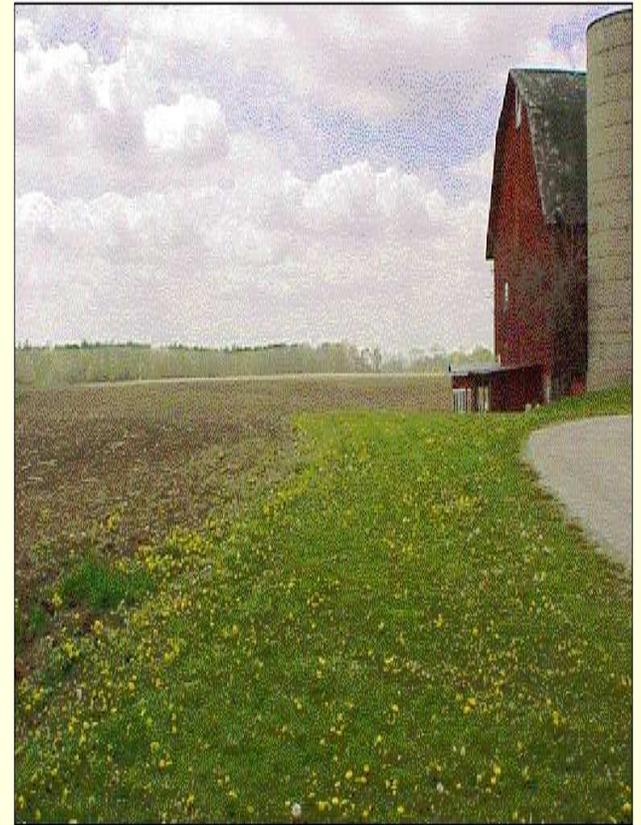


# Michigan Department of Agriculture and Rural Development

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## Farmland and Open Space Preservation (PA 116) Program Funding

**Rich Harlow**  
**Program Manager**



# Farmland and Open Space Preservation Presentation Summary

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

# Farmland and Open Space Preservation Program Areas

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- 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

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- 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?

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- 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

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- 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

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- 100% Restricted Revenue
  - Landowner payback provision
  - Previous seven years of tax credits
  - Generated \$1.7M prior to 2006
  - Was generating \$970K (2007 – 2010)
  - Generated \$460K in 2013
- 100% Counterintuitive
  - Land **leaving** farmland preservation **pays for** farmland preservation
    - Operations
    - Ag Preservation Fund Board Grants



# Program Operation Funding

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- 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

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- 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

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- 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

## Contact Information:

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