



Testimony of Edward Thompson, Jr.,
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Before the California Senate Local Government Committee
Legislative Oversight Hearing on The Williamson Act
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Mr. Chairman and members of the Committee, thank you for the opportunity to testify today. In my brief time, I will make three points:

First, Williamson is a bargain for state taxpayers.

Second, we need to improve it - significantly.

Third, we need to do even more effectively to preserve farmland in California.

Allow me to elaborate.

Williamson Is A Bargain

As others have testified, Williamson provides important tax relief for working farms and ranches that helps them stay economically viable. Every state but one has some variation of use value taxation of agricultural land. The nation's leading agricultural state should not be an exception. On balance, farms and ranches demand few public services and cost the government far less than they contribute in taxes, even at reduced rates. So, Williamson is a bargain that pays dividends for state taxpayers.

Are Williamson Incentives Enough?

The tax relief Williamson offers seems to be more important to ranchers than to crop producers. The former generally earn less per acre and own more taxable acreage. Perhaps that's why the pattern of enrollment in Williamson is more consistent on rangeland than on cropland, particularly around cities where the state's best farmland is located and where it is truly at risk of being developed.

That raises a question about whether the tax incentives provided by Williamson are enough to have a significant influence on farmland conversion. Since 1984, the annual rate of farmland loss in California has pretty consistently ranged between 40 and 50 thousand acres. And it is prime farmland that is bearing the brunt of this.

Ideas for Improving Williamson

This suggests that Williamson could be improved to provide more incentives to landowners. Other states offer some useful ideas about this.

For example, Wisconsin, New York and Michigan all offer state income tax credits to agricultural landowners that offset their local property taxes. These so-called circuit breakers typically reimburse landowners for property taxes that exceed a certain percentage of household income. This targets relief where it is most needed while helping to keep down the cost to the state's taxpayers. Needless to say, this approach

is popular with local governments, whose revenues are neither reduced nor made unpredictable by annual squabbling over subvention payments.

Like Williamson, these voluntary programs require landowners to make a commitment not to develop their property for a period of years. In New York it's 8 years, in Michigan 10. In both cases, taxes foregone over a period of years must be repaid if and when the contract is not renewed.

What's interesting about New York is that landowners cannot simply enroll individually, unless they have very large farms. They must join an agricultural district of at least 500 acres. The theory is that when several contiguous farms are restricted against development, it provides more security to each of them than if they were an isolated parcel that could become surrounded by development. The districts must be approved by both local and state governments, to exclude land that either isn't suitable for agriculture or will be needed for development within the near future.

New York's agricultural districts offer more than tax relief as an incentive for enrollment. Landowners also have protection against eminent domain and special tax assessments, and local governments are not allowed to build infrastructure that would encourage non-agricultural uses in the districts. This approach has proved pretty successful. There are now more than 400 agricultural districts in New York averaging 20,000 acres. Other states with similar agricultural district programs offer enhanced right to farm protection and priority for the sale of conservation easements through their equivalent of the California Farmland Conservancy Program.

Wisconsin's program is even more interesting. There, to qualify for the state income tax credit, farmland must be locally zoned exclusively for agricultural use or the county must have adopted a state-certified farmland preservation plan, similar to an agricultural element in California general plans. These conditions took effect 5 years after the program began in the late 1970s. During that initial period, landowners could enroll individually, as they can now do under Williamson. If within 5 years their county adopted an agricultural plan and/or zoning, the amount of the credit increased. If not, the landowners in the county no longer qualified. This had the predictable effect of encouraging farm communities to support these other, stronger farmland preservation measures. Seventy of Wisconsin's 72 counties have adopted certified plans and there's 8 million acres enrolled in the program, which is half the state's farmland.

I especially recommend the tax relief programs that are linked to local districts or strong agricultural zoning. They recognize that farms simply cannot exist in isolation. They have a better chance of thriving if they are part of a larger landscape where there is a policy commitment to agriculture that prohibits or strongly discourages non-farm development. Judging from the pattern of Williamson enrollment, those conditions do not appear to exist within 5 miles of any California city. Perhaps what we need are spheres of influence for agriculture similar to those of the cities?

Going Beyond Williamson

The experience in other states - and, I submit, here in California - suggests that tax incentives for agriculture are a necessary, but insufficient means of preserving

farmland. So, I would urge you to consider three other policy options to reduce farmland conversion.

First, increase investment in the California Farmland Conservancy Program to enable more farmers and ranchers to take equity out of their property without developing it. Funding for this conservation easement purchase program has been miniscule compared with what other states have done. California has committed about 11 cents per person per year, while states like Maryland, Pennsylvania and Vermont invest \$4 to \$7 dollars per person annually. In every big conservation bond measure passed in California during the past two decades, funding for habitat and open space has been 10 to 50 times greater than for farmland preservation.

Second, encourage more efficient development that consumes less land per person for all uses, residential, commercial and institutional. This is the most important thing we could do to preserve farmland. Over the past decade, development in California has consumed on average an acre of land for every 9 new residents. Imagine two four-person touch football teams playing on a standard gridiron - with a referee - and you get an idea of how spread out that is. Places in Sacramento County, the Bay Area and Southern California are doing far better at between 12 and 20 people per acre. And we're not talking high rises, but typical California development on a slightly more compact scale that, not coincidentally, has many co-benefits like greenhouse gas reduction. If our major agricultural areas were to achieve these levels, over the next generation, we could save at least a half million acres of farmland and \$3 to \$4 billion every year for the California agricultural economy. But, though the general plans of most agricultural counties and their cities are well-intentioned in calling for more efficient development, it is not happening in most places. Requiring more efficient development as a condition of state infrastructure funding is one way the state could help local government translate good intentions into actual results.

Finally, let me suggest that we need a clear and firm state policy in favor of preserving the land on which, not just agriculture, but everyone in California depends for food, jobs and environmental services. Astonishingly, for the nation's leading agricultural state, such a policy does not exist. Yes, the preamble to Williamson talks about how important farmland is, as does CEQA. AB 857, passed in 2003, establishes farmland preservation as a state planning goal (along with more efficient urban development). But a farmland preservation goal has never been set. We just keep losing 75 square miles a year and trust that agriculture can continue to make up for it through increased productivity that depends largely on fossil energy, abundant water and technologies that the public is beginning to question.

Today, there is a great hue and cry about a couple hundred thousand acres of farmland being idled on the west side of the San Joaquin Valley because of the water situation, which everyone hopes can be fixed. But in just four years, California will have lost an equivalent amount of agricultural land to urban development. This loss can never be reversed. Yet, hardly anyone seems to be concerned.

Maybe it's because the loss of farmland is incremental and distributed around the state. Regardless, it is taking a toll on California agriculture just as surely as competition for water. It is time to get as serious about saving the land itself as we

are about water. Williamson may be the place to start, but it is not the whole solution.

Thank you, again, for the opportunity to testify. I'll be glad to try to answer your questions.