

Department of Legislative Services  
Maryland General Assembly  
2021 Session

FISCAL AND POLICY NOTE  
Enrolled - Revised

Senate Bill 350

(Chair, Education, Health, and Environmental Affairs  
Committee)(By Request - Departmental - Natural  
Resources)

Education, Health, and Environmental Affairs

Environment and Transportation

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Natural Resources - Aquaculture - Leases

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This departmental bill repeals provisions governing the establishment of Aquaculture Enterprise Zones (AEZs) in the Chesapeake Bay. The bill also authorizes the Department of Natural Resources (DNR) to issue an “enterprise lease” to a person for use in the waters of the State to assess the feasibility of cultivating native or naturalized species of aquatic plants for commercial purposes.

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Fiscal Summary

**State Effect:** The bill is expected to be implemented with existing staff. Any revenues from application fees and rent, and the costs of any public informational meetings or hearings (of protests) on the issuance of leases, are not expected to materially affect State finances.

**Local Effect:** None.

**Small Business Effect:** DNR has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

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Analysis

**Bill Summary:** The bill repeals provisions governing the establishment of AEZs in the Chesapeake Bay, which are zones that statute requires DNR to establish, within which the department may issue, to any person, an aquaculture lease.

The bill newly authorizes DNR to issue an “enterprise lease” (a lease of the water column) to a person for use in the waters of the State to assess the feasibility of cultivating native or naturalized species of aquatic plants for commercial purposes. “Native” means having historically lived, grown, and reproduced in State waters. “Naturalized” means documented as having lived, grown, and reproduced in State waters without known harm to the ecosystem.

The bill establishes application procedures, location restrictions, public notice provisions, the ability for an adversely affected person to protest the issuance of a lease (and any person to request a public informational meeting), and other provisions applicable to an enterprise lease, that are similar to those applicable to existing aquaculture leases.

An applicant for a lease must pay a nonrefundable application fee, and the department, in consultation with the Aquaculture Coordinating Council, must establish an annual amount of rent for an enterprise lease. The term of a lease may not exceed five years (and a lease cannot be renewed) and the size of a lease may not exceed two acres.

The department may adopt regulations to implement the bill’s enterprise lease provisions, including regulations concerning species that may not be cultivated or gear that may not be used in a leased area.

### **Current Law/Background:**

#### *Aquaculture Enterprise Zones*

DNR eliminated, in February 2019, the only two AEZs established in DNR regulations, indicating that subsequent to the establishment of the AEZs, the department implemented a new shellfish aquaculture leasing program that reduced the utility and function of AEZs and, as a result, no leasing program for AEZs was developed. One of the AEZs, and a portion of the other, were converted to public shellfish fishery areas.

#### *Enterprise Leases*

DNR indicates that it has received inquiries over the years about experimenting with the feasibility of growing aquatic grass species in Maryland. Similar in concept to the existing demonstration lease program (available to educational and nonprofit institutions to demonstrate the ecological benefits of growing shellfish or for research or education), DNR indicates the bill makes limited-acre and short-term aquaculture leases available to private entities to explore the commercial potential of culturing nontraditional aquatic grass species in the State.

## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Department of Natural Resources; Office of Administrative Hearings; Department of Legislative Services

**Fiscal Note History:**      First Reader - January 12, 2021  
rh/lgc                              Third Reader - March 16, 2021  
   Revised - Amendment(s) - March 16, 2021  
   Revised - Correction - March 16, 2021  
   Enrolled - April 9, 2021  
   Revised - Amendment(s) - April 9, 2021

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Natural Resources – Aquaculture – Enterprise Leases

BILL NUMBER: SB 350

PREPARED BY: James McKittrick, Director, Legislative and Constituent Services

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

         WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON  
MARYLAND SMALL BUSINESSES

**OR**

  X   WILL HAVE A MEANINGFUL ECONOMIC IMPACT ON  
MARYLAND SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

Small business will benefit to the extent that the legislation allows for more innovation and economic opportunity in the aquaculture industry by allowing private entities to explore the commercial potential of culturing aquatic grass species in Maryland.