

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4236-01
BILL NO.: HB-1811
SUBJECT: Agriculture: Farmland Preservation
TYPE: Original
DATE: February 29, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Blind Pension Trust	\$0 to (unknown)	\$0 to (unknown)	\$0 to (unknown)
Total Estimated Net Effect on <u>All</u> State Funds	\$0 to (unknown)	\$0 to (unknown)	\$0 to (unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0 to (unknown)	\$0 to (unknown)	\$0 to (unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **State Tax Commission** assume that this proposal would place eligible land into a special category of farmland preservation, and would require assessors to lower the land one grade when assessing. Officials assume this would affect few parcels of land, but could be significant if a number of farms in one area were included. Officials assume no fiscal impact to the State Tax Commission.

Department of Natural Resources officials stated that currently, the department's soil and water coordinators assist the districts in their normal activities. The department assumes this would add an activity for which we would lend assistance to the districts. Currently, the department does not anticipate the need for additional resources as a result of this proposal. However, if the increased workload from this proposal exceeds our expectations, then the department may need to request additional resources.

The proposed legislation allows the state or political subdivisions to hold water and sewer assessments in abeyance until improvements on such property enrolled in a farmland preservation agreement are connected to the system. The department assumes that if enough landowners opt to enter into a farmland preservation agreement and are eligible for the tax abatement, then the ability of the water or sewer district to make payment on a loan back to the department may be in jeopardy. If the district defaults on the loan, then the department would have to start default proceeding. The impact of this may be adverse to the program's bond rating. In addition, the districts may potentially have a more difficult time accessing future financial opportunities.

Officials of the **Department of Revenue** assume no fiscal impact to their department, however, officials assume that the potential would exist for some loss of revenue to the Blind Pension Trust Fund. Officials assume any loss to that fund would be insignificant.

Officials of the **Department of Economic Development** assume no fiscal impact.

Officials of the **Department of Agriculture** assume their only duties would be consultations provided for in Section 64.1014 and would serve as the official repository for ordinances and reports, therefore, officials assume no fiscal impact.

Department of Conservation officials assume no fiscal impact.

The **Platte County Assessor** assumes this proposal is permissive and would have the potential to decrease revenue to local districts. Officials assume fiscal impact to be minimal.

The **Holt County Commission** assumes that this proposal would decrease revenue and would have fiscal impact. Officials did not estimate the amount of fiscal impact.

Oversight assumes this proposal is permissive and would have no fiscal impact unless the county commission or 3% of the voters in the previous gubernatorial election would petition the county commission to establish a Farmland Preservation program.

Oversight is not able to estimate the number of counties that would establish a Farmland Preservation program, and will show loss of revenue to local governments as \$0 to (unknown). Political Subdivisions that run property tax levies would be affected by this proposal.

Oversight will show the loss of income to the Blind Pension Trust Fund as \$0 to (unknown).

Oversight would not expect the loss of revenue realized from lowering certain farmland one grade level to be significant. The amount of loss of income would be dependent upon the number of counties that would establish a Farm Preservation Program, and the number of farms that would enter into the program, as well as their current assessment grade status.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
BLIND PENSION TRUST FUND			
<u>Potential Loss of Income</u>	\$0	\$0	\$0
from lowering land values	to	to	to
for assessment purposes	(unknown)	(unknown)	(unknown)

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
LOCAL GOVERNMENTS			
<u>Potential Loss of Income</u>	\$0	\$0	\$0
from lowering land values	to	to	to
for assessment purposes	(unknown)	(unknown)	(unknown)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill allows any county to establish by ordinance a farmland preservation program.

In order for farmland to qualify, it must be real property that:

- (1) Is certified by the Natural Resources Conservation Service of the United States Department of Agriculture as being a farm on which 2/3 of the land is best suited for farming activities, soil quality is appropriate for crops common to the county in which the farm is located, and at least 2/3 of the farmland has been in production for the previous 5 years;
- (2) Is managed in accordance with the Natural Resources Conservation Service defined erosion control practices; and
- (3) Is subject to a conservation agreement between the soil and water conservation district board and the owner of the land that prohibits nonfarm use for 10 years, except for creation of not more than 3 lots that meet applicable county zoning.

By written notice to the county, the landowner may revoke the farmland preservation agreement. If the landowner breaches the terms of the farmland preservation agreement, any tax is to be repaid with interest and penalties.

Voluntary farmland preservation districts are to consist of the number of contiguous acres of qualifying farmland or the number of qualifying farms deemed appropriate by the county soil and water conservation district board.

The purpose of a voluntary farmland preservation district is to protect agricultural, horticultural, and forestry land; promote continued economic viability; promote quality of life; and protect farmlands which are properly managed from negative impacts.

The county assessor in the county in which the farmland preservation district exists is to grade land in the program at one grade lower than ordinarily assessed, as long as the land retains qualifying status.

The state or any political subdivision is to hold sewer or water assessments in abeyance, until improvements on such property are connected to the sewer or water system.

The county soil and water conservation board is to submit to the Director of the Department of Agriculture, at least once a year, a written report on the status and activities of the county farmland preservation district.

Property in the farmland preservation district may not be taken by eminent domain unless 2/3 of the soil and water conservation district board vote to support the taking.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Conservation
Department of Agriculture
Department of Revenue
Department of Economic Development
Department of Natural Resources
Department of Conservation
Missouri State Tax Commission
Holt County Commission
Platte County Commission

NOT RESPONDING:

The County Commissions of: Atchison, Daviess, Linn, Chariton, Marion, Lewis, Pike, Ste. Genevieve, Mississippi, St. Charles, and St. Louis Counties, and the Assessors of: Callaway, Boone, St. Charles, Saline, Atchison, Mississippi, Franklin, Marion, Shannon, and Pulaski Counties.



Jeanne Jarrett, CPA
Director
February 29, 2000