

House Agriculture and Rural Affairs Committee
October 22, 2009
Testimony of Douglas Wolfgang, Director, Bureau of Farmland Preservation
House Bill 1788

Chairman Hanna, Chairman Maher and distinguished members of the House Agriculture and Rural Affairs Committee. Thank you for the opportunity to speak with you today. My name is Doug Wolfgang and I am the Director for the Bureau of Farmland Preservation and have the responsibility of administering the Clean and Green program at the state level. The Department has two main functions related to Clean and Green. First, the department distributes annual county-specific use values to the County Assessors. Second, we provide for the uniform interpretation of the Act. The Department works closely with County Assessors on program issues as they arise. As you are aware, the Pennsylvania state legislature enacted the program in 1974 as a tool to encourage protection of the Commonwealth's valuable farmland, forestland, and open spaces. Landowners enrolled in the program are obligated to devote their land to agricultural use, agricultural reserve use, or forest reserve use in order to qualify for a lower property tax rate. Landowners who exit the program are required to pay up to seven years' worth of roll-back tax, plus interest.

Currently, 55 of the Commonwealth's 67 counties participate in the Clean and Green Program. The Clean and Green program has been extremely successful in protecting farmland and has seen the enrollment grow to over 8.5 million acres. Land enrolled in the program is taxed according to its "use value" rather than its fair market value. This ordinarily results in a tax savings for the land owner. The Department of Agriculture is required by statute to calculate and distribute to county assessors a "use value" by May 1 of each year. The formula to calculate this value was established in consultation with The Pennsylvania State University, College of Agriculture Science. I have included a copy of this formula with my testimony. A county assessor may establish use values for land use subcategories that are less than the use values established by the Department of Agriculture. A county assessor may use these lower use values in determining preferential assessments under the Clean and Green program. A county may not, under any circumstances, establish or apply use values that are higher than those use values established by the Department of Agriculture.

The Commonwealth has seen use values increase by 30% in the last 5 years. This can be attributed to a 10-year trend of higher agriculture production by county and a 10-year trend of lower interest rates. Counties participating in the Clean and Green program have the option to either adopt the use values annually or to establish a base year values and only change those values if there is a countywide reassessment or the current year values drop below the base year figures. Counties may also develop values of their own. (Establish a base year).

The Department believes that House Bill 1788 keeps the goal and intention of the Clean and Green program in focus and for that we are appreciative. However, we feel that this legislation could potentially shift the burden to Pennsylvania taxpayers in counties that have not been reassessed or that are not participating in Clean and Green. By committing General Fund dollars, the burden for local tax issues becomes the responsibility of all taxpayers.

It has been observed that, although Clean and Green reduces the amount of local tax revenue, farmlands, forestlands and open spaces also place less demands for local services than do developed, residential lands. With many of the farmers in Pennsylvania facing financial difficulty, the answer for some has been to sell some or all of their land for development. Clean and Green creates an incentive for landowners to continue to preserve their land for agriculture use. This in turn eliminates the burdensome need to implement and develop the necessary services that local governments are forced to supply to an increase in population caused by the access to development.

Thank you again for the opportunity to speak with you and to discuss the positive aspects of Clean and Green. The program has provided for property tax savings for our farmers and has allowed them to reinvest those dollars into their farms and have kept them viable and productive. With millions of acres enrolled statewide, the benefit to the farming community is far reaching and immeasurable. I will be happy to answer any questions at this time.

AGRICULTURAL USE AND AGRICULTURAL RESERVE VALUATION

$$V = \frac{N/GR (VCR) (PRI)}{r}$$

- V = Use Value
- N/GR = 10 year rolling average of state crop profit margin percentage for corn production (Penn State)
- VCR = 10 year rolling average of value of crop receipts per acre by county for field crops (PASS)
- PRI = Soil Index Factor adjusted for cost of production by county by Land Capability Class and Yield
- r = 10-year rolling average capitalization rate for 15-year fixed loan interest rate for landowners from federal land bank sources.