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Senate Bill 1247 (Substitute S-2 as reported)
Sponsor: Senator Ken Sikkema
Committee: Farming, Agribusiness and Food Systems

CONTENT

The bill would add Part 362 (Agricultural Preservation Fund) to the Natural Resources and Environmental Protection Act (NREPA) to do the following:

- Create the Agricultural Preservation Fund, and require the Department of Agriculture to establish a grant program in order to provide grants to counties for the purchase of agricultural conservation easements.
- Provide that money in the Fund could be used for administrative costs; grants to counties and credits toward their matching funds for acquiring conservation easements; and local matching funds required for the purchase of farmland development rights.
- Create the Agricultural Preservation Fund Board to evaluate grant applications.
- Specify that a conservation easement would be held jointly by the State and a county board of commissioners.

The bill also would amend Part 361 (Farmland and Open Space Preservation) of the NREPA, which permits the State land use agency in the DNR to execute on behalf of the State a development rights agreement under which a land owner dedicates to the public the development rights for the land for an initial term of at least 10 years and for not more than 90 years. The bill would revise the definition of "state land use agency" to refer to the Department of Agriculture; provide for the acquisition of agricultural conservation easements within the current provisions on the application for development rights agreements and the selection of parcels for the State's purchase of development rights; and, permit the Department to purchase an agricultural conservation easement through an installment purchase agreement. The bill specifies that until October 1, 2000, proceeds from lien payments made under Part 361 would have to be used by the State land use agency to administer Part 361 through FY 1999-2000 to purchase development rights on farmland. Beginning on October 1, 2000, the proceeds from lien payments made under Part 361 would have to be forwarded to the proposed Agricultural Preservation Fund, and on October 1, 2000, all unspent proceeds from lien payments would have to be transferred to the Fund.

The bill is tie-barred to Senate Bill 1245, which would require that agricultural property assessments be based on agricultural use value, and Senate Bill 1246, which would create the "Agricultural Property Recapture Act" to provide for the levy of a recapture tax on qualified agricultural property that was converted from agricultural property by a change in use, and dedicate the proceeds to the Agricultural Preservation Fund. Also, the bill could not take effect unless Senate Joint Resolution M was approved by a vote of the electors and became a part of the State Constitution. (Senate Joint Resolution M proposes a constitutional amendment to provide for the assessment of agricultural property based on the lesser of a property's market value or agricultural use value, without regard to that property's highest and best use.)

Proposed MCL 324.36101 et al.

Legislative Analyst: L. Arasim

FISCAL IMPACT

The fiscal impact of this bill on State and local units of government would be threefold. First, the bill would result in the expenditure of State revenues deposited in the Agricultural Preservation Fund proposed by the bill. The primary source of revenue to the Fund would be the recapture fee established under Senate Bill 1246. At this time, the amount of revenue the Fund would receive is unknown.

Second, the Department of Agriculture would experience increased administrative costs associated with the county grant program established under the bill. In addition, there would be minimal administrative costs associated with the operations of the Agricultural Preservation Fund Board created within the Department. Under the bill, up to \$700,000 annually could be appropriated to the Department of Agriculture from the Agricultural Preservation Fund to cover the administrative costs resulting from the bill and the administrative costs associated with the "PA 116" purchase of development rights program (PDR). Should deposits to the Fund exceed \$8.75 million in any given fiscal year, up to 8% could be appropriated for administrative costs. Currently, the administrative costs of the PA 116 program are approximately \$600,000. (Note: Under current law the Department of Natural Resources is responsible for administering the PA 116 program. As currently written, it appears that Senate Bill 1247 contemplates the Department of Agriculture administering the program.)

Finally, counties would realize additional revenue resulting from grants received from the Agricultural Preservation Fund for the purchase of agricultural easements. Counties would be eligible to receive a grant for up to 75% of the purchase price of an agricultural conservation easement. Grants would require at least a 25% local match. (Note: The Agricultural Preservation Fund Board could establish the maximum amount per acre for the purchase of agricultural conservation easements.) The local fiscal impact is unknown, but would be contingent upon the number of counties applying for and receiving grants.

Counties also could receive additional revenue from the Agricultural Preservation Fund to apply toward the local match requirement for a grant from the Natural Resources Trust Fund to purchase development rights on farmland. The fiscal impact of this provision is unknown, but would be contingent upon the number of counties receiving grants.

Date Completed: 5-22-00

Fiscal Analyst: C. Thiel

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.