Michigan Department of Agriculture and Rural Development

Farmland and Open Space Preservation (PA 116) Program Funding

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Farmland and Open Space Preservation Presentation Summary

- Farmland Preservation Program Areas and Status
- Qualified Forest Program
- Operational Revenue Issues
  - Seven year notification
Farmland and Open Space Preservation Program Areas

- PA 116 Farmland Preservation Agreements
  - Created in 1975
  - 43,900 Farmland Agreements
  - Protecting 3.2 millions acres of farmland

- Donation of Conservation Easements
  - Began in 1994
  - 118 conservation easements on farmland and open space
  - 26,000 acres permanently protected

- Local Open Space Easements
- Designated Open Space Easements
- Agricultural Preservation Fund
  - Grants to local governments for purchase of conservation easements
Qualified Forest Program

- Transferred to MDARD June 6, 2013
- Program similar to PA 116
- Conservation Districts provide assistance
- As of December 31, 2013, more than 1,000 applications processed
How Does PA 116 Work?

- Temporary agreement with the State
- 10 to 90 years – renewable
- State holds Development Rights
- In exchange for participating
  - Michigan Income Tax Credit
  - Special Assessments Exemption
    - sanitary sewer
    - water
    - lights
    - non-farm drainage
Impact of Program

- 43,900+ agreements
- 3.2 million acres of state’s 10 million acres
- About 33% of Michigan farmland
- $43.9 million in tax credits in 2012
- $1.1 billion in credits issued since 1975
- 40 Years of Cropland Stability!
- Farmland Recently Stabilized!
Program Operation Funding

- 100% Restricted Revenue
  - Landowner payback provision
  - Previous seven years of tax credits
  - Generated $1.7M prior to 2006
  - Generated $460K in 2013

- 100% Counterintuitive
  - Land **leaving** farmland preservation **pays for** farmland preservation
    - Operations
    - Ag Preservation Fund Board Grants

?
Program Operation Funding

- Change in landowner notification in 1996
  - Department notification
  - Seven years prior to expiration
  - Avoid repayment if no tax credits claimed

- Change apparent 10 years later
  - Revenues drop
Program Operation Funding

- Insufficient funds to continue daily operations
  - October 1, 2013, PA 116 staff reduced from 8 to 3

- No funding for Agricultural Preservation Fund
Alternative Funding Options

- Increase in the Real Estate Transfer Tax
  - Currently $4.30 per $500 of value
  - (.75% designated for school education and .11% designated for county government)
  - .03% increase would generate $1.4 annually
- Require a portion of the tax credit issued be reduced by 3% as a fee for program operation
  - Would generate $1.6 million annually based on current rate of tax credits issued
- Fee for service
  - In 2012, processed 5,250 documents
    (not including non-current year extensions)
  - A fee of $325 per document would generate $1.7 million annually
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