

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1353 (Delegate Mautz)
 Environment and Transportation

Natural Resources - Oyster Severance Tax - Increase

This bill increases the severance tax – from \$1 per bushel to \$2 per bushel – that is levied on every bushel of oysters caught within the limits of the natural oyster bars of the State exclusive of the Potomac River. The bill also requires that \$1 of every \$2 collected be distributed to the county oyster committees in specified counties (Anne Arundel, Calvert, Charles, Dorchester, Kent, Queen Anne’s, Somerset, St. Mary’s, Talbot, and Wicomico) for the repletion of natural oyster bars located in the waters of the county. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: Special fund revenues and expenditures increase by approximately \$185,800 annually beginning in FY 2021.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	\$185,800	\$185,800	\$185,800	\$185,800	\$185,800
SF Expenditure	\$185,800	\$185,800	\$185,800	\$185,800	\$185,800
Net Effect	\$0	\$0	\$0	\$0	\$0

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: A severance tax of \$1 per bushel must be levied on every bushel of oysters caught within the limits of the natural oyster bars of the State exclusive of the Potomac

River. The oyster buyer or receiver must pay the tax to the Department of Natural Resources (DNR) for deposit to the credit of the Fisheries Research and Development Fund (FRDF). However, if oysters in the shell are sold directly to a consumer in the State and the consumer is not a licensed buyer of oysters, the seller assumes the obligation to pay the tax. The taxes collected must be credited to FRDF and used only for the repletion of the natural oyster bars of the State.

Background: The oyster severance tax, along with a \$300 oyster surcharge paid by commercial oyster harvesters each season and a \$0.30 per bushel tax levied on oysters shipped in the shell out-of-state, is used to plant oyster seed and shell in the public fishery. Funding of those replenishment efforts is also supplemented by a portion of an annual grant from the Maryland Department of Transportation. Each year, a portion of the plantings are conducted by the various county oyster committees, who decide which oyster bars within their respective counties will be targeted for replenishment. For additional background on replenishment efforts, please see [*Oyster Restoration in Maryland*](#), p. 15, Department of Legislative Services (December 2019).

Each tidewater county of the State has a committee of licensed oystermen that advises DNR on the management of the oyster fishery, including whether certain bars should be opened or closed to oyster harvesting and whether certain bars could benefit from oyster seed planting. These committees were created in 1947 and are referred to as county oyster committees.

In the 2018-2019, 2017-2018, and 2016-2017 oyster seasons, DNR collected \$145,843, \$187,442, and \$223,947 in oyster severance tax revenue. In the spring and summer of 2019, a total of \$1.2 million was spent on replenishment efforts, funding the planting of hatchery seed and fresh shell.

State Fiscal Effect: Special fund revenues and expenditures increase by approximately \$185,800 annually beginning in fiscal 2021. This estimate reflects the collection of additional oyster severance tax revenue and distribution of the additional revenue to the specified county oyster committees. Since the bill doubles the tax rate, the estimate assumes that revenue increases annually by an amount equivalent to the annual average of the revenue collected during the 2018-2019, 2017-2018, and 2016-2017 seasons.

Small Business Effect: Small businesses in the oyster industry may meaningfully benefit from the additional funding for replenishment efforts. DNR indicates that the oyster severance tax and the replenishment efforts the tax funds are generally seen as a net benefit to the industry.

Additional Information

Prior Introductions: HB 1358 of 2019 was referred to the House Rules and Executive Nominations Committee, but no further action was taken.

Designated Cross File: None.

Information Source(s): Department of Natural Resources; Charles, Queen Anne's, and St. Mary's counties; Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2020
af/lgc

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