NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: H.B. 1132 (Fifth Edition)

SHORT TITLE: Preserve Farmlands/Promote Small Farms

SPONSOR(S): Rep. Insko

FISCAL IMPACT

Yes () No () No Estimate Available (X)

FY 1999-00 FY 2000-01 FY 2001-02 FY 2002-03 FY 2003-04

REVENUES

General Fund * No General Fund Impact *

Local Governments * See Assumptions and Methodology *

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Participating local governments.

EFFECTIVE DATE: July 1, 2000.

BILL SUMMARY: The bill amends the Farmland Preservation Enabling Act. The bill makes county matching funds a requirement for receiving funds from the North Carolina Farmland Preservation Trust Fund. The county match requirements outlined in the legislation are as follows: 15% if the county has prepared a countywide farmland protection plan, 30% if the county has not created such a plan. Tier 1,2, and 3 counties (under the Bill Lee Act) are not required to provide any matching funds if they have prepared a countywide farmland protection plan. The bill requires that private non-profit organizations that draw Trust Fund monies must also provide a 30% match. Finally, the legislation clarifies that countywide farmland protection plans may be formulated with the assistance of an agricultural advisory board designated by the Farmland Protection Enabling Act.

BACKGROUND INFORMATION: In 1985, the General Assembly enacted the Farmland Preservation Enabling Act, authorizing counties to undertake a series of programs to encourage the preservation of qualifying farmland. Qualifying farmland is defined as real property that:

- 1) Is participating in the farm present-use-value taxation program by G.S. 105-277.2 to 277.7;
- 2) Is certified by the Soil Conservation Service of the U.S. Department of Agriculture as being a farm on which at least two-thirds of the land is composed of soils that (a) are best suited for providing food, seed, fiber, forage, timber, and oil seed crops (b) have good soil qualities (c)

- are favorable for all major crops common to the county where the land is located (d) have a favorable growing season, and (e) receive the available moisture needed to produce high yields an average eight of ten years;
- 3) Is managed in accordance with the Soil Conservation Service erosion control practices that are addressed to highly erodable land; and
- 4) Is the subject of a conservation agreement as defined in G.S. 121-35, between the county and the owner of such land that prohibits nonfarm use or development of such land for a period of at least ten years.

The variety of programs authorized by the Farmland Preservation Enabling Act include:

- 1) The creation of Voluntary Agricultural Districts to encourage and foster agricultural communities, and to increase protection from nuisance suits and other negative impacts on properly managed farms.
- 2) The creation of an Agricultural Advisory Board to review and make recommendations concerning the agricultural districts, advise county commissioners on issues affecting the agricultural community, and perform other related tasks assigned by the board of county commissioners.
- 3) Hold public hearings on the condemnation of farmland.
- 4) Waive water and sewer assessments.
- 5) Adopt county ordinances.
- 6) Purchase agricultural conservation easements.

This bill addresses the sixth of the above listed authorities created by the Farmland Preservation Enabling Act, and will become effective on July 1, 2000.

ASSUMPTIONS AND METHODOLOGY: The only potential fiscal impact of the bill relates to the potential property tax loss.

According to the North Carolina Department of Agriculture and Consumer Services, the following thirteen counties have created programs and ordinances under the North Carolina Farmland Preservation Act:

-Avery -Henderson
-Buncombe -Macon
-Cherokee -Madison
-Clay -Orange
-Durham -Rowan
-Forsyth -Wake

-Haywood

Grants from the Farmland Preservation Trust Fund were issued as follows:

	Farmland	County	Size(acres)
1	Daltonia Plantation	Iredell	198
2	Darrider farm	Rowan	81
3	Newlin-Hickory	Alamance	122
	Grove Dairy		
4	Richardson Farm	Allegheny	298
5	Blackburn Farm	Forsyth	59
6	Preston Farm	Forsyth	207
7	Green Farm	Cabarrus	317
8	Preston Farm	Forsyth	66 of 200
9	Bovender Farm	Rutherford	304 of 935
10	Theys Farm	Wake	92 of 100
11	Liberty Farms	Randolph &	444 of 458
		Chatham	
		Total	2188 acres

Under current law, no county match is needed to participate in the program. Both the Department of Agriculture and representatives of the Sierra Club and Wildlife Federation believe that no county in the state currently has a program that would qualify under the proposed legislation, although some may be considering such a direction. Both the indicated interest groups and the Department agree that there is no reliable estimate of the number of counties that may choose to participate in the revised system.

If a county chooses to participate there may be a potential property tax loss. If the county or a non-profit purchase the land using monies from the Trust, that land may become exempt from property tax. If monies are used to purchase an easement, the land value may decrease because the easement limits how the property can be used. However, the potential loss should be minimal for two reasons. First, because the land must be farmland in order to qualify under the rules of the Trust, the property is already listed at the reduced farm use value. Second, since most counties will only purchase easements, the land will still be taxable as farmland. Since the land is already listed as farmland, there would be no property tax loss.

FISCAL RESEARCH DIVISION 733-4910

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