

SACRAMENTO LOCAL AGENCY FORMATION
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March 5, 2003

TO: Sacramento Local Agency Formation

FROM: Peter Brundage, Executive Officer

RE: **Williamson Act Contracts and State Subvention for
Open Space Preservation**

CONTACT: Donald J. Lockhart, Assistant Executive Officer, 874-2937.

Policy Issue

Your Commission may wish to adopt the attached Resolution (Exhibit A) opposing the proposed State budget that eliminates the Williamson Act contract subventions to local governments, and direct the Executive Officer to forward it to the appropriate entities.

Discussion

At your February meeting, your Commission requested a report back on the local Williamson Act implications of the Governor's proposed budget. In FY 2002-03, \$39 million was budgeted to subvene to local governments that had entered into *Williamson Act* contracts.

In Sacramento County, the Assessor's Office prepares yearly subvention reports. The land is divided into two agricultural types, "prime" and "non-prime". The data has not been compiled for calendar year 2002, but the following data is for the two years previous:

Year	Prime (acres)	Non-prime (acres)	Total Acres	Value of Subvention
2000	86,656	82,579	169,235	\$515,861
2001	87,488	82,821	170,309	\$520,259

The Act currently protects over 16.3 million acres of agricultural land and over half of the State's prime farmland in 52 counties statewide. In 2001, over 170,000 acres, out of

about 360,000 agricultural acres in Sacramento County were participating in the Williamson Act and over half of that land was considered prime farmland.

The Governor's 2003-04 budget proposes to eliminate the entire funding for this item, thus ending State support for the program.

Background

Among the purposes of your Commission are discouraging urban sprawl, preserving open space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances (CKH Sec. 56301).

In 1965, the State adopted the California Land Conservation Act, known as the Williamson Act. The Williamson Act is a permissive program that established a three-way partnership between the State and the participating local government and landowners. Each partner receives the benefits of agricultural land conservation and the certainty provided by agricultural preserve zoning in return for a modest monetary sacrifice. Landowners give up their development rights and some speculative value in the property; local governments give up a portion of their property tax base; and the State, for its part, provides subventions to participating counties to replace foregone property tax revenue. The intent of this program is preserve and protect agricultural land and open space resources.

The Williamson Act permits cities and counties to enter into contracts with landowners to limit the use of land to agricultural, scenic and open-space purposes. Article XIII, Section 8, of the California Constitution permits land under such restrictions to be assessed at other than market value based on its limited use. The State provides reimbursements (subventions) to cities, counties and school districts to partially defray the loss of property tax revenues to local government. The subvention amount is determined by the type of land under contract: \$5 per acre for prime agricultural land and \$1 per acre for all other land devoted to open space uses of statewide significance. This program reflects payments to cities and counties only. School district subventions are included in apportionments for education.

In August of 1998, the Legislature breathed new life into the Williamson Act by amending it to provide for the establishment of "Farmland Security Zones," often called the "Super Williamson Act," which allow increased subvention payments for land currently under Williamson Act contract, if they keep the property in the program for at least 20 years. Contracted land that is assessed at a lower rate than the Williamson Act subvention amounts is not eligible for subvention payments unless these lands are part of a Farmland Security Zone (FSZ) contract. This resulted in an increase in the amount of Williamson Act lands included in FSZ contracts in 1999-00. In addition, Chapter 1019, Statutes of 1999, increased payments on FSZ lands that are located within a city's Sphere of Influence or within three miles of the city's Sphere of Influence. These lands are

eligible to receive \$8 per acre instead of \$5 per acre, beginning in 2000–01. At this time, Sacramento County does not have any properties enrolled in the Super Williamson Act.

The FY 2003–04 Budget proposes to also permanently eliminate this subvention beginning in 2003–04.

LAFCo Linkage

As you know, a key tenet of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) encourages the preservation of open space and agricultural lands. The Legislature finds and declares that it is the policy of the State to encourage orderly growth and development which are essential to the social, fiscal, and economic well-being of the State. The Legislature recognizes that the logical formation and determination of local agency boundaries is an important factor in promoting orderly development and in balancing such development with sometimes competing State interests of discouraging urban sprawl, preserving open space and prime agricultural lands, and efficiently extending government services (Sec. 56001).

Among the factors to be considered is the effect of the proposal on maintaining the physical and economic integrity of agricultural lands [Sec. 56668(e)].

If a change of organization or reorganization would result in the annexation to a city of land that is subject to a contract executed pursuant to the Williamson Act, your Commission shall determine with findings either (a) that the city shall succeed to the rights, duties, and powers of the county or (b) that the city may exercise its option to not succeed to the rights, duties, and powers of the county pursuant (Sec. 56754.)

While the status of Williamson Act contracts is to be considered during LAFCo proceedings, it is only one arrow in the quiver of policy regarding the preservation of agriculture and open space lands. Even if the elimination of fiscal incentive is approved, LAFCo will continue to exercise the Legislative charge to consider impacts to agriculture and open space lands during its proceedings.

Related Discussion

There are approximately 170,000 acres covered by Williamson Act contracts in Sacramento County, with a scheduled subvention of over \$500,000 annually. Various agricultural and open space interest groups oppose the proposed budget cut. Both the California State Association of Counties (CSAC) and the independent Legislative analyst Office (LAO) have also reviewed the matter.

According to the independent Legislative Analyst's Office, since the contracts are non-cancelable under most circumstances, this elimination of the subvention would result in immediate uncompensated tax losses to local governments, and perhaps increase the pressure to convert agricultural and open space lands to other uses for a more near term economic return.

While the LAO has previously questioned the effectiveness of the Williamson Act program, it feels that there is a more reasonable means of achieving the Governor's intent to eliminate the program. Specifically, the LAO recommends that the Legislature phase out the subventions generally coinciding with the gradual increase in property taxes received by participating local governments. An alternative to the Governor's budget would be to reduce the funding for the program by 10 percent annually. This approach would save \$3.9 million in 2003-04, with the full \$39 million in annual savings realized after the full ten-year phase-out of subventions.

According to CSAC, the Williamson Act currently protects over 16.3 million acres of agricultural land, much of it having scenic open space and wildlife value, and over half of the State's prime farmland in 52 counties is protected by the Act (Exhibit B).

CSAC has prepared a resolution opposing the elimination of the subvention, which has been adopted by 15 counties to date (Exhibit C). Sacramento County adopted a revised resolution in support of the CSAC position on February 18, 2003. The revision clarified that the Williamson Act Program has historically included subvention payments from the State which have acted as an inducement for local agencies to enter into open space preservation contracts and upon which local agencies have relied when considering requests to enter into such contracts. Staff has not identified any other LAFCOs which have adopted a resolution regarding the matter.

This discussion is based on the Governor's proposed budget, there are still several months before the final budget will be approved. Budget committees will convene again in March. It may be expected that more concrete budget decisions will not be arrived at until the end of May, after the new tax information comes out. At that time the Governor will propose his "May Revise" budget changes. Final adoption of the budget is likely to occur during the late summer of 2003.

D R A F T

**A RESOLUTION OF THE
SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
OPPOSING THE GOVERNOR'S 2003-04
STATE BUDGET PROPOSAL
TO PERMANENTLY ELIMINATE
THE STATE OF CALIFORNIA'S
OPEN SPACE SUBVENTION PROGRAM**

WHEREAS, the State of California Land Conservation Act of 1965, popularly known as the Williamson Act, is a voluntary program which provides lower property taxes to agricultural landowners in exchange for their contractual commitments with participating cities or counties to keep their land in agricultural or open space uses for at least 10 years; and

WHEREAS, the Williamson Act currently protects over 16.3 million acres of agricultural land, much of it having scenic open space and wildlife value, and over half of the State's prime farmland in 52 counties is protected by the Act; and

WHEREAS, in 1998, the Act was amended to provide for the establishment of the Farmland Security Zones, commonly referred to as the Super Williamson Act, which allows landowners to receive an additional tax reduction if they keep the property in the conservation program for at least 20 years; and

WHEREAS, the 1971 Open Space Subvention Act provides a formula for allocating payments to local governments based on acreage enrolled in the program, to help replace the foregone property tax revenue to participating local government; and

WHEREAS, this financial support from the State has provided a tangible incentive for local governments to stay in the program and initiate more contracts; and

WHEREAS, in 1993, the Legislature and then-Governor Wilson augmented the open space subventions as a means to help rural counties deal with the creation of the Educational Revenue Augmentation Fund; and

WHEREAS, eliminating the open space subvention payments will remove the incentive for counties to participate in the program, potentially leading some counties to non-renew Williamson Act contracts due to the lack of financial resources to support the continuation of property tax incentives for landowners; and

WHEREAS, without the financial incentive for farmers to participate in this important land conservation program, other more lucrative land uses may be considered, thus threatening the overall viability of California's agricultural economy; and

WHEREAS, the Williamson Act Program has historically included subvention payments from the State which have acted as an inducement for local agencies to enter into open space preservation contracts and upon which local agencies have relied when considering requests to enter into such contracts; and

WHEREAS, the integrity of the Williamson Act as a planning tool used to support general plan and zoning objectives, prevent leapfrog development and to promote orderly growth will be threatened; and

NOW THEREFORE, BE IT RESOLVED that THE SACRAMENTO LOCAL AGENCY FORMATION COMMISSION joins the California State Association of Counties (CSAC) in opposing the proposed elimination of the Open Space Act Subventions Program and urges the Governor and Members of the State Legislature to restore subvention funding to the 2003-04 State Budget, thus preventing the potential decimation of the State's premier farmland protection program.

On a motion made by Commissioner _____, seconded by Commissioner _____, the SACRAMENTO LOCAL AGENCY FORMATION COMMISSION adopts this resolution on the date of _____ by the following vote, to wit:

Ayes: Commissioners:

Noes:

Abstain:

Elliot Mulberg, Chair
SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

ATTEST

Marilyn Ann Flemmer
Commission Clerk

Exhibit B

Williamson Act Payment to Counties – January 16, 2003

Counties	<u>Prime</u> \$5 Per Acre	<u>Nonprime</u> \$1 per acre	Requested Entitlement Amounts	Certified Entitlement Amounts	Amount received per capita
Alameda	9,177	113,279	\$159,165.34	\$159,165	\$0.11
Amador	5,667	86,322	\$114,657.25	\$114,657	\$3.17
Butte	107,980	100,700	\$640,599.28	\$640,599	\$3.09
Calaveras	15,951	114,505	\$195,227.30	\$195,227	\$4.68
Colusa	77,329	195,684	\$748,877.79	\$748,878	\$38.50
Contra Costa	6,222	39,099	\$69,209	\$69,209	\$0.07
El Dorado	1,974	32,434	\$42,506.46	\$42,506	\$0.25
Fresno	1,041,996	478,698	\$5,695,607.98	\$5,695,608	\$6.89
Glenn	64,274	266,216	\$927,994.39	\$927,994	\$34.62
Humboldt	4,712	187,399	\$210,957.25	\$210,957	\$1.65
Imperial	32,104	213	\$146,962.66	\$146,963	\$0.97
Kern	811,020	796,334	\$5,316,531.11	\$5,316,531	\$7.73
Kings	290,007	114,767	\$2,848,139.92	\$2,848,140	\$21.39
Lake	5,366	43,149	\$69,980.00	\$69,980	\$1.16
Lassen	39,237	264,269	\$467,101.99	\$467,102	\$13.65
Los Angeles	0	0	\$40,052.00	\$40,052	\$0.004
Madera	167,903	285,854	\$1,348,231.27	\$1,348,231	\$10.39
Marin	14,378	77,295	\$237,552.84	\$237,553	\$0.95
Mariposa	0	198,383	\$198,382.64	\$198,383	\$11.50
Mendocino	31,701	433,489	\$591,992.65	\$591,993	\$6.75
Merced	214,496	122,907	\$1,195,385.57	\$1,195,386	\$5.46
Mono	8,449	0	\$42,245.25	\$42,245	\$3.18
Monterey	20,623	657,467	\$834,252.14	\$834,252	\$2.03
Napa	12,209	44,765	\$105,812.42	\$105,812	\$0.82
Nevada	3,720	471	\$19,071.00	\$19,071	\$0.20
Orange	436	4,008	\$6,187.40	\$6,187	\$0.00
Placer	13,604	24,018	\$92,038.00	\$92,038	\$0.34
Plumas	5,570	68,198	\$105,283.03	\$105,283	\$5.01
Riverside	52,731	5,830	\$269,484.34	\$269,484	\$0.16
Sacramento	86,656	82,579	\$515,861.43	\$515,861	\$0.40
San Benito	47,706	522,100	\$760,630.00	\$760,630	\$13.60
San Bernardino	1,519	4,190	\$11,783.50	\$11,784	\$0.01
San Diego	5,083	70,804	\$96,219.00	\$96,219	\$0.03
San Joaquin	325,557	132,024	\$2,030,307.15	\$2,030,307	\$3.40
San Luis Obispo	80,275	709,351	\$1,110,727.50	\$1,110,728	\$4.37
San Mateo	2,951	43,867	\$58,622.12	\$58,622	\$0.08

Counties	Prime \$5 Per Acre	Nonprime \$1 per acre	Requested Entitlement Amounts	Certified Entitlement Amounts	Amount received per capita
Santa Barbara	44,995	474,042	\$699,684.97	\$699,685	\$1.71
Santa Clara	11,183	319,743	\$375,660.57	\$375,661	\$0.21
Santa Cruz	2,394	14,906	\$27,795.12	\$27,795	\$0.10
Shasta	15,932	146,608	\$226,660.04	\$226,660	\$1.33
Sierra	1,938	36,297	\$45,985.65	\$45,986	\$13.13
Siskiyou	89,767	315,089	\$763,925.29	\$763,925	\$17.18
Solano	112,993	139,950	\$704,916.56	\$704,917	\$1.73
Sonoma	30,000	253,132	\$421,347.71	\$421,348	\$0.89
Stanislaus	268,198	402,368	\$1,743,360.59	\$1,743,361	\$3.71
Sutter	6,802	0	\$34,010.95	\$34,011	\$0.41
Tehama	46,416	734,942	\$1,009,820.00	\$1,009,820	\$17.74
Trinity	0	212,644	\$21,644.00	\$21,644	\$1.65
Tulare	591,468	510,882	\$3,535,691.64	\$3,535,692	\$9.32
Tuolumne (1)	0	117,813	\$117,812.86	\$116,758	\$2.09
Ventura	44,973	77,939	\$312,533.69	\$312,534	\$0.40
Yolo (2)	242,442	175,413	\$1,387,681.66	\$1,299,064	\$7.36
TOTALS	5,118,084	10,060,434	\$38,752,170.27	\$38,662,498	

(1) Tuolumne County: \$1065 withheld pending the resolution of a contract enforcement action to the adjustments on contracted land.

(2) Yolo County: \$88,618 withheld to offset prior years' subvention overpayment as recommended in a June 5, 2001 letter from the California Department of Finance.

Source: All data shown is courtesy of California Department of Conservation except for the per capita figures which were tabulated by CSAC staff.

**Counties Adopting Resolutions
Opposing the Governor's 2003-04 State Budget Proposal
to Permanently Eliminate the Open Space Subvention Program**

Alpine
Colusa
El Dorado
Fresno
Glenn
Kings
Lassen
Mendocino
Merced
Plumas
Sacramento
San Benito
San Luis Obispo
Siskiyou
Stanislaus
Tehama
Tulare

DL:Maf
(Williamson Act)