

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 433 (Senator Klausmeier)
 Finance and Budget and Taxation

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

This bill establishes a Woman- and Minority-Owned Shellfish Aquaculture Enterprise Fund to assist woman- and minority-owned businesses entering into or expanding in the shellfish aquaculture industry. For fiscal 2025, the Governor must include in the annual budget bill an appropriation of \$1.0 million to the fund.

Fiscal Summary

State Effect: General fund expenditures increase by \$1.0 million in FY 2025 and by indeterminate amounts in future years. Special fund revenues and expenditures increase correspondingly. **This bill establishes a mandated appropriation for FY 2025.**

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	\$0	\$1,000,000	-	-	-
GF Expenditure	\$0	\$1,000,000	-	-	-
SF Expenditure	\$0	\$1,000,000	-	-	-
Net Effect	\$0	(\$1,000,000)	(-)	(-)	(-)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill establishes a Woman- and Minority-Owned Shellfish Aquaculture Enterprise Fund, administered by the Maryland Agricultural and Resource-Based Industry

Development Corporation (MARBIDCO), to assist woman- and minority-owned businesses entering into or expanding in the shellfish aquaculture industry.

For fiscal 2025, the Governor must include in the annual budget bill an appropriation of \$1.0 million to the fund. The fund consists of money appropriated in the State budget to the fund, interest earnings, and any other money from any other source accepted for the benefit of the fund.

The fund may be used only for:

- providing no-interest loans not exceeding \$50,000 each to finance the costs of eligible shellfish aquaculture enterprise projects for woman- and minority-owned businesses, including (1) aquaculture lease application assistance; (2) assistance with the operating or capital expenses of the aquaculture business; and (3) training to support participation in the aquaculture industry; and
- administrative expenses related to the fund.

A business is eligible to receive financing from the fund if, among other requirements, the business (1) is owned by a woman or minority who has a total personal net worth not exceeding \$1.7 million and (2) demonstrates to the satisfaction of MARBIDCO, through a business plan or financial projections, that, within five years after receiving financing from the fund, the shellfish aquaculture portion of the business will have the potential to achieve viability.

To facilitate the award of loans from the fund and identify potential loan recipients, MARBIDCO must develop partnerships with (1) traditional minority-serving institutions in the State and surrounding jurisdictions, including historically Black colleges and universities; (2) trade associations representing woman- and minority-owned businesses; (3) trade associations representing the aquaculture industry; and (4) the Governor's Office of Small, Minority, and Women Business Affairs.

Current Law:

Maryland Agricultural and Resource-Based Industry Development Corporation

MARBIDCO – a body politic and corporate, and instrumentality of the State, established under Chapter 467 of 2004 – helps Maryland's farm, forestry, seafood, and related rural businesses achieve profitability and sustainability.

The statutory provisions that establish and govern MARBIDCO define "agriculture" to include the commercial production, storage, processing, marketing, distribution, or export of a seafood or aquaculture product. The corporation's purposes include (1) assisting the

viability of the State’s diverse agricultural industry through development of new markets, capital and credit enhancements, and technical and other assistance to support, create, and sustain agricultural businesses throughout the State; (2) providing financing and other assistance for product development, start-up and scale-up of food-related and fiber-related growing and processing operations in the State, and for technological enhancements that benefit the environment and water quality, and (3) seeking partnerships and leveraging opportunities with public and private for-profit and nonprofit entities in making capital and credit assistance available to individual producers, producer cooperatives, and other agribusiness concerns operating in the State.

Aquaculture Leases

A person who wishes to obtain an aquaculture lease must pay an application fee and complete and submit an application to the Department of Natural Resources (DNR). Statute establishes general provisions that a leaseholder must follow, including the requirement that a leaseholder actively use the lease and comply with any standards for planting, harvesting, and use of the leased area established by DNR. Leaseholders must also mark the lease area and comply with any other DNR marking requirements, pay rent, and comply with Maryland Department of Health regulations carrying out the National Shellfish Sanitation Program. All leaseholders must also obtain and possess a shellfish aquaculture harvesting permit prior to engaging in any aquaculture activities on their lease.

State Fiscal Effect: General fund expenditures increase by \$1.0 million in fiscal 2025 and by indeterminate amounts in future years to capitalize and support the fund, reflecting the mandated appropriation in fiscal 2025 and any additional, discretionary general fund appropriations in future years. While the bill takes effect October 1, 2023, this analysis assumes the fund is not capitalized until fiscal 2025, when funding is mandated.

Special fund revenues and expenditures increase correspondingly, reflecting the receipt of general fund appropriations by the fund and subsequent special fund appropriations to MARBIDCO to award loans for eligible projects and pay for administrative expenses related to the fund. MARBIDCO’s finances are managed outside of the State budget and its employees are not State employees. It is assumed for the purposes of this fiscal and policy note that funding is appropriated from the fund to MARBIDCO, and MARBIDCO manages the spending of funds and receipt of loan repayment revenues under its own corporate bank accounts, consistent with how its current programs function.

Small Business Effect: Loans awarded under the program have a meaningful small business impact in that they provide financial assistance for the establishment or expansion of small businesses in the aquaculture industry.

Additional Comments: MARBIDCO operates a Maryland Shellfish Aquaculture Financing Fund and a Maryland Remote Setting Shellfish Aquaculture Loan Fund described in its most recent [annual report](#) (p. 10). The funds are not established in statute. MARBIDCO operates them pursuant to its broad authority to establish financing programs appropriate to its statutory purpose.

Additional Information

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

Designated Cross File: None.

Information Source(s): Maryland Agricultural and Resource-Based Industry Development Corporation; Governor's Office of Small, Minority, and Women Business Affairs; University System of Maryland; Morgan State University; Maryland Department of Agriculture; Department of Budget and Management; Department of Natural Resources; Department of Legislative Services

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