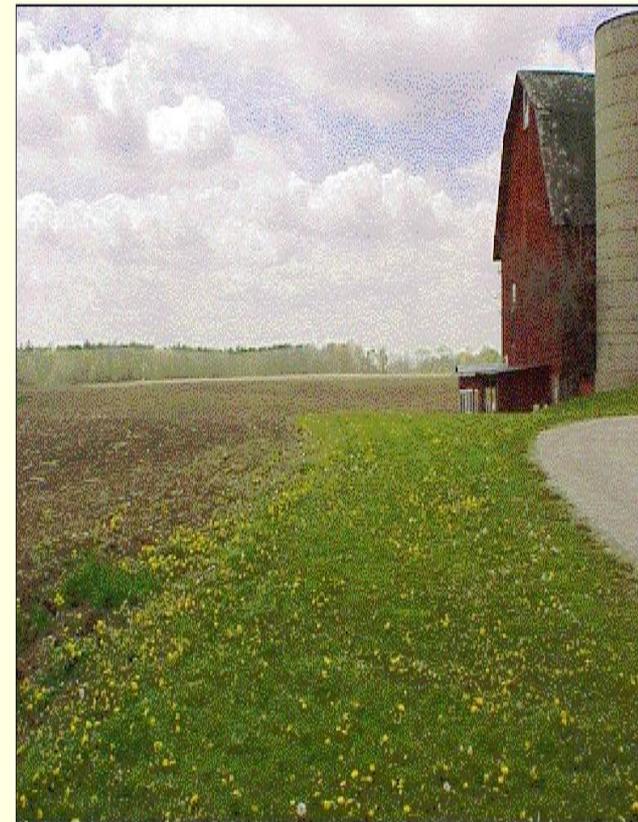


# Michigan Department of Agriculture and Rural Development

---

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

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



# Farmland and Open Space Preservation Presentation Summary

---

- Farmland Preservation Program Areas and Status
- 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
  - 23,000 acres permanently protected
- Local Open Space Easements
- Designated Open Space Easements
- Agricultural Preservation Fund
  - Grants to local governments for purchase of conservation easements (grants made for 11 parcels in 2005 and 2007)

# How Does PA116 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

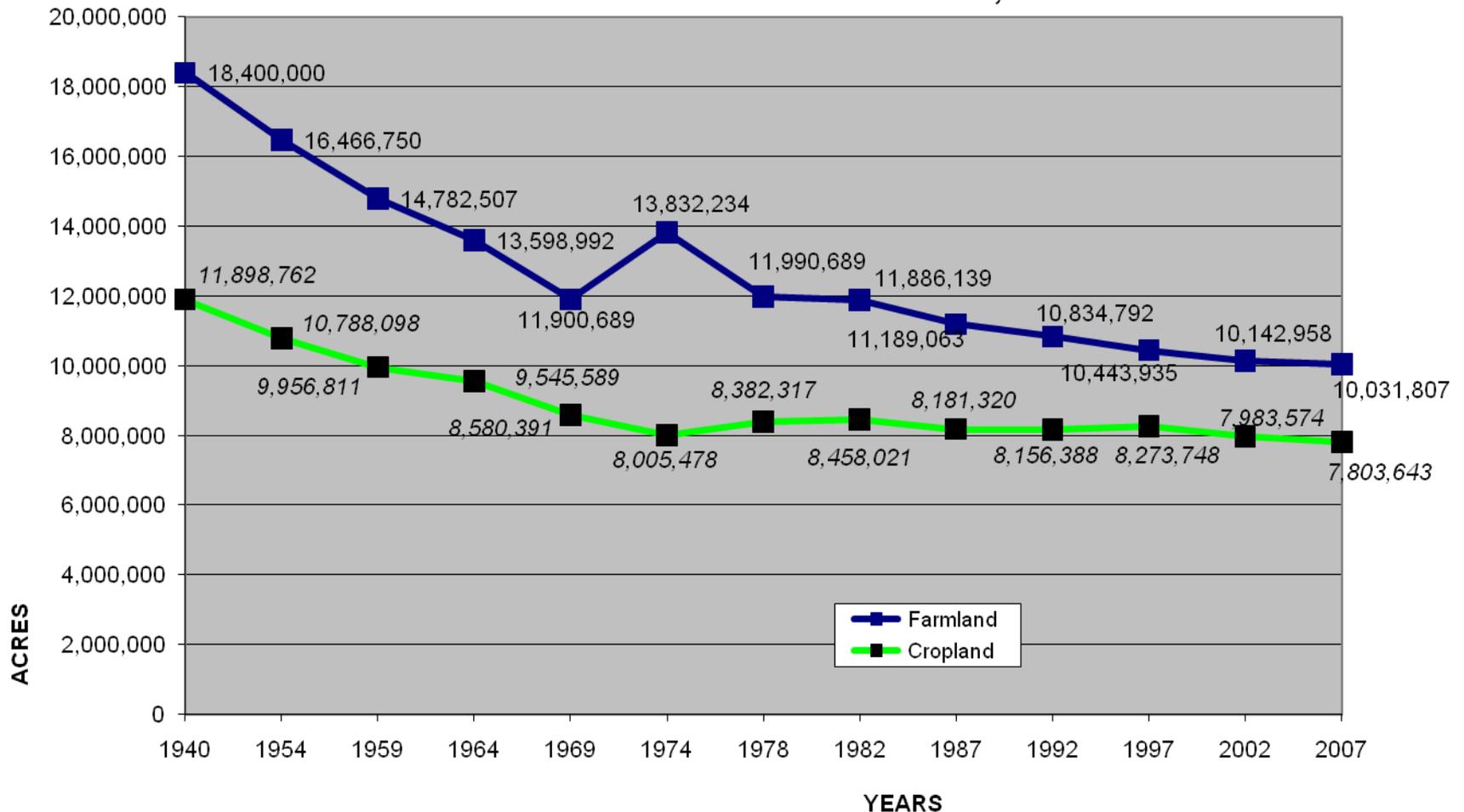
# Impact of Program

---

- 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!**

# Has The Program Been Successful in Preserving Farmland?

ACRES OF FARMLAND AND CROPLAND, MICHIGAN 1940 TO 2007



# Program Operation Funding

---

- 100% Restricted Revenue
  - Landowner payback provision
  - Previous seven years of tax credits
  - Generated \$1.7M annually 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

---

- 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

# Current Program Backlogs

- Transfers of ownership necessary for landowners to claim tax credits - 800 transfers of Agreements yet to process
  - Currently working on requests received in late August 2013.
- New Enrollments also necessary for landowners to claim tax credits 519 new applications received in 2013 – 169 yet to be reviewed. (60 day required review time)
  - Currently working on requests received on October 11, 2013.
  - In addition there are 94 applications pending review for 2014.
- Agreement extensions for 2013 . 2,600 extension requests received. 744 cases yet to process
  - Currently working on requests received on September 12, 2013.
- 2,274 extensions yet to process for 2014 expirations
- Terminations of interest needed for 420 PA 116 Agreements that expired in 2012 in order to clear title on the properties
- At least 6 months behind in imaging nearly 5,000 PA 116 Agreements, Liens, Discharges of Liens and Relinquishments further impacting provision of timely service.

# Alternative Funding Options Discussed with Stakeholder Groups

---

- 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:

---

Farmland and Open Space  
Preservation Program  
Michigan Department of Agriculture  
and Rural Development  
PO Box 30449  
Lansing, Michigan 48909  
517-284-5663

website:  
[www.michigan.gov/farmland](http://www.michigan.gov/farmland)

