

**A REVIEW OF RECENT STRATEGIES
USED FOR THE
PRESERVATION OF FARMLAND**



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February 1986

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Introduction

In the span of twenty five years, some type of farmland protection program has been enacted in every state. The widespread adoption of such programs has come despite criticisms about government intervention in the market place (the notion that the most efficient allocation of resources will be arrived at by an unfettered market system) and the fact that agriculture in the United States has been historically plagued by "farm" rather than "food" problems (characterized by surplus production and depressed prices rather than food shortages).

The first generation of protection programs, in the main, provided tax incentives (typically use value assessment for property and estate tax purposes) to landowners engaged in agricultural enterprises. The second generation of programs were designed to create an environment suited to agriculture, and featured the establishment of agricultural districts with the attendant protection from nuisance suits brought by non-farming neighbors, government regulation, eminent domain takings, and special assessments for development related improvements. Beginning in the mid 1970's, more direct preservation techniques began to surface. The most common of these techniques is the purchase of development rights by state and local governments. Less common are the transfer of development rights, land banking, and agricultural zoning programs. As evidenced by Table 1, many states have some combination of protection programs, and include local as well as state enactments.

This report explores some of the more direct preservation programs recently enacted in other states, especially in the northeast. To add some sense of perspective, a brief sketch of 20th century land use trends in New York and recent regional data on land use in the United States precede the information on recent preservation strategies.

Table 1: Current State Farmland Protection Activities

	Right to Farm Law	Tax Relief-Prof/Diff.	Purch. of Dev. Rights	Trans Dev. Rights	Ag Districting	Ag Zoning	Gov. Executive Order
X Activities of State Ag Dept's							
+ Activities of Other State and Local Agencies							
* Legislative Equivalent							
Alabama	X	X					
* Alaska		X					
* Arizona	X	X					
Arkansas	X	X					
* California	X	X			+	+	
Colorado	X	+				+	
* Connecticut	X	X	X/+				*
* Delaware	+	+					X/*
* Florida	X	X		+			
Georgia	X	X					X
Hawaii	X	X			+	X	
Idaho	X	X				+	
Illinois	X	X			X	+	X/*
Indiana	+	+				+	
+ Iowa	+	+			+	+	
Kansas	+					+	
* Kentucky	+	+			X		X/*
Louisiana		+					
Maine	X	X				+	
Maryland	X	X	X/+	+	X	+	X
Massachusetts	X	X	X				+
Michigan	X	X				X	
* Minnesota	+	+			X	+	*
Mississippi	+	X					
Missouri	X	X					
Montana	X	X					
* Nebraska	+	+				+	
Nevada		X					
+ New Hampshire	X	X	X/+				
+ New Jersey	X	X	X/+	+	X	+	
New Mexico	X	+					
+ New York	X	X	+		X	+	
+ North Carolina	X	X	+		+		+
North Dakota	X	+				+	
Ohio	+	+			X		
Oklahoma	X	X					
Oregon	X	X				X	
Pennsylvania	X	X	+		X	+	X
Rhode Island	X	X	X				
South Carolina	X	X					
South Dakota		+				+	
Tennessee	+	+					
Texas	+	+					
Utah	+	X				+	
+ Vermont	X	X	+				X
+ Virginia	X	X		+	X	+	*
Washington	X	X	+	+		+	X
West Virginia	+	+	+				
Wisconsin	X	X				X	
Wyoming		X				+	

* States amending or passing new protection laws in '84
+ New local farmland protection initiatives

RIGHT-TO-FARM LAWS Protect the farmer/rancher from certain legal actions against normally accepted farming practices.

TAX RELIEF-PREFERENTIAL/DIFFERENTIAL Allows farmland property to be assessed at its current ag use value rather than at its market value.

PURCHASE OF DEVELOPMENT RIGHTS (PDR) State and local govts. may purchase the development rights of farmland by paying the owner the difference between the market value and farm-use value of the land. Land owners retain all other property rights.

TRANSFER OF DEVELOPMENT RIGHTS (TDR) Local jurisdictions designate "receiving" and "sending" areas. Developers in receiving areas can increase density of development by purchasing development rights from farmers whose property is located in the sending area. All transactions are handled privately.

AG DISTRICTING One or more farmers organize districts of ag land as legally recognized geographic areas. In exchange for keeping land in the district for a specified number of years, farmers receive benefits such as protection from annexation.

AG ZONING Approximately 300 jurisdictions use one of two types of programs: "Exclusive" or "Non-Exclusive" ag zoning. Both allow and restrict various activities within the zone.

GOVERNOR'S EXECUTIVE ORDER Governor's policy which usually declares the importance of agriculture to the state; addresses the rate of ag land loss, and orders state agencies to mitigate farmland converting activities.

Source:

NASDA Research Foundation Farmland Project
1616 H St, NW, Washington, DC 20006
202-628-1566

JANUARY 1985

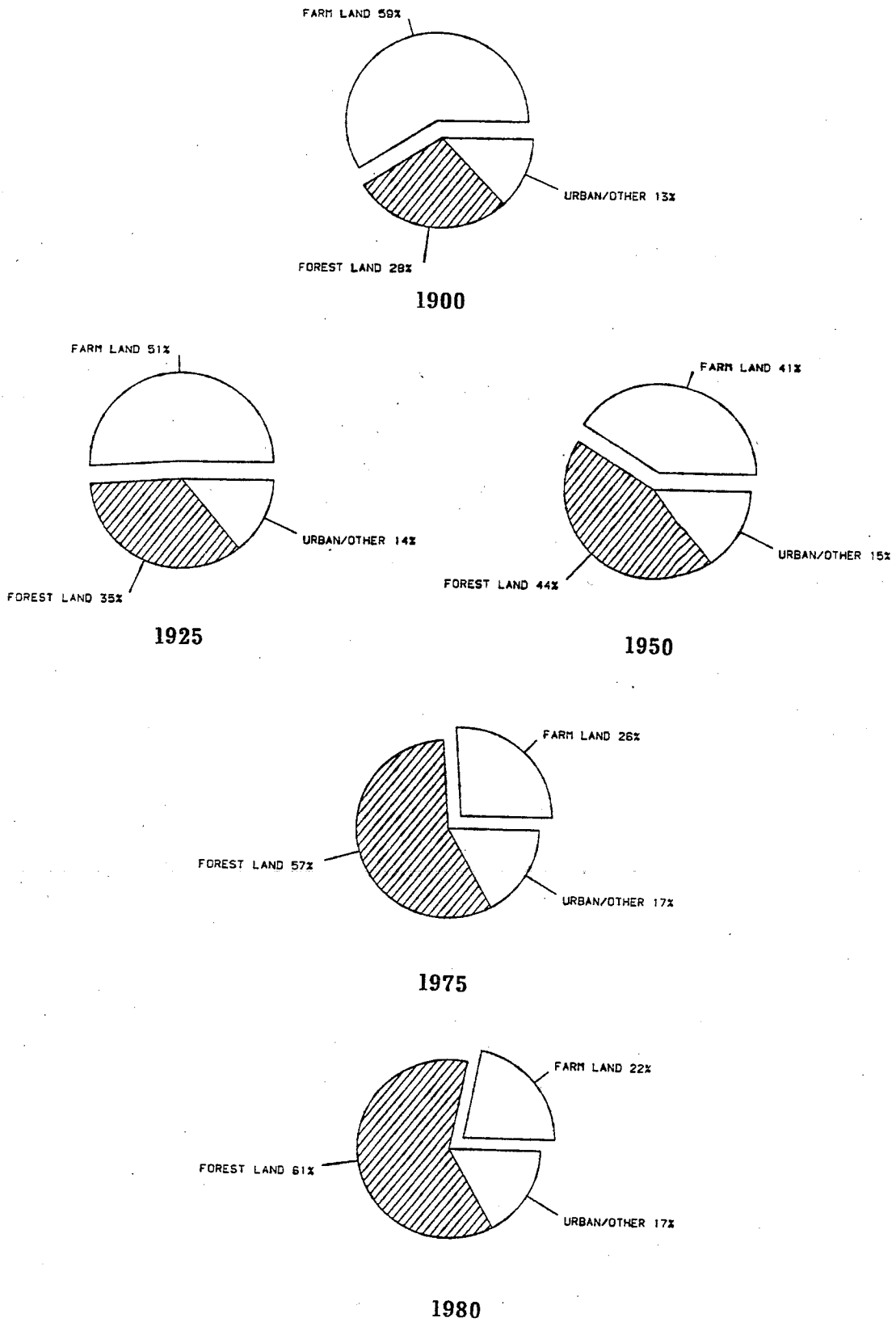
Background

There have been tremendous shifts of land out of agriculture in New York in this century. However, these shifts have apparently had little to do with expanding urban pressures. Figure 1 shows the percentage of total New York land area devoted to the two major uses of land, agriculture and forestry, for selected years between 1900 and 1980. Whereas in 1900 agricultural use accounted for nearly 60% of the State's land area, as of 1980 only 22% of the area remained in agriculture. Conversely, forest land has gone from 28% to 61% of the state's land area in the same period of time. All other uses of land, including urban and built-up areas, have experienced the least change during this period -- increasing from 13% to 17% of the total.

The reasons behind this dramatic shift between agricultural and forest uses are primarily economic. Early in the century farming became more mechanized, which favored larger, level farms. In New York, as in other eastern states, farms tended to be small and situated on rolling and sometimes steep terrain. These farms were at a disadvantage compared to the farms of the midwest. At the same time, expanding industrial activity created jobs that often were attractive compared to the demanding alternative of working the land. As farms were abandoned, the land reverted back to forest. The abandonment escalated during the Depression, and has continued (though at lower levels) to the present.

Several factors have contributed to the continued abandonment of farmland. Among the most significant is the tremendous increase in agricultural productivity that has occurred in the post-war era. The development of new cropping techniques, artificial fertilizers, pesticides, irrigation and drainage projects, artificial breeding of highly productive livestock, and increased mechanization have all led to greatly expanded agricultural output. In other words, capital has increasingly been substituted for land and labor in the mix of production factors employed on the farm. The adoption of capital intensive technology can only be justified on farms large enough to absorb the cost -- once again putting farms of the midwest at a competitive advantage over their eastern counterparts.

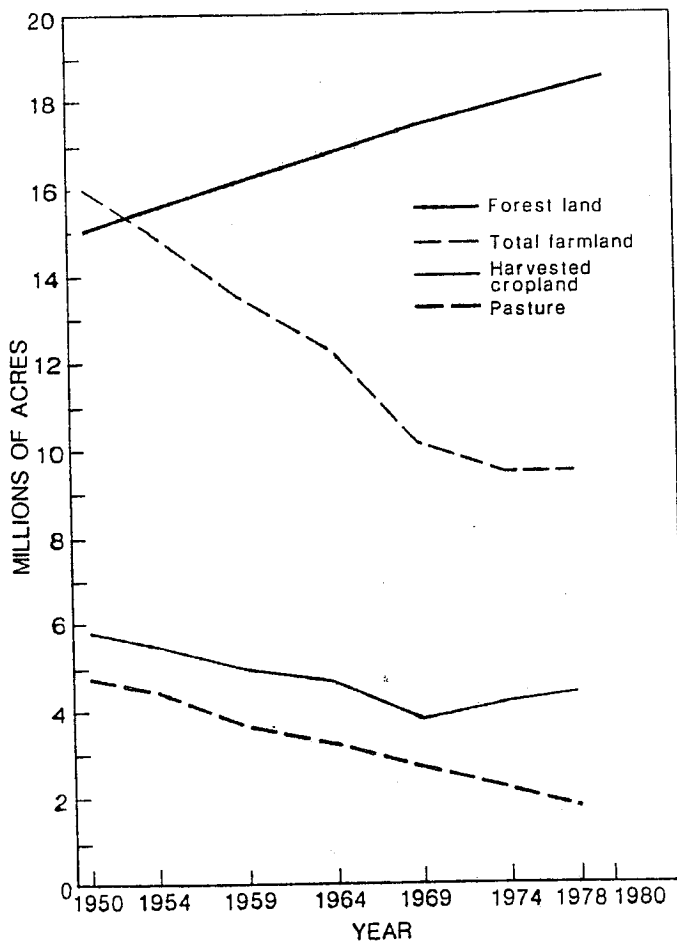
Figure 1: Major Uses of Land in New York State, 1900-1980



Source: U.S. Census of Agriculture; USDA Economic Research Service, and Forest Service.

The analysis of the declining farmland situation in New York can be broken down further. Figure 2 shows the decline in overall farmland as well as two of its component parts: harvested cropland and pasture. The decline has been most rapid on pastured lands indicative of the economics of dairy farming in New York State. Harvested cropland has been more static, showing an increase in the years since 1969.

Figure 2: Agriculture and Forest Land Use Trends, 1950-1980



Source:

USDA - Forest Service, An Analysis of New York's Timber Resources, Resource Bulletin NE-80, 1984.

Table 2 shows similar information for eight regions of the State between the years 1950 and 1980. Only three of the regions depart significantly from the statewide

Table 2: Regional Breakdown of Major Land Uses, 1950-1980

Region	Total Land Area	Land Use	Percentage of Region Total Land Area		
			1950	1968 ¹	1980 ²
Lake Plain	6,044,600	Land in farms (excluding woodlands)	62.0	42.5	39.9
		-Harvested Cropland	(33.0)	(23.2)	(28.7)
		Forest land ³	21.8	30.8	36.3
		-Commercial	(21.7)	(30.0)	(35.8)
		Other Uses ⁴	16.2	26.7	23.8
South West Highlands	3,107,800	Land in farms (excluding woodlands)	49.6	31.1	27.8
		-Harvested Cropland	(20.2)	(13.9)	(15.5)
		Forest land	43.1	55.6	57.6
		-Commercial	(41.5)	(53.7)	(55.7)
		Other Uses	7.3	13.3	14.6
South Central Highlands	4,048,700	Land in farms (excluding woodlands)	52.2	31.8	27.1
		-Harvested Cropland	(20.4)	(13.0)	(14.5)
		Forest land	42.9	54.6	60.9
		-Commercial	(41.9)	(52.9)	(59.7)
		Other Uses	4.9	13.6	12.0
St. Lawrence--N. Adirondack	4,348,900	Land in farms (excluding woodlands)	37.9	24.5	21.3
		-Harvested Cropland	(17.4)	(10.8)	(11.5)
		Forest land	58.3	66.4	68.0
		-Commercial	(50.2)	(57.5)	(59.8)
		Other Uses	3.8	9.1	10.7
W. Adirondack	2,846,000	Land in farms (excluding woodlands)	33.1	21.8	20.7
		-Harvested Cropland	(14.0)	(9.9)	(7.0)
		Forest land	59.6	67.3	69.6
		-Commercial	(48.1)	(51.7)	(54.6)
		Other Uses	7.3	10.9	9.7
E. Adirondack	2,844,800	Land in farms (excluding woodlands)	4.6	1.7	1.5
		-Harvested Cropland	(1.8)	(1.2)	(0.9)
		Forest land	93.7	93.3	90.9
		-Commercial	(48.6)	(45.2)	(44.6)
		Other Uses	1.7	5.0	7.6
Capitol District	2,627,100	Land in farms (excluding woodlands)	44.6	28.2	26.7
		-Harvested Cropland	(20.4)	(14.0)	(16.4)
		Forest land	43.0	49.7	54.8
		-Commercial	(41.7)	(48.3)	(53.1)
		Other Uses	12.4	22.1	18.5
Catskill -- Lower Hudson ⁵	4,366,700	Land in farms (excluding woodlands)	28.8	15.2	12.8
		-Harvested Cropland	(13.4)	(7.6)	(7.5)
		Forest land	58.9	57.8	59.1
		-Commercial	(52.5)	(51.8)	(52.1)
		Other Uses	12.3	27.0	28.1

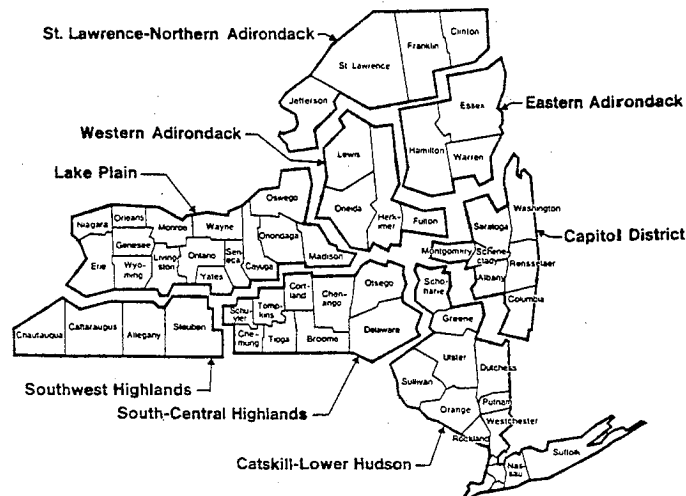
¹ Agricultural data is from the 1969 Census of Agriculture.

² Agricultural data is from the 1982 Census of Agriculture.

³ Excludes Christmas tree plantations, and unproductive and urban forests as defined by the USDA Forest Service. Such lands accounted for 513,400 acres statewide in 1980.

⁴ This includes all other uses of land of which urban and built-up land, estimated at 1.8 million acres in 1982, account for approximately 6% of the State's land area.

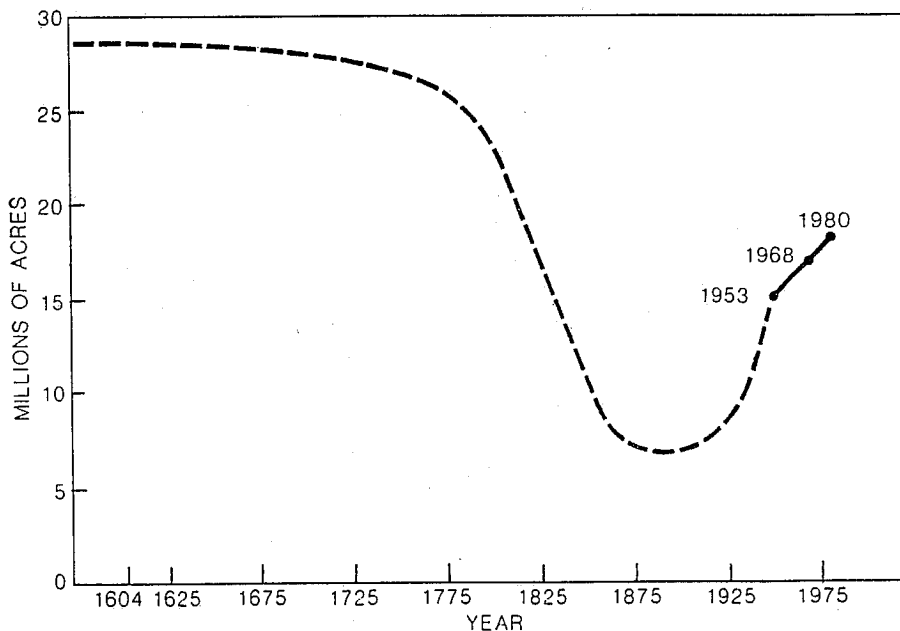
⁵ Excludes New York City and Nassau County.



Source: U.S. Census of Agriculture, and USDA Forest Service.

characteristics. The Lake Plain region is still primarily in agricultural use, though forest land in this region has increased at the highest rate of any of the regions during this period. The Eastern Adirondack region, which includes a large part of the Forest Preserve, is almost entirely forested. And the Catskill/Lower Hudson region, while being primarily forested, shows almost 30% of its land area being neither agricultural nor productive forest. Overall, the land use trend for New York in the 20th century can be summarized by farmland abandonment and forest recovery. One additional graph, figure 3, shows this trend from the forest perspective, adding a broader historical background. After numerous years of clearing the land for timber, settlement, and cultivation, forest acreage in New York reached a low of about 25% of the state's land area. This situation triggered the establishment of the Forest Preserve in 1885. Ever since, the State's forested acreage has increased.

Figure 3: Changes in Forested Land Area



Source: USDA - Forest Service, An Analysis of New York's Timber Resources, Resource Bulletin NE-80, 1984.

Because an analysis of other states preservation programs will follow, information on land utilization in the United States by region is shown in Table 3. The breakdown in New York parallels the northeast, as well as the remaining regions which make up the east as of 1982. These regions feature less than 30% of their land areas in agricultural use as compared to the national average of approximately 50%. The northeast is particularly deficient in this regard, with only about 17% of its land area in agricultural use. It is therefore no coincidence that states in this region have been most interested in developing preservation programs.

Table 3: Major Uses of Land, By Region, Preliminary 1982

<u>Region</u>	<u>Cropland¹</u>	<u>Grassland Pasture and Range</u>	<u>Forest Land</u>	<u>Other Land</u>
New York	19.4%	2.7%	61.0%	16.9%
Northeast	15.1	2.3	65.0	17.6
Appalachian	24.8	5.1	58.5	11.6
Southeast	17.0	8.6	60.0	14.4
Lake States	36.8	4.4	41.1	17.7
Corn Belt	61.2	7.8	17.2	13.8
Delta States	27.5	8.0	52.3	12.2
Southern Plains	26.1	57.5	9.9	6.5
Northern Plains	56.1	35.0	2.2	6.7
Mountain	8.1	55.5	25.1	11.3
Pacific	12.4	25.7	45.2	16.7
48 States	25.0	31.2	31.7	12.1
United States	20.9	26.2	31.8	21.0

¹ Includes cropland used only for pasture.

Source: USDA-Economic Research Service, Major Uses of land in the United States: Preliminary Estimates for 1982.

Farmland Preservation Techniques: A Look At Other States

Looking back at Table 1, it is clear that the most common form of farmland protection program among the states is the provision of preferential taxation for agricultural land. While the means employed to arrive at a taxable agricultural value differ, the differences are such that further elaboration is not warranted here. Instead attention will be focused on more recent enactments involving substantially different techniques. A few of these involve tax mechanisms, but most involve the permanent removal of development rights from selected agricultural properties.

A specific form of capital gains taxation is used in Connecticut and Vermont to discourage certain kinds of real estate transactions. For example in Vermont, the state levies a percentage tax on profits from the sale of land held for less than six years. The program is designed to protect open space (not specifically farmland) by discouraging speculation and multiple sale of such property for development. The rate levied is a function of the holding period and percentage of gain as shown below:

<u>Holding Period</u>	<u>Tax as a Percent of Gain</u>		
	<u>10-99%</u>	<u>100-199%</u>	<u>200% or more</u>
Less than 1 Year	30%	45%	60%
1 to 2 years	25	37.5	50
2 to 3 years	20	30	40
3 to 4 years	15	22.5	30
4 to 5 years	10	15	20
5 to 6 years	5	7.5	10

The tax is not applicable to parcels of ten acres or less if they are principal residences of buyers or sellers.

Wisconsin and Michigan both use property tax relief to protect farmland, but the relief comes through a "circuit-breaker" mechanism. That is, property taxes in excess of a certain base amount are credited to state income taxes due (Michigan also allows the credit to be taken against the business tax at the owner's option). The programs are intended to relieve

low and moderate income farm families of excessive property taxes. Both states require restrictive land use arrangements in exchange for the credits received, however, the techniques used differ.

In Michigan, under the 1974 "Farmland and Open Space Preservation Act," farmers may enter into an agreement with state or local governments to keep their land in agriculture for a period of ten years. The agreement states that no structure be built, land improvements made, or interests in the land sold that would substantially hinder farm operations. In exchange the landowner receives a credit equal to the amount of property taxes (attributable to land, farm structures, and homestead) in excess of 7 percent of the household income. If the credit exceeds the taxes due, the landowner receives the excess. The landowner is liable for credits received plus interest if the agreement is violated.

Enrollment in the Michigan program now stands at about 4.1 million acres. In the 1984 tax year, a total of \$64 million in state income taxes was credited to approximately 20,000 farm landowners participating in the program.

The Wisconsin program, enacted in 1977, was implemented in two phases. The initial phase depended upon landowners to commit their land to agriculture in return for an income tax credit determined by formula. Beginning in 1982, under the permanent phase of the program, the initial contracts with landowners expired and the emphasis shifted toward preservation at the local government level through the enactment of agricultural zoning and planning programs. While the implementation of such programs is voluntary, the eligibility of, and level of credit available to, farm landowners is affected by the type of programs enacted by local governments. For instance, properties located in urban counties (having a population density of 100 or more persons per square mile) must be covered by exclusive agricultural zoning before they qualify for tax credits.

The potential credit available for eligible landowners is dependant upon the property taxes paid and the income of the farm household. The maximum potential credit available is

\$4,200. The actual credit received, however, depends on the contract, zoning, or planning provisions applicable to a property. The actual credit will equal the potential credit only if the property is in a county with both exclusive agricultural zoning and an agricultural preservation plan. Properties qualifying for the program under various combinations of county planning, town zoning, and individual commitments receive only 70 percent of the potential credit. The standards to be contained in an exclusive agricultural zoning ordinance include minimum parcel sizes of 35 acres and prohibition of non-agricultural buildings or improvements. The objective of preservation plans is to identify farmland to be preserved, special environmental areas, and transition areas suitable for future development. The delineation of preservation or transition areas in the plan control the eligibility of farmland for individual preservation commitments and subsequent tax credits. In addition agricultural preservation plans must enumerate specific public actions designed to preserve agricultural lands and guide urban growth.

The Wisconsin program has experienced rapid growth in participation. In fiscal year 1977-78, the program cost the State \$632,489. An estimate made for 1984-85 put the cost of the program at \$26,100,000. As of November 1984, exclusive agricultural zoning ordinances had been enacted by local governments in 34 counties, and 65 counties had adopted agricultural preservation plans.

Programs designed to permanently remove the development rights from agricultural properties fit into two general categories -- involving either public regulation of land use or public purchase of property rights. Programs of the first kind are most appropriate at the local level because of the need for extensive planning and control. Examples include transfer of development rights and exclusive agricultural zoning. Programs of the second kind are more feasible at the state level because of the need for substantial funding. Examples of these include land banking (fee simple purchase of property) and purchase of development rights programs. Of all of these direct preservation techniques, the one most commonly practiced by state governments is the purchase of development rights.

The first purchase of development rights (PDR) program was enacted in 1972 in Suffolk County, New York. Since that time, six states and numerous local governments have implemented PDR programs to preserve agricultural land. Basically, PDR programs rely on the severing of the right to develop from the bundle of rights that constitutes full (fee simple) ownership of the land. The right to develop is then purchased from the landowner, resulting in an encumbrance on the property in perpetuity. The landowner is free to use the land in agriculture, but unable to develop the land to a more intensive use.

Table 4 summarizes some basic information on the experience of the six states which have purchased farmland development rights. It is interesting to note that all of these states are situated in the northeastern United States. To date, approximately 67 million dollars has been spent to acquire the development rights to 436 farms encompassing nearly 60,000 acres of farmland. This works out to an average cost of \$153,481 per farm or \$1,116 per acre, while the average farm size involved is 138 acres. Two states, Maryland and Massachusetts accounted for approximately 90% of the acquisition activity to date, but New Jersey and Rhode Island programs just got underway in 1985. Participation in PDR programs thus far has been entirely voluntary -- with landowners offering to sell their development rights and agreeing to the terms of the sale. Another interesting feature of these programs is that there is a passage of usually three years between the time of program enactment and final implementation. In New Jersey a bond issue was passed in 1981, implementing legislation was passed in 1983, and the first acquisition was made in 1985.

The procedure instituted to operate the programs is basically the same in each of the states. The general procedure used can be outlined as follows:

1. Landowners file an application with either state or local government.
2. Applications are screened.
 - a. determine eligibility of applicant
 - b. collection of data on eligible parcels
 - c. eligible parcels ranked using selection criteria
3. Value of development rights determined (typically the difference between market and agricultural value).

4. Negotiation with landowner.
 - a. sale price
 - b. specifics of restrictions
 - c. exact acreage subject to restrictions
5. Closing the deal.

Furthermore, oversight of the PDR programs is generally vested in a State Commission made up of both government officials (typically agency heads) and gubernatorial appointees (typically includes a specified number of farm owner/operators). The New Jersey and Maryland programs also call for the establishment of county commissions. Full time staffing requirements are minimal. Even the most active state, Maryland, is operating with just three full time people. There is considerable variation, however, in the measures adopted to qualify and select properties, limit costs, and fund the programs.

Each of the PDR programs discussed apply only to farmland — which is defined to include lands of a certain size and having a certain income generating potential as evidenced by previous years. Maryland and New Jersey additionally require that parcels be located within agricultural preservation districts and agricultural development areas respectively. In New Jersey, a parcel must also be covered by an eight year commitment to agriculture before its development rights can be offered for sale. Similarly, in Maryland the land must be covered by a five year contract. Once eligibility standards are satisfied, parcels are put to a wide variety of selection tests. Connecticut and New Hampshire, for example, have worked out elaborate scoring techniques designed to arrive at objective rankings of parcels in priority order. Rhode Island uses objective scoring in its first level of evaluation, but any parcels achieving a score in excess of a specified minimum go on to a second more subjective round of evaluation which features the members of the State's Agricultural Land Preservation Commission doing on site inspections of prospective properties. New Jersey leaves the selection process, at least initially, to County Agricultural Development Boards. New Jersey state officials have resisted efforts to enact objective evaluation standards until more experience is gained with the program. The Maryland and Massachusetts systems also depend on local government involvement in determining eligibility.

Table 4: Summary of State Purchase of Development Rights Programs
October 1985

Characteristics	Connecticut		Maryland		Massachusetts		New Hampshire		New Jersey		Rhode Island	
	1978	1980	1977	1980	1977	1980	1979	1981	1981/1983	1985	1982	1985
Year of program enactment												
Year of first acquisition												
Initial Appropriation	\$ 5,050,000		2,000,000		5,000,000		3,000,000		50,000,000*		2,000,000	
Total Appropriation	\$ 27,750,000		39,761,500**		45,000,000		5,000,000		50,000,000*		4,000,000	
Source of funds	Bonds		RP Transfer Tax		Bonds		Bonds		Bonds		Bonds	
Funds expended to date	\$ 10,200,000		31,733,500		20,651,702		3,000,000		421,650***		920,000	
Number of farms covered	24		249		143		15		1		4	
Acreage covered	6,500		37,733		13,789		1,047		608		280	
Average cost per acre	\$ 1,569		841		1,498		2,865		678***		3,286	
Average cost per farm	\$ 425,000		127,444		144,417		200,000		412,650		230,000	
Average acres per farm	271		156		96		70		608		70	
Cost per acre range	\$ 750-6,000		200-3,000		391-10,000		813-6,800		--		2,500-5,400	
Stated goal of program (acres)	212,500		200,000		None		None		None		None	
Program administration	State		State/Local		State/Local		State/Local		State/Local		State	
Single most important selection criterion	Probability of Conversion		Price Ratio		Soil Quality		Ag. Suitability (Soils)		County Determined		Soil Quality	

* To be used for purchase of development rights and soil conservation grants.
 ** Represents funds appropriated up to and including fiscal year 1986.
 *** Represents state's share only (1/2 of total spent).

Source: Telephone interviews with state's PDR program staff.

As evidenced by Table 4, there is a wide range in the average per acre acquisition cost experienced by each of the states. The Maryland program has the lowest cost average, \$841, while the Rhode Island's is highest at \$3,286.* The effectiveness of the Maryland program stems from its cost conscious selection process. Landowners apply to the State Agricultural Preservation Foundation by June 1st of each year and include the price at which the development rights are being offered. The State Foundation in turn forwards a list of applications to the County Agricultural Preservation Advisory Boards for approval. A county approved list is then established by the State and appraisals of the development rights on each property are independently made. The list is then ranked according to the ratio of offering price to development rights value. The State Foundation then negotiates to purchase rights on those properties with the lowest ratio (i.e. - the best bargains). The Foundation proceeds down the list until funds are exhausted or until a ratio of one is reached, whichever comes first. Properties having ratios in excess of one are then ranked for purchase on a funds available basis according to the existence of development pressure, county recommendation, size, and productive capacity. Owners whose offers are rejected are informed of the appraised value of their development rights and encouraged to apply again in the following year. Ironically, in each of the past four years, the State of Maryland has wound up with an approved list of about 100 properties, of which 50% have been above and below a ratio of one. Furthermore, funding has run out at the point where a ratio of one is reached.

Another technique designed to contain costs is the use of cost sharing arrangements between state and local governments. Such arrangements ensure that a local need for preservation exists. The New Jersey program, for instance, limits the state's share to 50% of the total purchase cost on any project. Similarly, the Maryland program provides for a

* New Jersey's cost per acre is \$678, but this reflects only the State's share of the cost (actual cost per acre was \$1,356).

60/40 cost sharing between state and local governments (but in most cases the county's share comes from state appropriations from revenue sources earmarked for purchase of development rights). Massachusetts encourages local cost sharing, especially where parcels are high cost (near Boston) and where parcels are of local but not state significance.

All of the states but Maryland rely on the issuance of general obligation bonds to fund their PDR programs. The ease with which bond appropriations are made varies greatly among the states. Connecticut and Massachusetts already have approval to spend up to \$22,750,000 and \$45,000,000 respectively. New Hampshire and Rhode Island on the other hand have experienced more difficulty. In New Hampshire the initial appropriation of \$3,000,000 was used up in 1983. Additional funding of \$2,000,000 was not received until 1985. Rhode Island voters approved the initial appropriation of \$2,000,000 in 1982 by a wide margin. Additional funding of \$2,000,000 was placed on the ballot in 1984 as part of a multi-purpose preservation package -- it was voted down. \$2,000,000 was on the ballot again in 1985, but passed overwhelmingly standing on its own. The New Jersey authorization of \$50,000,000 is to be used for soil and water conservation grants to farmers as well as the purchase of development rights. In Maryland funding for the program comes from two types of real property transfer taxes. The first accrues from a tax placed on all types of real property transactions, but only a portion of this money goes to the PDR program. The second source results from a tax placed on agricultural land sold for non-agricultural use. A positive feature of this kind of funding is that as market values and sales increase, so do revenues.

Of course the level of funding required is directly related to the degree of development pressure which exists. For example, the Suffolk County PDR program has acquired rights to approximately 6,000 acres at a cost of \$27,000,000 -- or an average of \$4,500 per acre. Likewise in Massachusetts, there is currently a project in the works that will amount to a payment of \$15,000 per acre for a portion of a Boston area farm.

PDR programs have been proposed in several more states. The proposed PDR program in Pennsylvania would allow development rights purchases for terms of at least 25 years or in perpetuity. The proposal provides that the cost of a term purchase cannot exceed 1/10 of the cost of purchasing rights in perpetuity. The idea for term purchase came from the "Deed Restriction" program set up in Lancaster County, which also provides for another novel protection technique -- the county has the right of first refusal (the ability to match bonafide offers) on agricultural lands to be sold for development. The Pennsylvania proposal also includes provisions for an emergency application process for farms in dire financial straits.

To summarize, the benefits associated with PDR programs include the following:

1. Preservation is guaranteed once development rights have been purchased.
2. Farmers are able to cash in some of their property wealth without giving up the land. Thus providing an important source of operating capital.
3. A market for farmland is created absent of speculative bidding-up of values. Thus making it easier for prospective farmers to gain access to land.
4. Public expenditure for a right is less than fee simple purchase of farmland. Furthermore, the management costs of fee simple purchase are avoided.

Notwithstanding item 4 above, the major concern with PDR programs is cost. In fact, some economists have argued that it would be more sensible to pay for the reclamation of converted land as it is needed in the future, and enjoy the benefits of alternative uses of PDR funds in the present.

Conclusion

In recent years state governments have intervened to slow the conversion of farmland to non-farm uses. Clearly, the motivation to act is based on more than concerns over the availability of food. The demand for farmland retention also reflects the following desires:

1. Provision of open space.
2. Protection of state and local economies.
3. Slowing of haphazard development.

In the quest to preserve agricultural lands, new techniques have emerged in several states which differ substantially from the agricultural use value concepts. The purchase of development rights has been particularly popular in the northeast.

In New York over the past 30 years agricultural lands have decreased from 60% to 22% of the state's land area. The conversion of farmland to other purposes has resulted primarily from economic factors encouraging abandonment. The primary loss has been to forestland, which grew from 28% to 61% during this period, while other uses of land (including urban and built-up areas) grew from 13% to 17%.

The loss of farmland to forestland and urban development is not unique to New York, but common in many states, particularly in the northeast. In recent years, several states including Maryland, New Jersey, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, Michigan, and Wisconsin have taken action — over and above agricultural use value programs — to protect and preserve agricultural lands.

New York State has not followed the lead of the states cited in enacting additional programs, such as the purchase of development rights, special capital gains taxation, circuit breakers, and agricultural zoning, to further agricultural land preservation efforts. However, New York does have the advantage of reviewing the approaches utilized by the other states and determining whether such programs would be worthwhile, what they would cost, and what approach, if any, would be most appropriate.

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