

Fiscal Estimate Narratives

DATCP 3/4/2021

LRB Number	21-1689/1	Introduction Number	SB-068	Estimate Type	Original
Description farmland preservation implementation grants, agreements, and tax credits and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill makes the following changes involving farmland preservation (FPP) implementation grants and agreements and farmland preservation tax credits:

1. Decreases the minimum required length of a farmland preservation agreement between the Department of Agriculture, Trade and Consumer Protection (DATCP) and a farmland owner to 10 years from 15 years.
2. Requires DATCP to include in a report submitted to the Board of Agriculture, Trade and Consumer Protection, the Joint Committee on Finance, the standing committees of the legislature with jurisdiction over agriculture, the Department of Revenue, and the Department of Administration a review of the tax credit amounts for qualifying acres for the farmland preservation tax credit and recommendations for the tax credit levels for qualifying acres of farmland.
3. Under the farmland preservation tax credit, increases from \$7.50 to \$10.00 the amount that may be claimed, per qualifying acre, for qualifying acres that are located in a farmland preservation zoning district but are not subject to a farmland preservation agreement.
4. Under the farmland preservation tax credit, increases from \$5.00 to \$10.00 the amount that may be claimed, per qualifying acre, for qualifying acres that are subject to a farmland preservation agreement but not located in a farmland preservation zoning district.
5. Under the farmland preservation tax credit, increases from \$10.00 to \$12.50 the amount that may be claimed, per qualifying acre, for qualifying acres that are located in a farmland preservation zoning district and are subject to a farmland preservation agreement.
6. Adds a new category of farmland that qualifies for the farmland preservation tax credit. A credit of \$10 per acre may be claimed for farmland that is located in a farmland preservation area, but only to the extent that the acres are covered by an agriculture conservation easement.
7. Authorizes DATCP to award grants to cities, villages, towns, counties, regional planning commissions, and tribal governments for various purposes related to implementing a county's certified farmland preservation plan. Under the bill, DATCP must enter into a contract with a grant recipient before distributing grant funds, and the contract must identify costs eligible for reimbursement through the grant for the following activities: 1) certifying a farmland preservation zoning ordinance for the first time; 2) enrolling land in farmland preservation agreements; 3) designating an agricultural enterprise area or facilitating agricultural preservation and development; 4) monitoring compliance with land and water conservation standards; and 5) farmland preservation program outreach. The bill also indexes the farmland preservation tax credit dollar amounts described above for inflation.

This bill will increase state costs. The increased tax credit rates will apply to those currently in the program and may be attractive to potential new participants. Additionally, the bill may encourage new agreements as a result of the shorter agreement length. This will require additional staff time to administer. Finally, the bill will require staff to administer implementation grants to counties which DATCP may require a recipient to contribute matching funds up to 50% of the grant award.. The planning grants come from an existing appropriation so there are no new costs associated with the program.

This bill will likely increase local government costs, which may be partially offset by the implementation grants. If additional participants join the FPP as a result of the bill, county staff will have additional work to complete FPP agreements and verification of soil and water conservation standards. While this work will be shared throughout the state, areas eligible for farmland preservation zoning that were not participating previously are likely to see an increase in workload if they choose to certify their zoning ordinance.

Long-Range Fiscal Implications

Long-term, this bill will increase state costs as the tax credit will be indexed to inflation. In addition, if higher tax credits are available, more participants may join FPP, which will increase work in the county conservation departments. However, it is indeterminate if the credits in this bill are high enough to incentivize participation in

the program in such a manner that DATCP and the counties will not be able to absorb the workload.