

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 558

(Senator Bailey, *et al.*)

Budget and Taxation

Environment and Transportation

**Chesapeake Bay - Enhancement Program and Maryland Seafood Industry
 Financial Assistance Fund - Established**

This bill establishes (1) a Chesapeake Bay Enhancement Program in the Department of Natural Resources (DNR), supported by a \$2.25 million annual mandated appropriation, beginning in fiscal 2028, from the Transportation Trust Fund (TTF); (2) a Maryland Seafood Industry Financial Assistance Fund, administered by the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO); and (3) a specified process to help ensure borrower repayment of MARBIDCO loans. **The financial assistance fund and repayment assurance provisions take effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by \$2.0 million in FY 2027 only; the FY 2027 budget as passed by the General Assembly includes a \$2.0 million general fund appropriation for the financial assistance fund contingent on the enactment of this bill or its cross file. Special fund revenues and expenditures increase correspondingly in FY 2027 and by indeterminate amounts in future years. This analysis assumes there is no net effect on TTF resulting from the mandated appropriation for the Chesapeake Bay Enhancement Program, as discussed below. **This bill establishes a mandated appropriation beginning in FY 2028.**

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	\$2.0	-	-	-	-
GF Expenditure	\$2.0	\$0	\$0	\$0	\$0
SF Expenditure	\$2.0	-	-	-	-
Net Effect	(\$2.0)	-/(-)	-/(-)	-/(-)	-/(-)

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

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Chesapeake Bay Enhancement Program

The bill establishes a Chesapeake Bay Enhancement Program in DNR to provide funding for oyster propagation and replenishment projects that mitigate the effects of transportation projects on the State's oyster population. For fiscal 2028 and each fiscal year thereafter, the Governor must include in the annual budget bill an appropriation of \$2.25 million to the program from TTF. DNR must administer the appropriated funds and allocate them to support oyster propagation and replenishment and program management. DNR must allocate at least \$1.5 million of the appropriated funds each fiscal year for oyster propagation and replenishment projects.

Maryland Seafood Industry Financial Assistance Fund

The bill establishes a Maryland Seafood Industry Financial Assistance Fund, administered by MARBIDCO, to provide financial assistance, including loans, to commercial watermen and small businesses in the seafood industry. The fund may be used only for (1) financial assistance, including loans, and (2) the costs of MARBIDCO to administer the fund.

The fund consists of (1) money appropriated in the State budget to the fund; (2) fees and loan repayments, including interest, related to the financial assistance; (3) money made available from the federal, State, or local government; and (4) any other money from any other source accepted for the benefit of the fund.

The State Treasurer must hold the fund and invest the money in the fund in the same manner as other State money may be invested. The Comptroller must account for the fund. Expenditures from the fund may be made only in accordance with the State budget.

For financial assistance, including loans, provided from the fund, MARBIDCO must determine (1) the application and award process; (2) eligibility criteria; (3) the amount of the financial assistance, including loans, for each applicant; (4) the terms and conditions of financial assistance, including loans; (5) the amount of loan forgiveness that MARBIDCO may provide for loan repayment performance; and (6) any other provisions necessary to carry out the provisions governing the fund.

Maryland Agricultural and Resource-Based Industry Development Corporation – Loan Repayment Assurance

The bill requires MARBIDCO to notify DNR (1) if a borrower who holds a tidal fish license is delinquent in the repayment of a loan to the corporation and (2) if such a borrower becomes compliant with the repayment of a loan. After receiving a notification that a tidal fish licensee is delinquent in the repayment of a loan, DNR may not approve a transfer of the tidal fish license or authorization until receiving a notification that the borrower has become compliant with the repayment of the loan.

Current Law:

Oyster Propagation and Replenishment

Statute requires DNR to take measures, which in its judgment seem best calculated to increase the productivity or utility of oyster resources in the State, including (1) identifying and using effective methods of cleaning diseased oyster bars; (2) providing clean shell for the bars; (3) using hatchery produced oysters to replant sites; and (4) applying for a permit to dredge buried oyster shells.

DNR and the Maryland Department of Transportation (MDOT) indicate that they have had a formal agreement for approximately 30 years under which MDOT provides funding to DNR for oyster recovery/reseeding efforts – titled (in its current form) the *Agreement Between the Maryland Department of Transportation and the Maryland Department of Natural Resources for the Chesapeake Bay Enhancement Program (Oyster Recovery)*.

The agreement has been modified and extended numerous times – most recently in April 2022, which extended the term of the agreement through June 30, 2026, and included the following language:

“MDOT shall pay to DNR the amount of two million dollars (\$2,000,000) annually. These funds shall be used by DNR solely for the activities that support oyster recovery within the Maryland Waters of the Chesapeake Bay. To the greatest extent practicable DNR shall ensure that no less than nine hundred twenty-five thousand dollars (\$925,000) shall be spent annually on oyster propagation and replenishment efforts through 2027. DNR shall coordinate annually with the county oyster committees and Maryland oyster harvesters on the enhanced funding for the public fishery that may be spent on oyster replenishment plantings, activities, and projects.”

Maryland Agricultural and Resource-based Industry Development Corporation

MARBIDCO is a quasi-governmental economic development organization chartered by the State to support the State's agricultural and resource-based industries. MARBIDCO manages its finances independent of the State Treasury and its employees are not State employees. The corporation administers several existing programs relating to the seafood industry:

- the Maryland Watermen's Microloan Program, which provides loans to (1) qualified commercial fishermen to continue commercial operations in the State, including for purchasing boats, mechanical equipment, fishing gear, fishing quota, and any other item used in commercial seafood harvesting, and (2) seafood processing businesses;
- the Maryland Oyster Shucking House Loan Fund Program, which provides loans to finance the establishment or expansion of oyster shucking houses that help increase the amount of oyster shells retained in the State and returned to the Chesapeake Bay; and
- two loan programs that support the development of the shellfish aquaculture industry in the State.

Tidal Fish License and License/Authorization Transfers

Apart from commercial licenses to fish for Chesapeake Channa and blue and flathead catfish, DNR uses a single, commercial license, known as a tidal fish license, which authorizes a licensee to engage in each activity indicated on the license. The department may issue authorizations for activities listed in statute for which the indicated fee has been paid.

Statute allows for specified permanent and temporary transfers of tidal fish licenses and authorizations, with DNR's approval, including (1) the temporary transfer, up to twice per license year, of a license or authorization for not more than the remainder of the license year and (2) the permanent transfer of a license or authorization from a person who has held a valid tidal fish license for at least two years to a person who provides a notarized bill of sale for the license or authorization being transferred.

State Fiscal Effect:

Maryland Seafood Industry Financial Assistance Fund

General Fund Expenditures – Fiscal 2027 Only

General fund expenditures increase by \$2.0 million in fiscal 2027 only, to capitalize the Maryland Seafood Industry Financial Assistance Fund, reflecting a \$2.0 million

general fund appropriation for the fund included in the fiscal 2027 budget as passed by the General Assembly, contingent on the enactment of this bill or its cross file. This analysis assumes that only one year of general fund capitalization is needed for the fund.

Special Fund Revenues and Expenditures – Fiscal 2027 and Future Years

Special fund revenues and expenditures increase correspondingly (by \$2.0 million) in fiscal 2027, reflecting the receipt of the contingent appropriation by the Maryland Seafood Industry Financial Assistance Fund and spending of that funding to provide financial assistance (which MARBIDCO expects to provide in the form of loans) and to cover any costs of administering the funding. Special fund revenues and expenditures increase in future years by indeterminate amounts, reflecting the fund's receipt of loan repayment revenues, issuance of further loans using the repaid funds, and any expenditures to cover administrative costs.

While MARBIDCO typically manages its financial assistance programs independent of the State Treasury, this analysis treats revenues and expenditures of the fund as State special fund revenues and expenditures, based on the provisions of the bill, which require (1) the fund to be held (and invested) by the State Treasurer and accounted for by the Comptroller; (2) the fund to hold (“consist of”) loan repayments related to financial assistance provided from the fund; and (3) expenditures from the fund to be made only in accordance with the State budget.

Chesapeake Bay Enhancement Program

The establishment of the Chesapeake Bay Enhancement Program and the bill's mandated appropriation to the program of \$2.25 million annually, beginning in fiscal 2028, is not expected to have a net effect on TTF expenditures. This assessment is based on the following information and assumptions:

- While the bill establishes the Chesapeake Bay Enhancement Program in statute on October 1, 2026, this analysis assumes that the bill does not materially affect DNR's oyster restoration efforts, or associated State expenditures, that would occur in fiscal 2027 in the absence of the bill. The purpose of the program – to provide funding for oyster propagation and replenishment projects that mitigate the effects of transportation projects on the State's oyster population – appears intended to be primarily achieved through the mandated appropriations of TTF funding beginning in fiscal 2028.
- While the current formal agreement between DNR and MDOT for funding of oyster restoration activities from TTF ends June 30, 2026, both DNR and MDOT have indicated that the two agencies are communicating about funding going forward,

and it appears likely that TTF funding of oyster restoration activities will continue in fiscal 2027 and future years at some level (even in the absence of the bill). MDOT even indicates that there is \$2.0 million included in the *Consolidated Transportation Program (CTP)*, annually from fiscal 2027 through 2031, but it is included as a placeholder (pending an agreement between the agencies) for the continuation of the current program or similar activities. Therefore, at least some portion of the \$2.25 million in mandated funding each year, beginning in fiscal 2028, appears likely to be spent on oyster propagation and replenishment activities even in the absence of the bill.

- It is assumed that the bill's \$2.25 million annual mandated appropriation is met through funding included in MDOT's CTP, appropriated through the annual budget bill, and provided to DNR for the Chesapeake Bay Enhancement Program, presumably as reimbursable funding. To the extent that the level of funding needed to meet the bill's annual mandated appropriation (beginning in fiscal 2028) is greater than the funding that would otherwise be spent in the absence of the bill, this analysis assumes the difference is funded in the CTP, and since MDOT's capital program is generally fully subscribed each year, it is assumed it is covered through the redirection of funding from other projects in MDOT's capital program (rather than through an overall increase in TTF spending).
- The bill's allocation of the \$2.25 million in annual mandated funding among oyster propagation and replenishment projects (at least \$1.5 million annually) and program management (up to \$750,000 annually) is roughly consistent with how DNR has allocated TTF funding it has received for oyster propagation/replenishment activities to date and how it presumably would allocate funding it would otherwise receive in the future in the absence of the bill.

Loan Repayment Assurance

The process established in the bill for MARBIDCO's notification of DNR regarding a delinquent borrower who holds a tidal fish license, and DNR's nonapproval of any transfer of the holder's license or authorization, can be handled, by both MARBIDCO and DNR, with existing resources. The process may contribute to increased or more timely loan repayment revenues for MARBIDCO, whether loan repayment revenues of the Maryland Seafood Industry Financial Assistance Fund (State special fund revenues) or loan repayments under other MARBIDCO programs (nonbudgeted revenues).

Small Business Effect: Small business oyster harvesters and/or other seafood industry small businesses in the State meaningfully benefit from loans or other financial assistance provided through the Maryland Seafood Industry Financial Assistance Fund. Small business oyster harvesters may also meaningfully benefit to the extent the bill increases

funding for oyster propagation and replenishment efforts under the Chesapeake Bay Enhancement Program in comparison to funding that would otherwise be provided for that purpose in the absence of the bill.

Additional Information

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

Designated Cross File: HB 1599 (Delegate Jacobs, *et al.*) - Environment and Transportation.

Information Source(s): Department of Budget and Management; Maryland Department of the Environment; Maryland Agricultural and Resource-Based Industry Development Corporation; Department of Natural Resources; Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2026
js/lgc Third Reader - April 1, 2026
Revised - Amendment(s) - April 1, 2026
Revised - Updated Information - April 1, 2026
Revised - Budget Information - April 1, 2026

Analysis by: Scott D. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510