

Department of Conservation

Senate Bill 863 Advisory Statement

Senate Bill 863 (Chapter 722, Statutes of 2010) is a budget trailer bill that replaced Assembly Bill 2530 (Nielsen) and became effective on October 19, 2010. The goal of SB 863 is to provide counties an alternative to exiting the California Land Conservation Act (Williamson Act) by allowing the counties to re-capture a significant portion of their foregone property tax revenues due to their participation in the Williamson Act program.

Essentially, SB 863 provides: 1.) a one-time, \$10 million subvention to counties that participate in the Williamson Act for fiscal year 2010-11, and 2.) a provision allowing eligible counties to re-capture 10 percent of the property tax benefits provided to owners of Williamson Act lands.

Implementation of SB 863

If counties receive less than half of their foregone general fund property tax revenue from the Open Space Subvention Act Program the prior year, they are eligible to implement a new provision of the Williamson Act (i.e. SB 863) to allow contracts (both Williamson Act and Farmland Security Zone) to be amended from ten and 20 years to nine and 18 years, respectively. Shortening the length of owners' contracts triggers a statutorily authorized re-capture of 10 percent of their participating landowners' property tax savings. Since the increased revenue is allocated exclusively to the counties, they would re-capture, on average, half of their forgone property tax revenue.

SB 863 Example

The following example has been provided demonstrating the benefit a county may receive if it implements SB 863:

County's Williamson Act Program (2009-10 data)

\$38,727,377	County's total Williamson Act assessed land value
x 1.1%	Tax rate
= \$426,001	Total taxes
x <u>13%</u>	County's share of the property tax dollar
= \$55,380	General Fund Revenue

Proposition 13 Values

\$131,207,966	County's Total Proposition 13 assessed land value
x 1.1%	Tax rate
= \$1,443,288	Total taxes
x <u>13%</u>	County's share of the property tax dollar
= \$187,627	General Fund Revenue

County's Forgone Property Tax Revenue

\$187,627	General Fund Revenue (Proposition 13)
- <u>\$55,380</u>	General Fund Revenue (County's Williamson Act Program)
= \$132,247	County's forgone property tax revenue

In the prior fiscal year (2009-2010), the County received \$8 from the Open Space Subvention Act fund. The County's forgone property tax revenue was \$132,247. Therefore, because the County received less than half of their foregone property tax revenue from the Open Space Subvention Act Program the prior year, the County is eligible to participate in the 10 percent re-capture provision found in SB 863.

County's Total Property Tax Relief

\$1,443,288	Total Taxes (Proposition 13)
<u>- \$426,001</u>	Total Taxes (County's Williamson Act Program)
= \$1,017,287	

10 Percent Re-capture of the Tax Relief Provided to Landowners

\$1,017,287	County's Total Property Tax Relief
x <u>10%</u>	10 Percent Reduction in Tax Relief to Landowners
= \$101,729	

In sum, if the County implements SB 863, it will receive, from its Williamson Act landowners, \$101,729 ***in addition to*** its pro-rata share of the SB 863-authorized \$10 million subvention fund from the State.

Please note that counties are **not** required to implement the 10 percent re-capture provision of SB 863 to receive their pro-rata share of the \$10 million subvention fund for fiscal year 2010-2011.

For more detailed assistance and information regarding the actual implementation of SB 863, please click on the Regional Council of Rural Counties' (www.rcrcnet.org) comprehensive set of SB 863-related [materials](#). Included in these materials are a SB 863 Frequently Asked Questions, California Farm Bureau presentation, a case study (Stanislaus County), and a link to the text of SB 863.

For additional information, contact the Department of Conservation's Division of Land Resource Protection at (916) 324-0850.