



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

EVALUATION REPORT

**“Green Acres” and
Agricultural Land
Preservation Programs**

FEBRUARY 2008

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OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

February 2008

Members of the Legislative Audit Commission:

We evaluated three of Minnesota's programs that provide tax advantages to agricultural land—the "Green Acres" Program and two agricultural land preservation programs. This report presents the results of our evaluation of these programs.

We found that the Green Acres Program substantially reduces the variation in taxable value between farmland with value added by nonagricultural factors and that without. Nevertheless, it is not effective at preserving farmland, and the Legislature should reconsider who and what types of land should benefit from the program.

We found that the state's agricultural land preservation programs can help to slow the rate of development, but they do not adequately assure long-term preservation of farmland. If the state wants to preserve farmland for the long term, it will need to adopt other approaches.

This report was researched and written by Jody Hauer (project manager) and Dan Jacobson.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nobles", written in a cursive style.

James Nobles
Legislative Auditor

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Introduction

Minnesota has three primary state programs intended to protect agricultural lands. One is known as the “Green Acres” Program, and it lowers the taxable value of qualifying farmland. It has drawn recent legislative attention because it is available in only some, not all, counties, and there were indications that it was administered inconsistently. The other two programs are designed specifically to preserve farmland and prevent it from being used for other purposes. One is the Metropolitan Agricultural Preserves Act, which applies to the seven-county metropolitan area. The second is the Agricultural Land Preservation Program, which is for Greater Minnesota.¹

In April 2007, the Legislative Audit Commission directed the Office of the Legislative Auditor to evaluate the Green Acres Program and the two agricultural land preservation programs. Our evaluation addresses the following questions:

- **What are the Green Acres Program and the programs for preserving agricultural land, and what are their differences?**
- **How much in property tax benefits do program participants receive, and how do the programs affect property taxes paid by nonparticipants?**
- **How effective are the programs?**
- **Who benefits from the Green Acres Program, and how appropriate are the program’s eligibility criteria?**
- **How have the dollars raised as part of the agricultural land preservation programs been spent, and who oversees that spending?**

To answer the questions, we reviewed reports and state laws on the programs. We analyzed data from the Department of Revenue’s property tax records and the U.S. Department of Agriculture. We interviewed staff from state agencies and surveyed or interviewed most county assessors around the state. We reviewed program applications in six counties and spoke with a small number of landowners who either were already enrolled or wanted to apply. With data and staff from the Minnesota House of Representatives Research Department, we analyzed how the Green Acres and Metropolitan Agricultural Preserves programs affect property taxes. We interviewed a sample of local planning directors and

¹ Throughout this report, we refer to the Agricultural Land Preservation Program in “Greater Minnesota,” which comprises the 80 counties beyond the seven-county Twin Cities metropolitan area, even though the statutes do not use this terminology.

Background

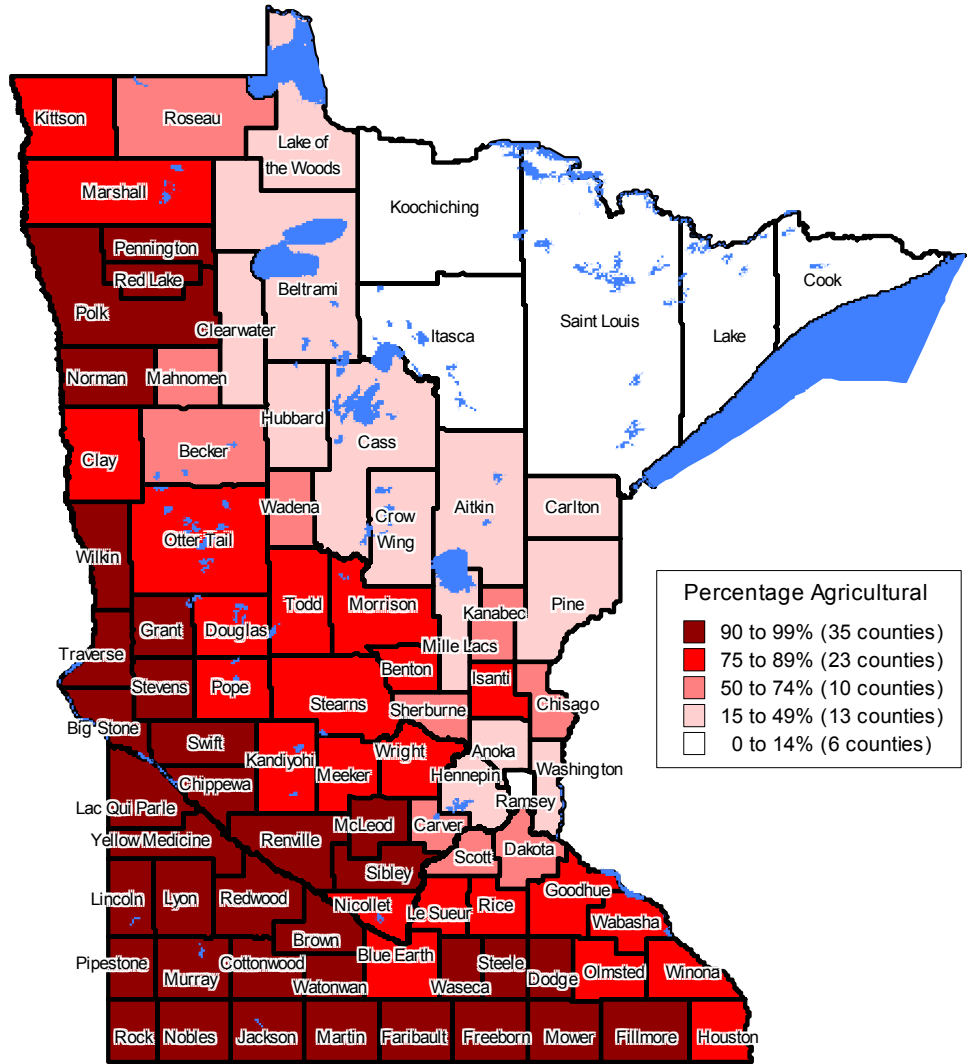
SUMMARY

Minnesota has 29.5 million acres of agricultural land as of 2007, but it lost 2 percent of its farmland between 1982 and 1997, and data suggest additional losses since then, although the precise amount is not known. The state's "Green Acres" Program defers special assessments and reduces property taxes for agricultural landowners who meet the law's requirements on income, ownership, and land use and size. The Green Acres Program applies only where nonagricultural factors add higher value to farmland prices. It lowers property taxes by basing properties' taxable value on their agricultural use instead of "highest and best" use. Since 2000, acreage enrolled in the Green Acres Program has tripled to 3.7 million acres, due to growth in Greater Minnesota. Minnesota also has two separate but similar state programs specifically to preserve agricultural land. One program is in the Twin Cities metropolitan area, where six of seven counties have land enrolled, and the second is in Greater Minnesota, where three counties have land in the program. As of 2007, about 315,000 acres, or 1 percent of the state's farmland, were enrolled. Due to the three programs, agricultural landowners' property taxes for 2007 were reduced by about \$40 million, and surrounding property owners make up most of that by paying somewhat more property tax than they otherwise would.

Minnesota's property tax system targets certain programs to agricultural lands. One is Minnesota's so-called "Green Acres" Program, structured to equalize tax burdens for qualifying agricultural landowners. Two others are land preservation programs designed to retain agricultural land that might otherwise be converted to other uses. This chapter provides an overview of the Green Acres Program and the state's two programs for preserving farmland. Specifically, this chapter answers the following questions:

- How much farmland is in Minnesota, and how has this changed over time?
- What is the Green Acres Program, and how do landowners qualify for it?
- What are Minnesota's programs for preserving agricultural land? What are the differences between them?
- How much in property tax benefits do program participants receive, and how do the programs affect property taxes paid by nonparticipants?
- What other mechanisms to preserve farmland are available in Minnesota?
- What farmland preservation programs are in other states?

Figure 1.1: Percentage of Land Classified as Agricultural, 2007



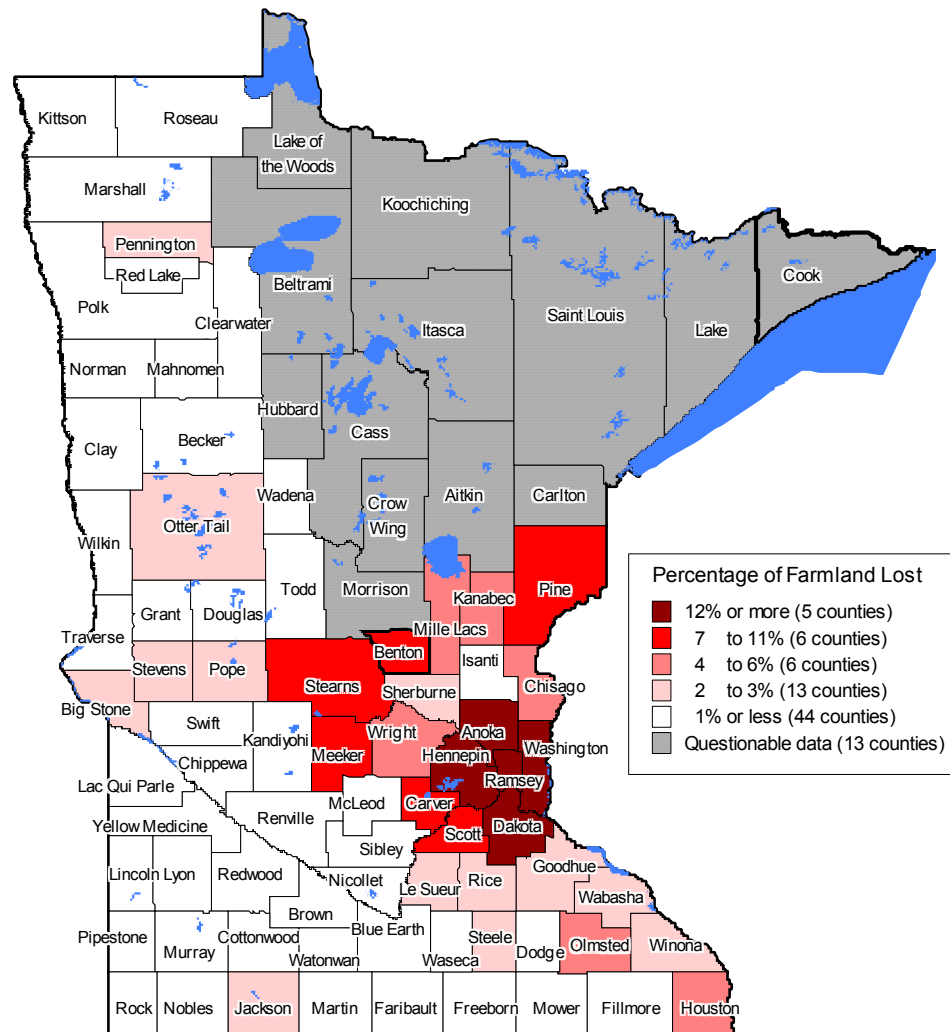
SOURCE: Office of the Legislative Auditor, analysis of data from the Department of Revenue's 2007 Spring Mini Abstract.

“GREEN ACRES” PROGRAM

The Legislature passed the Minnesota Agricultural Property Tax Law, most commonly known as the “Green Acres” Program, in 1967.³ The law lowers taxable values on certain farmland and allows landowners to defer paying special assessments and portions of property taxes. Its benefits apply, however, only where nonagricultural influences (such as development pressures) drive prices

³ *Laws of Minnesota* 1967 Extra Session, chapter 60.

Figure 1.2: Percentage of Farmland Lost, 1982-1997



NOTE: Actual farmland losses for individual counties may differ from data shown because the National Resources Inventory data lack precision at the county level, particularly for the counties shaded in gray. Nevertheless, the data are useful for “big picture” descriptions.

SOURCE: Office of the Legislative Auditor, analysis of data from the National Resources Inventory compiled by the U.S. Department of Agriculture’s Natural Resources Conservation Service.

for agricultural land higher than if the land were sold exclusively for agricultural uses.

Tax Advantages

For lands enrolled in the Green Acres Program, assessors determine two values but use the lower value to calculate the taxes due any given tax year. One value is based solely on the land’s use for agricultural purposes, and it is the lower of

