations provided in my thesis include facilitating access to capital for interested entrepreneurs through the following actions: establishing equity-based no-interest or low-interest loans and grants; expanding on existing grant and loan programs; integrating an equity lens into application review processes to prioritize applicants of color; providing Technical Assistance in acquiring capital (e.g., applying for grants and loans) and sustaining profit (e.g., business planning) with a goal of spurring community economic development; and promoting livable wages in the industry to facilitate advancement.

As I am sure members of the General Assembly are aware, MD's historic oyster industry was built by the labor of Black oystermen and women. However, structural and systemic racism created barriers that prohibited many Black oystermen and women from advancing within the industry. Now, as today's oyster aquaculture industry grows, Black watermen and women continue to play a significant role, but there is a lack of racial diversity at the business ownership level. In fact, at the time of my thesis research (2021), one person interviewed stated their belief that among the 168 aquaculture lease holders in MD, only one was a Person of Color. My thesis identified 8 main barriers to entry (listed below) that prevent diversity within the industry at the business-ownership level, linking them to historic barriers to advancement among watermen of color. Access to Capital was a key barrier identified in this research. Senate Bill 433 is an important step in reducing this barrier.



This Bill will facilitate entry into MD's aquaculture industry among entrepreneurial women and entrepreneurs of color. MD's growing industry has the potential to increase and diversify the state's oyster growers, business owners, workforce, and consumers. Industry growth among socio-economically diverse entrepreneurs would help to promote healthy ecosystems, bolster economic development, and increase access to nutritious food among consumers. Senate Bill 433 is an important, critical step. However, the Women- and Minority- Owned Shellfish Aquaculture Enterprise Fund should not be developed in isolation from the principles of Food Justice. As identified in my research, a critical step in the successful administration of the Fund should include the adoption of a food justice framework among the administering organization. Furthermore, the Fund should be developed with an equity-lens and Fund administration, application, and decision-making processes should be equity-based.

As an expert in the field, I support Senate Bill 433 with the recommendations that the administering body adopt a Food Justice Framework and that the Fund is developed and administered with an equity lens. Thank you for the opportunity to share my feedback, and for your consideration of this very important Bill. Please feel free to contact me should additional information from my research or field of work be needed.

Thank you,

Cristina Sandolo, PSM
Grants Specialist
Ecological Aquaculture Foundation
csandolo@gmail.com
914-356-4493

ATTACHMENT:

Excerpts from thesis: "Adopting Principles of Food Justice for Equitable Oyster Aquaculture Industry Development"

Barriers to Entry in Mid-Atlantic Oyster Aquaculture

1. Waterfront Access
2. Access to Capital / Income
3. Experience on the Water
4. Exposure to the Industry
5. Exclusiveness within the Industry
6. Racial and Gender Bias within the Industry
7. Building Social Capital / Protests
8. Leasing and Permitting Processes

Recommendations for Industry Development. These recommendations apply to management agencies and support organizations:

1. Adopt a Framework for Food Justice

State agencies should adopt use of a racial equity tool, an antiracism tool, or a Food Justice framework for use throughout departments' planning, decision making, strategy and

policy development, planning and programming. A variety of tools exist that can shift planning and management efforts towards Food Justice.

Examples include:

- a) Five Points of Intervention.** Horst (2017) reviews the “areas” of practicing Food Justice developed by Slocum and Cadieux (2015) and adapts them into 5 “Points of Intervention” (“Inequity and trauma; Exchange; Land; Labor; and Democratic Processes”) with details for each (p. 53). Horst (2017) suggests that a simple tool like this can guide planners through practicing reflexive planning and identifying opportunities and action steps for Food Justice-based planning.
- b) Equity Lens.** Horst et al (2017) suggest the adoption of an equity lens as a tool in planning for Food Justice. Adoption and usage of such a tool would be comparable to utilizing an environmental impact statement. An equity lens would guide decision makers through a process that would analyze potential impacts from a justice-focused perspective, supporting strategy development, decision-making, participation of historically marginalized communities, the identification of systemic barriers to equity, and opportunities for addressing barriers. Seattle, for example, adopted a racial equity lens tool as a result of establishing the City’s Race and Social Justice Initiative (Horst et al, 2017).
- c) Equitable Food Oriented Development (EFOD) Criteria.** The emerging Equitable Food Oriented Development (EFOD) field offers a framework based in “community ownership, asset building, and health equity in the food system” (DAISA Enterprises, 2019, p. 9). Indicators of EFOD are stated as: equity- and justice-first; place-based; using market-based or business strategies; community leadership development or community organizing; and community ownership; these criteria are described in EFOD Collaborative’s “Building Community Power” white paper (EFOD Collaborative, 2019).

2. Utilize the Themes of Food Justice to Eliminate Barriers to Entry

The below recommendations, and their relationship to the identified Themes of Food Justice and the Barriers to Entry, are illustrated in [Table 1 \(Thesis Appendix\)](#).

- a) Eliminate Racial and Gender Bias, Acknowledge Leaders of Color, and Acknowledge and Eliminate Exploitation and Harm**
 - i.** Hire a consultant to lead all staff through 1) antiracism training and 2) adopting an antiracism, equity, or Food Justice Framework. Equip staff with deep antiracism and anti-bias knowledge and skills; Require antiracism training and use of Framework at all levels.
 - ii.** Equip staff with the history of the industry: Create ways of integrating the history of watermen of color into staff training, onboarding, and team meetings, ongoing throughout the year.
 - iii.** Memorialize Black talent, leadership, and labor: Integrate the history of watermen of color into management plans, industry entry processes (e.g., via information, permitting and application discussions).
 - iv.** Develop and publicize multilingual material throughout the industry.
- b) Facilitate access to capital for interested entrepreneurs**
 - i.** Establish equity-based no-interest or low-interest loans and grants. Reynolds (2015) notes that the Community Food Funders coalition’s prioritization of

organizations that are working towards social justice and are “led by people of color” could be seen as a model for these types of financial programs.

- ii. Expand on existing grant and loan programs. Integrate equity lens into application review processes to prioritize applicants of color.
- iii. Provide Technical Assistance in acquiring capital (e.g., applying for grants and loans) and sustaining profit (e.g., business planning) with a goal of spurring community economic development.
- iv. Promote livable wages in the industry to facilitate advancement.

c) Create More Waterfront Access

- i. Establish waterfront workspace and dock space for use by aquaculture growers.
- ii. Provide dock space and working waterfront space to descendants of watermen of color and interested entrepreneurs of color.
- iii. Promote innovation in the industry, such as development of systems that require less onshore activity.

d) Boost the buying market

- i. Integrate goals in equitable food access into oyster management plans and industry development.
- ii. Invest in state-wide marketing and promotion, from a Food Justice perspective: Engage historically marginalized communities; tell the story of the history and the resurgence; build pride.
- iii. Support businesses through purchasing partnerships: initiate farm-to-institution programs for oyster producers to link to state universities, hospitals, and other institutions; establish or expand purchasing contracts for restoration programs; engage interested and active growers in planning.
- iv. Launch incentive programs (e.g., incentivize oyster purchases made with Federal Benefits) and other innovations: create purchasing power among historically marginalized communities through oyster incentive programs.
- v. Facilitate acquisition of shellfish handling certification for growers.

e) Boost Exposure to the Industry and to the History

- i. Invest in memorializing the history. Position families of Black oystermen as decisionmakers in planning memorials celebrating the individuals and acknowledging historic injustices.
- ii. Invest in organizations led by people of color that are positioned to amplify exposure to the industry, through community engagement and educational programming.
- iii. Establish apprenticeship, internship, and other compensated opportunities for engagement within state agencies, aquaculture businesses and supporting entities: partner with state universities, HBCU’s, community colleges, and city high schools.
- iv. Integrate history of the industry and industry resurgence into creative place-making initiatives in urban areas.

f) Modify the application and permitting processes

- i. Ensure that leases are not dependent on land ownership.
- ii. Eliminate public protests and protect growers from personal attacks: encourage bottom culture; conduct in depth community education highlighting coastal benefits of oyster aquaculture; Establish the “right to farm” in aquaculture;

Position businesses and activities that are beneficial to coastal ecosystems as priorities within state, county, and municipal development plans.

- iii.** Expand the development of pre-approved aquaculture areas.
- iv.** Integrate an equity lens into permit application review; expedite and incentivize descendants of watermen of color or applicants that demonstrate a need for loans and grants through the permitting process. Update all application review processes to improve timeliness; consider engaging interns or apprentices for support with application review, to build engagement with the industry.
- v.** Hold permitting and business plan technical assistance sessions for in-person assistance with applications; record sessions and make available to the public; provide time for one-on-one assistance with applications.

SB433_Imani_MIA.pdf

Uploaded by: Imani Black

Position: FAV



February 20, 2023

Imani Black, Founder & CEO
Minorities In Aquaculture
2036 PO Box Easton, MD 21601

Senate Bill 433- Economic Development- Woman-and Minority Owned Shellfish Aquaculture
Enterprise Fund
Position: SUPPORT

To Senator Klausmeier:

My name is Imani Black and I'm an African American female from Chestertown, MD that's built a career in the shellfish aquaculture industry over the past 7 years. Due to the lack of support I felt through my early career years, in 2020, I decided to empower change with my own resources and founded a nonprofit organization, Minorities In Aquaculture (MIA). Over the last 2 years, MIA has become a global non-profit that strives to build a powerful network, impactful career development opportunities and useful resources for women of color to engage and build a career in the aquaculture industry on their own terms without the obstruction of the common barriers that minorities face everyday. MIA not only stands for our organization but for the demographic that's actively "missing in action" in the aquaculture industry as well. Without continuous access to resources proposed in this bill, minorities will continue to face education, accessibility and financial barriers which will prolong and hinder the restoration and preservation of our shellfish aquaculture industry for years to come. Historically on the Chesapeake Bay, minorities have played a huge role in the traditional practices of commercial fisheries although they have been marginalized and excluded from the evolution of our fishing industry in all sectors. Now, there are only 9 living Black boat captains, who are all over the age of 60, still operating in our watershed with no future generation coming to continue their legacy. By supporting minorities to participate in aquaculture, we preserve an important piece of our Chesapeake heritage and strengthen our commercial fisheries at the same time. **As an individual and organization, Minorities In Aquaculture strongly supports Senate Bill 433 and respectfully recommends a favorable vote on SB433.**

In my 7 years in aquaculture, I've worked at some of the best oyster hatcheries, nurseries and farms along the Chesapeake Bay maintaining positions as Hatchery Technician, Assistant Nursery Manager and Hatchery Manager within those facilities. Throughout my career, I have never worked with or engaged with any minority women within shellfish aquaculture that has owned, operated and/or obtained a leadership position in a hatchery or farm operation. For the majority of 2020, I was recognized as the ONLY African American female actively working in the shellfish aquaculture industry from Maryland to Florida. Currently, Maryland only has ONE minority owned oyster farm in the entire state which is Orchard Point Oyster Company in Chestertown, MD founded & operated by Scott Budden. As I reflected on those alarming facts and my own career experiences, I realized that minorities, but especially women of color, have never been given the resources or tools to become involved in the shellfish industry. As a minority female in a white male dominated field, I desperately needed resources that would not only help me feel safe and supported in my career, but also provided an experience that allowed me to see a role as a contributing member of Maryland's historic fisheries.

In order to turn around the historic barriers that have hindered minority involvement in Chesapeake fisheries, we respectfully recognized that in order for this bill to be truly impactful it must be developed with those barriers in mind by incorporating different goals, techniques, outcomes and guidelines from past resources. It's important as this bill process moves forward, that organizations and individuals involved are determined to make this opportunity one that will work with and enhance the engagement of minorities, and be another loan program that will later on in their future be a burden or obstacles that puts them back where they started.

For the sake of the future of the Chesapeake Bay, our shellfish aquaculture industry and the preservation of our historical heritage on the water, I urge leaders in Maryland to impactfully invest in the diversity, equality and inclusion of our maritime education, engagement and most importantly, accessibility for all demographics demonstrated by SB 433. I believe that these efforts and investments will support a healthier oyster population, the shellfish industry overall and benefit future generations of innovators, leaders and supporters to continue to advocate for the Maryland shellfish industry.

For those reasons, myself and the Minorities In Aquaculture organization, request a favorable vote for SB 433.

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Uploaded by: Lani Hummel

Position: FAV

TO: Senate Finance Committee Testimony on: SB 433 – Economic Development – Women and
Minority-Owned Shellfish Aquaculture Enterprise Fund Position: SUPPORT Hearing
on: February 21, 2023 Although the estimated number of oysters in the Bay fluctuates slightly, the annual
population counts show that, despite restoration efforts, the overall number of these bivalves is stagnant at less than
1% of historic populations. Given current wild oyster harvests, the only means of promoting a significant increase in
the population is to dramatically reduce harvest pressure. One way to accomplish this is to incentivize the growth of
the aquaculture fishery. Providing assistance for women- and minority-owned shellfish aquaculture businesses will
increase the number of these enterprises in Maryland by helping them overcome traditional barriers to entry and
success. We will never achieve our greatest economic potential until every citizen can participate in each sector of our
economy. Broadening the field of participants in the oyster aquaculture industry will result in a positive economic
impact for Maryland. For these reasons, I respectfully urge you to issue a favorable report on SB 433. Thank you for
your consideration, Lani Hummel
Annapolis, MD

SB 433 Aquaculture - Economic Development - Woman-

Uploaded by: Michelle Dietz

Position: FAV

Tuesday, February 21, 2023

TO: Melony Griffith, Chair of Senate Finance Committee and Committee Members; Guy Guzzone, Chair of Senate Budget and Taxation Committee; and Committee Members

FROM: Mark Bryer, The Nature Conservancy, Chesapeake Bay Program Director; and Michelle Dietz, The Nature Conservancy, Director of Government Relations

POSITION: Support SB 433 Aquaculture - Economic Development - Woman- and Minority-Owned Shellfish Aquaculture Enterprise Fund

The Nature Conservancy (TNC) supports SB 433 offered by Senator Klausmeier. For the past two decades, the world has looked to the Chesapeake Bay to learn what's possible in oyster restoration. No effort in the world matches the scale of what has been accomplished here, and TNC has been proud to support and invest in oyster restoration along with many others during this time.

SB 433 builds on oyster restoration successes by establishing an enterprise fund that will assist woman- and minority-owned aquaculture businesses that are just starting or are looking to expand within the Chesapeake Bay. This loan program will provide up to \$50,000 in grant funding for projects that support lease applications, operating or capital expenses and training to support these businesses in the aquaculture industry. The bill will also ensure that the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) is working with traditional minority-serving institutions such as historically Black colleges and universities, trade associations that represent woman- and minority-owned businesses, the aquaculture industry and the Governor's Office of Small, Minority and Women Business Affairs to identify potential loan recipients. By providing financial support to woman- and minority-owned businesses, this enterprise fund will help expand access to the aquaculture industry in Maryland. Investments like these are vital to building an inclusive industry that will advance restoration efforts while also benefiting underrepresented communities, which have historically been excluded from advancement opportunities in the aquaculture and conservation industries.

TNC has a history of working across sectors to leverage private, state and federal funding to support the aquaculture industry in Maryland. Our Supporting Oyster Aquaculture and Restoration (SOAR) program is a good example of leveraging investments to establish alternative markets for oyster farmers to sell oysters for reef restoration projects, as well as to expand the Shellfish Grower's Resilience Fund in Maryland. In 2022, TNC received \$150,000 in Congressionally Directed Funding thanks to Senators Cardin and Van Hollen's support. This funding will be used to purchase farmed oysters in the spring of 2023 for use in sanctuary restoration in Maryland. We are also excited to use a portion of the funding to sponsor summer 2023 internships for BIPOC college students to learn about the shellfish industry and sustainability in Maryland. In addition, TNC will receive funding through NOAA's resilience fund to continue SOAR in eight states for the next four years, including in Maryland. At least \$250,000 of those funds will come to the Chesapeake. These projects will build industry resiliency and center diversity, equity, and inclusion in Maryland's aquaculture industry.

TNC commends Senator Klausmeier for advancing legislation that is aimed at investing in Maryland's critical oyster industry by enabling more diverse participation and access. SB 433 reflects a positive step forward in the long road to restoring oysters to the Chesapeake.

Therefore, we urge a favorable report on SB 433.

SB 433 Testimony MARBIDCO.pdf

Uploaded by: Steve McHenry

Position: FWA



MARBIDCO
growing rural ventures™

MARYLAND AGRICULTURAL AND RESOURCE-BASED
INDUSTRY DEVELOPMENT CORPORATION
1410 Forest Drive, Suite 21 ~ Annapolis, MD 21403
Office: 410-267-6807 ~ Fax: 410-267-6809
www.marbidco.org

Mary Shank Creek, Chair / Stephen R. McHenry, Executive Director

TESTIMONY STATEMENT

BILL: Senate Bill 433 (Economic Development – Woman– and Minority–Owned Shellfish Aquaculture Enterprise Fund)

COMMITTEE: Senate Finance

DATE: February 21, 2023

POSITION: Support with Amendments

The Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) fully supports the overall objective of Senate Bill 433, but with amendments to be submitted later this week to make the legislation more practical to implement. As introduced, Senate Bill 433 would create the “Woman- and Minority-Owned Shellfish Aquaculture Enterprise Fund” within MARBIDCO. MARBIDCO is the State’s quasi-governmental economic development finance instrumentality supporting the farming, forestry, and seafood industries. Since 2011, MARBIDCO has funded a total of 90 shellfish aquaculture projects (through one major subsidized loan program and another minor one).

MARBIDCO’s proposed amendments would convert the proposed new shellfish aquaculture loan fund into a new grant program instead, and pair it up with the existing “Maryland Shellfish Aquaculture Financing Fund” (MARBIDCO’s main shellfish aquaculture financing program). There is also a constitutionality concern raised in SB 433, as introduced, that the proposed amendments will help to rectify.

Finally, MARBIDCO is also recommending that the required appropriation in SB 433 be increased by \$250,000, in order to implement a necessary recommendation that for every \$1.00 that is appropriated to the proposed new **Beginning Small, Minority and Women-Owned Shellfish Aquaculture Enterprise Grant Program**, that simultaneously another \$1.50 go into the **Maryland Shellfish Aquaculture Financing Fund**, since three-quarters of the proposed new funding for beginning oyster farmers is coming out to the MSAFF. More specifically, **MARBIDCO is recommending that \$1.25 million be appropriated in FY 2025**, with \$500,000 going into the new beginning oyster farmer grant program and another \$750,000 to replenish the MSAFF (to cover one-half of the cost of the three new loans we would need to make to each beginning oyster farmer participating in the new grant program).

The attachment provides a good deal of additional information concerning the proposed new beginning oyster farmer programming and how the amendments to SB 433 would conceptually work.

MARBIDCO Contact: Steve McHenry, 410.267.6807

**The Beginning Small, Minority and Women-owned Shellfish Aquaculture Enterprise Grant Program
(The Design for Senate Bill 433, As Amended)**

As introduced, Senate Bill 433 would create the “Woman- and Minority-Owned Shellfish Aquaculture Enterprise Fund” within MARBIDCO. MARBIDCO is the State’s quasi-governmental economic development finance instrumentality supporting the farming, forestry, and seafood industries. Since 2011, MARBIDCO has funded a total of 90 shellfish aquaculture projects (through one major program and another minor one). **MARBIDCO supports SB 433 with amendments to convert the proposed new loan fund into a grant program instead, and pair it up with the existing Maryland Shellfish Aquaculture Financing Fund** (MARBIDCO’s main shellfish aquaculture financing program), and in a manner that is legal for MARBIDCO to do so.

It is important to note that **the Attorney General’s Office has advised that SB 433, as introduced, would violate the Equal Protection Clause of the Fourteenth Amendment of the U.S. Constitution**, and therefore is constitutionally insufficient and is not able to be administered. MARBIDCO’s Assistant Attorney General has further advised that: In the absence of a disparity study demonstrating the persistent lingering effects of historic discrimination against women- and minority-owned businesses in this industry that would justify a fund that is set aside for their benefit, MARBIDCO would not be able to administer the fund established in SB 433 in a manner that is race- or gender conscious. And the Croson Study done for the Medical Marijuana legislation is not applicable here, a separate disparity study would have to be conducted to address the specific inequities that this bill seeks to remedy.*

*(*NOTE: A “Croson Study”, named for the 1989 Supreme Court case City of Richmond v. Croson, is research report prepared by an expert third party consultant that analyzes the persistent lingering effects of historic discrimination against certain groups of people. These studies can be expensive to contract for and take a significant amount of time to complete. MDOT handles obtaining the disparity studies for the State of Maryland.)*

However, we believe that inspiration can be found in a somewhat parallel situation dating back to 2007 concerning the desire by minority organization advocates to establish a targeted small business financing support program that the General Assembly ultimately embraced with the passage of major gaming legislation that year that created the Small, Minority and Women-Owned Business Account – Video Lottery Terminal (VLT) program. This program, funded with a 1.5% set-aside of the State’s gaming revenues, has provided nearly \$100 million in debt financing support to small businesses located across the State through various revolving loan programs administered by 10 Fund Managers (under the supervision of the Maryland Department of Commerce).

While MARBIDCO believes that the creation of a new revolving loan program for shellfish aquaculture is not advisable (since it would duplicate an existing successful loan program), a new legally constructed grant program creating what we are calling the **“Beginning Small, Minority and Women-Owned Shellfish Aquaculture Enterprise Grant Program”** could be desirable in our view, since it can effectively be offered in tandem with MARBIDCO’s existing **Maryland Shellfish Aquaculture Financing Fund** program. We believe that the name of such a new grant program could confer a marketing advantage to MARBIDCO (and other supporting agencies and organizations) in helping to generate interest in oyster farming among women and minorities. MARBIDCO would also plan to market this new program to the entities named in the bill, and most especially the two HBCU’s in Maryland that either work with farmers today (University of Maryland Eastern Shore) or have had a shellfish aquaculture educational program in the recent past (Morgan State University at its PEARL facility in Calvert County).

What Would the New Shellfish Aquaculture Grant Program Accomplish Beyond a Marketing Benefit?

Getting started in the oyster farming industry requires having the availability of the following (especially pertaining to “bottom-culture”, since this production method offers the best opportunity for a beginning oyster farmer to become profitable over time):

1. A shellfish aquaculture lease issued by DNR (for production operations located in tidal waters, either on submerged land “on the bottom” of a bay or tributary, or in the water column of a bay or tributary).
2. A workboat equipped with a dredge (including the related hydraulics, winder, foot pedal controls, cordage, and other fittings).
3. Upwards of a minimum of \$50,000 in cash-in-hand (if one already owns a properly equipped workboat), or about \$100,000 (if one does not own a workboat).
4. And finally, to begin a 15-acre shellfish aquaculture operation, the ability to accumulate an additional \$300,000 or so within 2 or 3 years, primarily to be used as working capital. The main reason that so much money is required to start an oyster farm today is because of the very high cost of oyster seed (which is oyster larvae which has attached themselves to a substrate called “spat-on-shell”, or simply just “spat”). The cost of oyster seed today is three times greater than just a few years ago, largely because of a scarcity of oyster shell (which is used as a substrate).

Having access to sufficient financial resources to acquire equipment and use as working capital is not only a challenge facing many women and minorities, but also many younger men too. It is believed that there are a sizable number of people in Maryland who are interested in starting an oyster farm, but simply do not have money available to buy a workboat or make a sizable financial contribution toward the costs of oyster seed and other start-up farm business expenses.

As such, what MARBIDCO is proposing with the amendments to SB 433, is to establish a new grant program that will assist people who currently have relatively modest financial means, in order to effectively empower them to try to seek a DNR shellfish aquaculture lease (which often takes a year or two to get), AND to be help enable them to be approved to acquire a workboat and three well-subsidized loans from MARBIDCO’s existing **Maryland Shellfish Aquaculture Financing Fund (MSAFF)**.

In short, the proposed **Beginning Small, Minority and Women-Owned Shellfish Aquaculture Enterprise Grant Program** would provide eligible beginning oyster farmers with a much-needed bridge to MARBIDCO’s main shellfish aquaculture financing program, which would be especially tailored to provide subsidized loans of up to \$300,000 that would feature a specially reduced 50% forgiveness of the principal balance for good repayment performance (for an individual loan of no more than \$100,000 made annually). Moreover, the interest rate that would be charged to the approved grant program participants would be reduced from the normal 3.00%, to just 0.25%, during the standard up to 3-year interest-only aspect of the MSAFF program.

MARBIDCO has administered the **Maryland Shellfish Aquaculture Financing Fund** program since 2011 and funded 86 shellfish aquaculture projects through it, with about half of these being bottom culture projects and the other half water column projects. (For recent example, 15 MSAFF projects have been approved during the last four years for a total of almost \$1.2 million, with two-thirds of these approvals occurring prior to the Covid-19 pandemic.) About 80% of all funded projects have involved oyster farm

operators who are also commercial watermen (i.e., “TFL” or Tidal Fisheries License holders) and 20% have been entrepreneurs who are new to working on the waters of the Chesapeake and Coastal Bays.

A recent review of the financial statements provided by the operators of the shellfish aquaculture enterprises receiving MSAFF loans revealed that at the time of loan application they had, on average, cash-on-hand of \$81,367 and a net worth of \$1,563,493. Bottom culture applicants generally had a significantly lower net worth than water column applicants did (which is a more capital-intensive production method), with an average net worth of \$1,183,170.

As explained earlier, MARBIDCO intends that the **Beginning Small, Minority and Women-Owned Shellfish Aquaculture Enterprise Grant Program** focus on providing funding to applicants that are more financially disadvantaged than the applicants we have had in the past using the MSAFF program, meaning specially here that during the first year that the program is offered the applicants (either an individual or married couple) could NOT have a net worth greater than \$300,000. (Senate Bill 433, as introduced, contained a net worth limitation provision of \$1.7 million, which in our view is much too high.) MARBIDCO would plan to reassess the net worth limitation requirement after the first year to determine its effectiveness in helping to generate a diverse pool of eligible applicants.

A Description of the Current MARBIDCO Shellfish Aquaculture Programs

Below are summaries of the two shellfish aquaculture loan programs that MARBIDCO currently offers (which are really combination loan and grant programs in their net effect):

The Maryland Shellfish Aquaculture Financing Fund helps both watermen (who wish to transition from wild oyster harvesting) and other entrepreneurs to start or expand underwater shellfish farming enterprises using leased growing areas in the Chesapeake or Coastal Bays. These operations can be located on the bottom of a tidal body of water, or in the water column (using cages or floats), or both at the same time. Bottom culture and water column leases issued by DNR are required. The loan proceeds can be used to purchase shell, seed, spat, or equipment. The borrowers make interest-only payments (at 3.00% initially) for the first three years while the oysters are growing to market size. After that, if borrowers have made their quarterly payments, 25% of the principal balance is forgiven (40% for first-time borrowers) and borrowers fully repay the remaining amortizing balance over two to four additional years (at 5.25% interest). The maximum single loan amount is \$100,000 (and subsidized loan amounts cumulatively max out at \$300,000). Since FY 2011, MARBIDCO has approved 86 shellfish aquaculture financings totaling \$5,311,627. MARBIDCO has approximately **\$800,000** available to lend today in this program’s revolving fund.

The Maryland Remote Setting Shellfish Aquaculture Loan Fund provides affordable financing (5.25% interest rate) to persons who want to start or expand shellfish remote setting (nursery) aquaculture operations (that are located on land or a pier). The nursery grower purchases larvae from a hatchery and places it in a tank containing cultch (substrate such as clean oyster shells) for the larvae to set on. Applicants must have a DNR shellfish aquaculture nursery lease from DNR. Eligible equipment includes items related to commercial remote setting aquaculture projects such as seed (larvae), shell (substrate), tanks, pumps, blowers, and tank heaters. The final year of four-term amortizing loan payments is forgiven for good loan repayment performance. The maximum loan amount is \$30,000. Since FY 2012, MARBIDCO has approved 4 shellfish aquaculture remote setting financings totaling \$119,826. MARBIDCO has approximately **\$55,000** available to lend today from the program’s revolving fund.

How Would the New Shellfish Aquaculture Grant Program Work?

MARBIDCO is recommending that for every \$1.00 that is appropriated to the new **Beginning Small, Minority and Women-Owned Shellfish Aquaculture Enterprise Grant Program**, that simultaneously another \$1.50 go into the **Maryland Shellfish Aquaculture Financing Fund**.

As such, MARBIDCO is also recommending that \$1.25 million be appropriated in FY 2025, on perhaps a pilot basis, with \$500,000 going into the new beginning oyster farmer grant program and another \$750,000 to replenish the MSAFF (to cover one-half of the cost of the three new loans we would make to each beginning oyster farmer). The assumption during the first year is that five (5) approved applicants would be approved for grants, and who would also receive three, \$100,000 loans, spread over a three-year period. (So altogether, \$400,000 would be awarded to support a beginning farmer from the two programs, with \$150,000 eventually paid back into the MSAFF over an 8-year period.)

More specially, under the proposed **Beginning Small, Minority and Women-Owned Shellfish Aquaculture Enterprise Grant Program**, if funded, MARBIDCO would award up to \$100,000 for the benefit of an approved applicant with the funds being deployed as follows:

- Up to \$46,000 to purchase and properly outfit a workboat.
- \$30,000 in supplemental borrower grant support split over the first two years (at \$15,000 each year), which MARBIDCO would disburse with the MSAFF loan proceeds.
- \$24,000 for substantial loan interest buydown subsidies for all the MSAFF interest-only periods, by taking the shellfish aquaculture loan interest rate from 3.00% to just 0.25%, thus reducing the required interest payment from \$750.00 to \$62.50 per quarter. (NOTE: MARBIDCO must charge a very modest rate of interest in order to maintain an ongoing relationship with the borrower.)

Funding for the acquisition of a workboat (and the oyster seed purchases) would only be disbursed with the following conditions having been met:

1. The applicant has submitted a MSAFF loan request and it has been approved by MARBIDCO (which also requires the submission of includes a viable production and business plan); and
2. The applicant has submitted a shellfish aquaculture lease application to the Maryland Department of Natural Resources, and it has been approved.
3. Importantly, no grant funds can be disbursed until the above two items are approved.

Illustration of How the New Grant Program Would Financially Assist a Beginning Oyster Farmer

An illustration of the financial benefit to a beginning oyster farmer of participating in this new grant program has been modeled in a financial analysis using 1,000 simulations prepared by Dr. Matt Parker, Aquaculture Business Specialist, University of Maryland Extension.

Please see the results of the new oyster enterprise financial modeling below:

Average Annual Cash Flow for 1,000 Simulations of a New Oyster Farming Operation

Year	1	2	3	4	5	6	7	8	9	10
Beginning Cash Balance	\$ -	\$ 1,604	\$ 2,707	\$ 45,654	\$ 84,103	\$ 92,753	\$ 76,658	\$ 59,220	\$ 72,651	\$ 114,180
Incoming MARBIDCO Loan Funds	\$ 115,000	\$ 115,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income From Shellfish Sales	\$ -	\$ -	\$ 57,343	\$ 153,469	\$ 151,812	\$ 153,925	\$ 152,075	\$ 154,295	\$ 155,055	\$ 154,735
Total Cash Inflows	\$ 115,000	\$ 115,000	\$ 157,343	\$ 153,469	\$ 151,812	\$ 153,925	\$ 152,075	\$ 154,295	\$ 155,055	\$ 154,735
Operation Expenses	\$ 113,396	\$ 113,646	\$ 113,896	\$ 114,270	\$ 116,163	\$ 116,771	\$ 116,515	\$ 114,365	\$ 113,525	\$ 113,522
MARBIDCO Interest Payments	\$ -	\$ 250	\$ 500	\$ 750	\$ 2,651	\$ 3,248	\$ 2,998	\$ 847	\$ -	\$ -
MARBIDCO Principle Payment	\$ -	\$ -	\$ -	\$ -	\$ 24,348	\$ 50,000	\$ 50,000	\$ 25,652	\$ -	\$ -
Total Cash Outflows	\$ 113,396	\$ 113,896	\$ 114,396	\$ 115,020	\$ 143,162	\$ 170,020	\$ 169,513	\$ 140,864	\$ 113,525	\$ 113,522
Yearly Net Cash Flow	\$ 1,604	\$ 1,104	\$ 42,947	\$ 38,449	\$ 8,650	\$ (16,094)	\$ (17,438)	\$ 13,431	\$ 41,529	\$ 41,213
Ending Cash Balance	\$ 1,604	\$ 2,707	\$ 45,654	\$ 84,103	\$ 92,753	\$ 76,658	\$ 59,220	\$ 72,651	\$ 114,180	\$ 155,393

Dr. Parker’s model suggests that, during the first seven years of the new oyster farming, when there is a large variability with annual positive cash flow, that sufficient revenues can be accrued during this period to cover all the operating and debt service expenses, compensate the oyster farmer for his/her investment of time and energy, and have some cushion too. And, by Year 8, given good management and the good favor by Mother Nature, the beginning farmer could realize an annual income of \$70,000 or more if all goes well.

Dr. Parker also notes that the bottom-culture of oysters in Maryland can be completed on a seasonal basis. Based on a review of monthly harvest data provided by Maryland Department of Natural Resources, nearly all harvest from bottom-culture oyster operations in Maryland occur when the wild oyster harvest season is closed (April through September). This is done so the oyster aquaculture operations receive a higher price per bushel since they are not competing with wild commercial oyster harvesters.

As such, a beginning oyster farming should have sufficient time available to work at an off-season job to earn extra income.

Conclusion

MARBIDCO heartily commends Senator Klausmeier for her long-time leadership and steadfast support for the development of healthy shellfish aquaculture industry in Maryland. MARBIDCO believes that the amendments conceptually explained here today for SB 433, including the appropriation of \$1.25 million to pilot this new beginning oyster farmer effort, holds real promise for helping to get a diverse new group of oyster farmers into operation, which would also contribute to improving the water quality of the Chesapeake and Coastal Bays. MARBIDCO will endeavor to work with the bill sponsor and the Committee to draft amendments for SB 433 to accomplish the aims set forth in this testimony.

SB0433 - TSO - Aquaculture Enterprise Fund - LOI_F

Uploaded by: Patricia Westervelt

Position: INFO

February 21, 2023

The Honorable Melony Griffith
Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis Maryland 21401

RE: Senate Bill 433 – Letter of Information – Woman- and Minority-Owned Shellfish Aquaculture Enterprise Fund

Dear Chair Griffith and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on Senate Bill 433 but offers the following information for the Committee’s consideration.

Senate Bill 433 establishes a Woman- and Minority-Owned Shellfish Aquaculture Enterprise Fund to assist woman- and minority-owned businesses entering or expanding in the shellfish aquaculture industry.

Every aspect of the Minority Business Enterprise (MBE) program, including State statutory and regulatory requirements, is controlled by the United States Constitution and Supreme Court precedent. The 1989 Supreme Court decision in *Croson* established that programs and policies which use racial classifications to provide a benefit to a specific class of people based on immutable characteristics like race, could, on their face violate the Equal Protection Clause of the 14th Amendment; therefore, these must pass the most rigorous judicial test of strict scrutiny. The strict scrutiny test provides that in order to implement race-conscious programs or remedies, a government entity or State must show the following prongs:

- A compelling governmental interest – i.e., the government must show the existence of and need to remedy past or present discrimination; and
- Narrow tailoring – i.e., any remedies employed must be narrowly tailored to address the specific discrimination identified in prong one.

Disparity studies are the means by which the State satisfies the aforementioned requirements. These studies collect and assess extensive data on the existence, extent, and impact of discrimination, if any, against minority and woman-owned firms with respect to contracting opportunities in the public and private sectors of Maryland’s marketplace. The ability to legally implement Senate Bill 433 will be impacted by the State’s ability to perform a precursory disparity analysis and subsequent analysis of its findings.

The Maryland Department of Transportation respectfully requests the Committee consider this information when deliberating Senate Bill 433.

The Honorable Melony Griffith
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Respectfully Submitted,

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