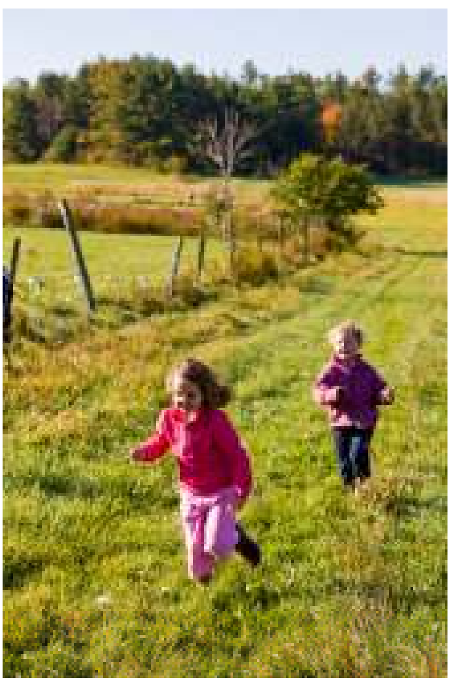
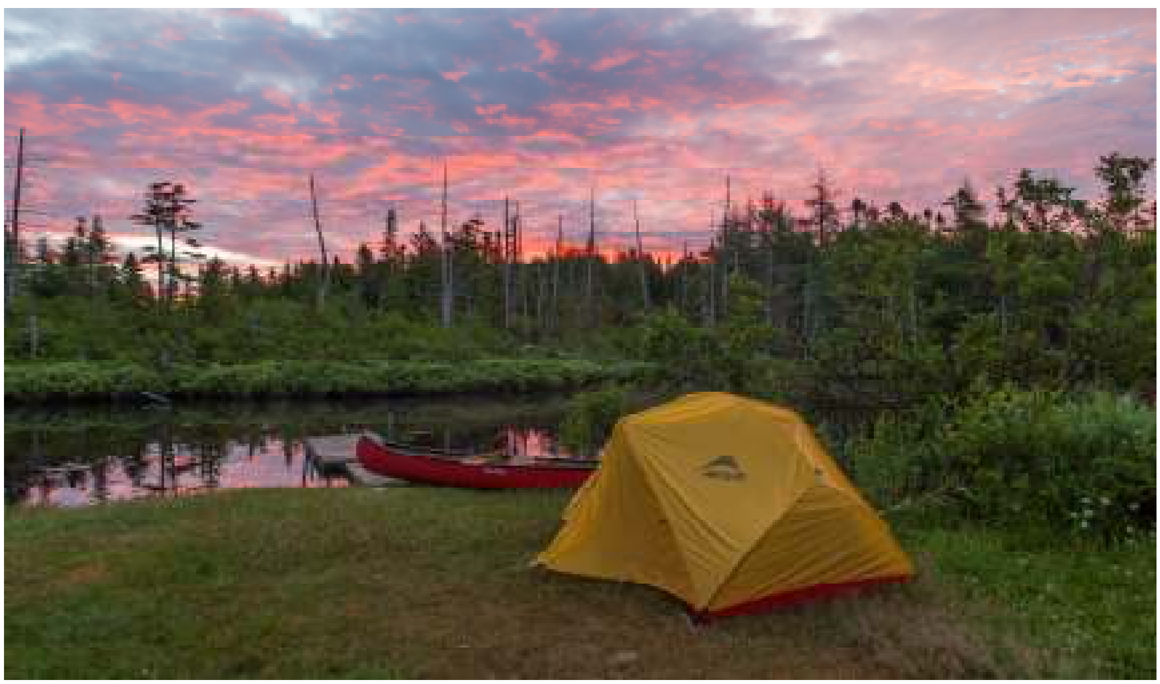
CONSERVATION FINANCE FEASIBILITY STUDY:: DECEMBER 2013

STATE OF MAINE





THE TRUST *for* PUBLIC LAND

CONSERVING LAND FOR PEOPLE

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EXECUTIVE SUMMARY

Maine's economic well-being is dependent upon land conservation; protecting traditional uses of and access to forest, farms, and lakes; and promoting high quality tourism and outdoor recreation. Maine's quality of place has been threatened by rapid turnover in ownership of its forest land, rising rate of second home ownership, acceleration of sprawl, and loss of public access to the waterfront. Finding an adequate and consistent land conservation funding mechanism is necessary to preserving Maine's quality of place. The purpose of this report is to provide an overview of the local and state funding sources that may be available to protect land in Maine and specific recommendations to move forward on creating additional land conservation funding. This report was first completed in 2008. Several sections were updated in 2013, including sections on the state's fiscal health, state land conservation programs and voter support for conservation and other fiscal measures. This next iteration has updated an array of potential state funding mechanisms for land conservation.

Protecting Maine's quality of place (e.g. undeveloped open space and natural heritage) is critical to strengthening and maintaining a vibrant local and state economy. The economic benefits derived from a major tourism industry are at great risk if Maine loses its scenic vistas, high quality recreational opportunities, and charming small towns.

The State of Maine has recognized the importance of protecting its natural heritage. A number of state agencies and programs undertake and fund land conservation. The largest of these is the Land for Maine's Future (LMF) program. Since LMF began in 1987 it has received over $130 million in voter approved bond authorizations to acquire land. The program focuses on protecting land for open space, wildlife, parks, natural areas, endangered species habitat, deer wintering areas, and natural communities. The LMF program has successfully leveraged funds from other sources, including private and local and federal dollars. Key funding partners have included nonprofit organizations, foundations, cooperating landowners, and federal agencies. The state also funds land conservation through three other conservation programs:

- *Maine Outdoor Heritage Fund*. Supported by a percentage of the total proceeds from "scratch-off" lottery tickets. Funds are allocated to habitat conservation, land acquisition, and endangered species projects.
- *Maine's Endangered and Nongame Wildlife Fund*. Created by the legislature in 1983, monies can only be spent on the conservation of Maine's endangered and nongame species. Contributions are made through a "chickadee check-off" on the state income tax form and through the sale of a "loon license plate."
- *Drinking Water Land Acquisition Loan Program*. Provides low cost loans to communities and non-profit, non-community water systems' for the purchase of land and/or conservation easements needed for source water protection.

Funding for Maine's land acquisition programs has fluctuated widely. To effectively achieve the state's long-term conservation objectives it will be necessary to create stability for state land acquisition programs by providing reliable ongoing sources of funding and the necessary personnel. Providing greater funding continuity for land acquisition programs will enable state agencies to develop and implement long-term land protection strategies and take full advantage of important opportunities as lands become available.

There are a number of policy changes that could go a long way toward strengthening the state's framework and bringing additional funds to the table. Specifically, The Trust for Public Land recommends the following short-term and long-term actions:

Increasing the state's funding commitment. The state has capacity to consider issuing new bonds for conservation. Any new bond authorization should last at least five years to provide continuity and maximize opportunities to leverage funds from other sources, including federal and private, and to avoid possible voter fatigue as seen from strong but declining legislative and administrative support for the past three LMF bonds.

In addition, there exists a number of potential revenue sources should be explored further, such as increasing the deed-recording fee or implementing a vehicle registration surcharge. However, more analysis is needed to gauge the viability of each potential revenue source, especially when considering the current economic climate.

State and local partnership. Maine counties and municipalities could be stronger partners with the state. Local jurisdictions are currently not committing significant local funds for land conservation.

Maine should consider the establishment of a state matching fund which would provide incentive for local governments to commit funds for land conservation. States that have enabled expanded local financing options and provided state matching funds, such as Massachusetts and New Jersey, have seen increases in the number of local jurisdictions that have undertaken or improved open space planning and established their own local funding programs, making them important partners in reaching statewide goals.

STATE BACKGROUND INFORMATION

This section of the report provides background information on the State of Maine's growth trends, fiscal status, and the current overall state of land conservation.

Population Trends

Since 2010, Maine has experienced annual population growth of 0.1 percent.[1] Maine's annual growth rates have been decreasing, similar to other New England states. Massachusetts and New Hampshire are outpacing Maine with slightly higher growth rates. York (1 percent) and Cumberland (0.8 percent) counties had the highest population growth on average from 2010 to 2012. Every county in Maine except York, Cumberland Hancock and Waldo have lost population over the past several years as shown in the table below.

Rate of Growth of Maine Counties[2]

	Year				
County	**Pop. 1990**	**Pop. 2000**	**Pop. 2010**	**Pop. 2012**	**Change 2010-2012**
Androscoggin County	105,259	103,803	107,702	107,609	-0.1%
Aroostook County	86,936	73,943	71,870	70,868	-1.4%
Cumberland County	243,135	265,612	281,676	283,921	0.8%
Franklin County	29,008	29,470	30,768	30,630	-0.4%
Hancock County	46,948	51,869	54,420	54,558	0.3%
Kennebec County	115,904	117,074	122,151	121,853	-0.2%
Knox County	36,310	39,631	39,736	39,668	-0.2%
Lincoln County	30,357	33,628	34,457	34,180	-0.8%
Oxford County	52,602	54,715	57,831	57,481	-0.6%
Penobscot County	146,601	144,866	153,921	153,746	-0.1%
Piscataquis County	18,653	17,236	17,535	17,290	-1.4%
Sagadahoc County	33,535	35,187	35,293	35,191	-0.3%
Somerset County	49,767	50,857	52,228	51,910	-0.6%
Waldo County	33,018	36,257	38,786	38,820	0.1%
Washington County	35,308	33,922	32,856	32,462	-1.2%
York County	164,587	186,709	197,131	199,005	1.0%
Maine	**1,227,928**	**1,274,779**	**1,328,361**	**1,329,192**	**0.1%**

[1] U.S. Census Bureau. County Level Data Sets. 2010-2012. www.ers.usda.gov. Accessed June 2013
[2] Ibid.

Debt

Maine's bonded indebtedness for general obligation bonds was $472.06 million as of June 30, 2012.[3] An additional $105 million has been authorized but remains unissued as of early 2013. Maine has no legal debt ceiling.[4]

Tax-supported debt per Maine resident is $845. The national median is $1,117. Tax-supported debt as a percentage of Maine personal income is 2.3 percent. The national median is 2.8 percent.[5]

Maine has a strong general obligation (GO) bond rating according to all three bond rating agencies, Moody's Rating Service, Standard & Poor's, and Fitch Ratings.[6] Moody's rates Maine's GO bonds Aa2, which has increased from the 2007 reported rating of Aa3. However, in 2007 the reported outlook was stable and current outlook (in 2013) leans more negative; Standard & Poor's rates Maine's GO bonds, AA, outlook stable; and Fitch rates Maine's GO bonds AA, outlook stable. However, Fitch downgraded Maine's rating from AA+ in 2012 to AA in January 2013.

In June 2013, Governor LePage, after erasing $484 million in Medicaid debt, said he will issue voter-authorized GO bonds from 2010 and 2012, including $51.5 million for transportation infrastructure improvements and $53.5 million for conservation, clean water upgrades, and construction and energy efficiency at post-secondary educational institutions.[7]

Maine's State Owned Public Lands[8]

As of 2010, lands under the Maine Division of Parks and Public Lands ownership, management or oversight included:

• 590,853 fee acres of Public Reserved and Non-Reserved Lands;

• 84,248 acres of fee lands held as Parks or Boat Access Sites;

• 338,757 acres of conservation easements;

• 9,815 acres of Forest Legacy conservation easements delegated to the Division to enforce by the US Forest Service;

• 2.3 million acres of the state's marine and freshwater submerged lands, and 1,086 publicly owned coastal islands; and

• Three large public access easements on 624,768 acres of private lands.

The Division also works with local land trusts, conservation entities and municipalities seeking to acquire easements and fee lands with LMF funds for conservation and recreation purposes.

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[3] Office of the State Treasurer. Maine.gov. http://www.maine.gov/treasurer/debts_bonds/debt_summary.html. Date accessed May 24, 2013.
[4] http://www.maine.gov/treasurer/debts_bonds/debt_summary.html Personal Communication June 2013
[5] Ibid.
[6] Maine Office of the State Treasurer, May 24, 2013. Moody's Rating Service, S&P Rating Service and Fitch Rating Service.
[7] http://www.maine.gov/tools/whatsnew/index.php?topic=Gov+News&id=541383&v=article2011
[8] http://www.maine.gov/doc/parks/pdf/2009landsannualreport.pdf

Maine State Land Conservation Programs

The State of Maine undertakes and funds land conservation through a number of state agencies and programs. The following section of this report provides an overview of the Land for Maine's Future Program and the Maine Natural Resources Conservation Program as well as statistics on other state conservation programs.

Land for Maine's Future

The LMF program began in 1987 and has used money through voter approved bond authorizations to acquire land; a total of over $130 million during the past 25 years.[9] The program focuses on acquiring land for open space, wildlife, parks, natural areas, endangered species habitat, deer wintering areas, and natural communities. The LMF Program has successfully leveraged funds from other sources, including private and federal dollars. Key funding partners have included nonprofit organizations, foundations, cooperating landowners, and federal agencies.

LMF requires at least a one-third match of private or other non-federal funds for the public funds expended. The LMF Program has successfully leveraged more than $126 million from other sources, including private and federal dollars. Since its creation, LMF assisted in the acquisition of more than 561,000 acres, including 306,000 acres protected through conservation easements.[10] The lands protected through the LMF include more than 1,000 miles of shorefront and 158 miles of rail-trails as well as valuable wildlife habitat, entire islands, 250,000 acres of working forests and 30 working farms.[11] The table to the right breaks down LMF acquisitions and spending from 1998 to 2012.[12]

Land for Maine's Future Acquisitions and Spending 1998-2012

Year	Acreage		Amount
2012	29,258	$	4,057,238
2011	816	$	1,661,671
2010	396	$	77,200
2009	7,714	$	2,913,094
2008	10,995	$	3,715,221
2007	48,078	$	8,286,613
2006	208,225	$	6,618,139
2005	19,051	$	4,731,176
2004	32,523	$	9,647,936
2003	130,848	$	10,436,266
2002	23,048	$	7,967,509
2001	8,106	$	3,305,533
2000	20,890	$	1,133,685
1999	412	$	891,000
1998	1,916	$	125,000
Total:	**542,276**		**65,567,281**

"The LMF Board, which administers the Program, consists of nine members: six private citizens (appointed by the Governor and confirmed by the Legislature's Joint Standing Committee on Agriculture, Conservation and Forestry) and three commissioners representing the Departments of Inland Fisheries and Wildlife, Agriculture, Conservation and Forestry, and Marine Resources. All Board meetings are open and the Board encourages public participation.

[9] Contact with Colin Therrien, Senior Planner for Land for Maine's Future. June 6, 2013, Trust for Public Land's LandVote Database www.landvote.org.
[10] Land for Maine's Future Bienniel Report January 2011 – December 2012. January 2013. www.maine.gov. Accessed June 2013.
[11] "Land for Maine's Future Celebrates 25 Years". www.landformainesfuture.org. October 11, 2012. Accessed June 2013.
[12] Data was available from 1998 forward. This chart does not include the LMF spending from the previous ten years which is approximately $65 million.

Maine Natural Resource Conservation Program (MNRCP)[13]

The Maine Natural Resources Conservation Program (MNRCP) awards competitive grants to projects that restore and protect high priority aquatic resources throughout Maine. MNRCP is administered by The Nature Conservancy on behalf of the Maine Department of Environmental Protection (DEP) and the U.S. Army Corps of Engineers. Since its launch in 2008, MNRCP has awarded nearly $8 million to non-profit groups, municipalities and public agencies to help restore, enhance or preserve wetlands and other important habitats at over 55 project sites across the state. The projects have conserved nearly 17,000 acres.

MNRCP was created to manage the allocation of funds collected through Maine's In Lieu Fee Compensation Program. This voluntary program provides flexibility for regulators as well as for businesses, agencies and others that are meeting regulatory permit requirements to choose a fee in lieu of more time-intensive traditional mitigation options. These fees are collected by DEP and then transferred to the Natural Resource Conservation Fund administered by The Nature Conservancy.

Table 1 Resource Compensation Rates 7/1/13 to 6/30/15

County	Natural Resource Enhancement & Restoration Cost / Sq. Ft.	Avg. Assessed Land Value/ Sq. Ft.*
Androscoggin	$3.65	$0.17
Aroostook	$2.90	$0.02
Cumberland	$3.65	$0.68
Franklin	$2.90	$0.03
Hancock	$2.90	$0.22
Kennebec	$3.65	$0.15
Knox	$3.65	$0.35
Lincoln	$3.65	$0.31
Oxford	$3.65	$0.07
Penobscot	$2.90	$0.05
Piscataquis	$2.90	$0.04
Sagadahoc	$3.65	$0.27
Somerset	$3.65	$0.04
Waldo	$3.65	$0.09
Washington	$2.90	$0.03
York	$3.65	$0.49

* Figures based on 2011 MRS statistical Summary

The revenue generated for MNRCP varies from year to year. There was a high of $3.5 million in 2010 and a low of $2.5 million in 2009.[14]

[13] Excerpted from www.mnrcp.org
[14] Personal communication with Dawn Hallowell, Licensing & Compliance Manager in the Bureau of Land & Water Quality Maine Department of Environmental Protection

Maine Conservation Spending and Acquisition

The table below represents conservation spending and acres (both fee and conservation easement) acquired in Maine from 1998 through 2008.[15] Based upon these figures the current average cost per acre in the state is approximately $117.26.

Conservation Spending and Acres Acquired in Maine from 1998 through 2008			
Program	**Acres Acquired**	**Dollars Spent**	**Cost Per Acre**
Land For Maine's Future	54,506	$57,230,078	$1,050
Maine Outdoor Heritage Fund	37,910	$3,005,841	$79
Endangered and Nongame Wildlife Fund	408	$41,738	$102
Department of Conservation	8,728	$10,375,603	$1,188
Federal[16]	1,358,027	$100,495,220	$74
Total	**1,459,581**	**$171,148,480**	**$117**
Source: The Trust for Public Land's Conservation Almanac www.conservationalmanac.org			

The cost of conservation in Maine is low compared to other New England states. As demonstrated in the table below the average cost of conservation land in Maine is less than all New England states, except for Vermont and Rhode Island. Maine has spent significantly less on conservation while acquiring far more acres than Massachusetts and Connecticut.

Conservation Spending and Acres Acquired in Selected States from 1998 through 2008			
State	**Acres Acquired**	**Dollars Spent**	**Cost Per Acre**
Massachusetts	166,266	$715,662,381	$430
New Hampshire	260,041	$196,704,308	$76
Connecticut	82,362	$526,368,498	$639
Maine	**1,459,581**	**$171,148,480**	**$117**
Source: The Trust for Public Land's Conservation Almanac www.conservationalmanac.org			

[15] 2008 is the last year where comprehensive data has been collected for all spending and acquisitions in Maine by the Conservation Almanac.

[16] Includes spending from federal sources such as the Land and Water Conservation Fund, the Forest Legacy Program and the Coastal and Estuarine Land Conservation Program

PUBLIC SUPPORT FOR LAND CONSERVATION

Voters have consistently approved bonds authorizations for the Land for Maine's Future Program. The table below presents the election results for the most recent LMF bonds in 2007, 2010, and 2012 by county.

Support for Land for Maine's Future by County									
County	**November 6, 2007**			**November 2, 2010**			**November 6, 2012**		
Androscoggin	11,169	7,444	60%	23,463	18,081	56%	28,536	22,645	56%
Aroostook	6,881	4,705	59%	13,224	12,733	51%	16,965	15,709	52%
Cumberland	41,513	19,828	68%	84,651	40,794	67%	106,379	51,345	67%
Franklin	3,855	2,198	64%	7,711	5,596	58%	9,566	6,421	60%
Hancock	8,096	4,343	65%	14,150	10,949	56%	17,704	12,031	60%
Kennebec	15,933	9,950	62%	30,086	22,449	57%	36,338	25,406	59%
Knox	6,414	3,088	68%	11,677	6,566	64%	13,784	7,509	65%
Lincoln	6,485	3,488	65%	10,602	6,835	61%	12,588	7,560	62%
Oxford	7,368	4,847	60%	15,032	10,514	59%	16,928	11,538	59%
Penobscot	16,582	11,382	59%	29,974	29,338	51%	40,281	34,465	54%
Piscataquis	2,212	1,953	53%	3,414	4,020	46%	4,324	4,435	49%
Sagadahoc	6,132	3,078	67%	10,529	6,481	62%	12,882	7,462	63%
Somerset	4,592	4,117	53%	9,894	9,681	51%	12,843	11,279	53%
Waldo	5,361	3,335	62%	9,546	7,654	56%	11,651	8,795	57%
Washington	5,290	4,127	56%	5,808	6,802	46%	8,048	7,256	53%
York	24,009	12,697	65%	51,735	28,550	64%	67,545	35,974	65%
State Uocava				423	139	75%	2,193	471	82%
Totals	**171,892**	**100,580**	**63%**	**331,919**	**227,182**	**59%**	**418,555**	**270,301**	**61%**
Source: Maine Bureau of Corporations, Elections, & Commissions									

Generally voters have shown similar support for LMF as they have for other public spending programs. The table below shows the most recent public spending measures on the same ballot as LMF funding.

Support for Other Public Spending Bonds on the Ballot with Land for Maine's Future									
November 6, 2012									
County	**Higher Education Bonds**			**Transportation Bonds**			**Water Systems Bonds**		
	$11,300,000			**$51,500,000**			**$7,925,000**		
Androscoggin	21,631	29,315	42%	34,722	16,521	68%	29,497	21,384	58%
Aroostook	14,769	17,904	45%	24,533	8,438	74%	20,428	12,330	62%
Cumberland	88,297	68,527	56%	118,837	39,063	75%	109,273	47,695	70%
Franklin	7,078	8,823	45%	11,131	4,896	69%	9,454	6,472	59%
Hancock	14,183	15,290	48%	21,804	7,992	73%	18,318	11,242	62%
Kennebec	28,312	33,195	46%	44,615	17,379	72%	37,529	24,059	61%
Knox	10,908	10,115	52%	15,773	5,550	74%	13,489	7,654	64%
Lincoln	9,949	9,994	50%	14,604	5,617	72%	12,084	7,962	60%
Oxford	12,251	16,063	43%	20,155	8,442	70%	16,321	12,113	57%
Penobscot	33,576	41,210	45%	52,926	22,305	70%	44,062	30,689	59%
Piscataquis	3,241	5,476	37%	5,679	3,138	64%	4,449	4,296	51%
Sagadahoc	9,942	10,181	49%	14,651	5,622	72%	12,964	7,205	64%
Somerset	9,341	14,658	39%	16,562	7,669	68%	13,414	10,635	56%
Waldo	9,203	11,100	45%	13,386	7,103	65%	11,672	8,671	57%
Washington	6,566	8,623	43%	10,989	4,394	71%	8,689	6,565	57%
York	53,427	49,404	52%	76,758	26,930	74%	69,024	34,106	67%
State Uocava	1906	712	73%	2241	395	85%	2,146	483	82%
Totals	**334,580**	**350,590**	**49%**	**499,366**	**191,454**	**72%**	**432,813**	**253,561**	**63%**
Source: Maine Bureau of Corporations, Elections, & Commissions									

STATE CONSERVATION FUNDING

Recognizing that significant new funding will be necessary to meet land acquisition, management and maintenance needs throughout Maine, it is instructive to look at other state examples. Of course, no single approach will be sufficient on its own. Participation is necessary at many levels, for one entity or program cannot achieve all statewide goals. Successful land conservation requires an array of funding sources and conservation tools, using top-down incentives and funding as well as enabling legislation to encourage bottom-up leveraging of conservation dollars.

Over more than two decades, 65 of 78 statewide conservation finance measures have been approved around the country, a passage rate of 83 percent. Funding generated by the measures ranges from less than $1 million in a 1988 New Mexico bond measure to more than $5 billion from a dedicated sales tax approved by voters in Minnesota in 2008. In 2012, three states passed conservation finance ballot measures. Maine and Rhode Island passed bond measures to fund parks, open space, and farmland protection at $5 million and $20 million, respectively. Alabama voters overwhelmingly extended a constitutional dedication of royalties from offshore gas operations in Alabama waters that will provide $300 million for open space, wildlife, and watershed protection through their Forever Wild program.

State Conservation Funding Measures approved 2008-2012

State	Description	%Yes	Total Amount Approved
6-Nov-12			
Alabama	Continuation of a levy on offshore gas to fund Forever Wild ($300 million over 20 years)	75	$300,000,000
Maine	Bond for Land for Maine's Future ($5 million)	61	$5,000,000
Rhode Island	Bond for the protection of local farms, open space and recreation lands ($20 million)	70	$20,000,000
2-Nov-10			
Iowa	Establish the Natural Areas and Outdoor Recreation Trust Fund	63	n/a
Maine	Bond for Land for Maine's Future ($9.75 million)	59	$9,750,000
Oregon	Constitutional amendment extending the dedication of lottery proceeds for conservation ($1.74 billion)	69	$1,740,000,000
Rhode Island	Bond for open space and parkland ($14.7 million)	65	$14,700,000
4-Nov-08			
Minnesota	Constitutional amendment to levy 3/8th of one percent sales tax for natural resource protection and arts ($6.9 billion)	56	$6,900,000,000
Ohio	Clean Ohio Fund bond ($400 million)	69	$400,000,000
Rhode Island	Bond for farmland and natural area protection ($2.5 million)	68	$2,500,000

All measures were refered to the ballot by the state legislative body, except Oregon which was an initiated measure.

Many more state conservation funding programs are created through the legislative process. For example, in 2008 New Mexico Governor Bill Richardson signed into law the Natural Heritage Conservation Act, a bill which provided $5 million to protect land, water, and working ranches in the state. The Governor of Wyoming recently sought and secured $21 million in the recent legislative budget session to invest into the state Wildlife and Natural Resource Trust established in 2005 and other conservation efforts. In 2012, Governor Corbett of Pennsylvania enacted legislation imposing impact fees on oil and gas drillers; the state's portion of the impact fee revenues will fund programs that benefit communities inside and outside of the Marcellus Shale region. Some state monies will be directed to the Environmental Stewardship Fund, water and sewer projects, open space preservation, transportation infrastructure, and grants to buy or convert vehicle fleets to natural gas. [17]

The table below illustrates several of the most common finance mechanisms for state land conservation programs. Other state revenue sources include license plate revenues, hunting and fishing license fees, hotel/motel tax, cigarette tax, state income tax, and oil and gas revenue.[18]

Common Revenue Streams for State Land Conservation Programs	
Revenue Stream	**Selected Examples**
General obligation bonds	California, Nevada, Rhode Island, Ohio
Sales tax	Arkansas, Missouri, New Jersey, Minnesota
Lottery income	Arizona, Oregon, Colorado, Nebraska
Real estate transfer tax	Florida, Tennessee, Illinois, South Carolina
General fund appropriations	Arizona, Washington, Utah, Montana
Deed recording fees	West Virginia, Connecticut, Massachusetts

The following sections highlight selected examples of state funding programs for land conservation that stand out as models due to their funding levels and/or policy framework.

Substantial State Investment

The foundation of an effective statewide land conservation program is strong fiscal commitment on the part of state government through a stable revenue source. Substantial state investment fosters program development and long-term vision and leverages local, federal, and private investments in natural resource conservation. Some existing state programs rely on a single revenue stream, while others use a combination of revenue sources. The longevity and security of state funding programs varies according to the implementation process (ranging from annual legislative appropriation to voter-approved constitutional amendment) and the finance mechanism (sales tax revenues, for example, fluctuate with the economy).

State Conservation Spending 1998-2008		
Top-ten states		
State	**Total Amount**	**$/Capita**
Florida	$2,869,414,874	$148.54
California	$2,518,608,042	$66.21
North Carolina	$1,064,878,996	$109.20
New York	$1,051,030,391	$53.71
Colorado	$879,800,969	$169.60
New Jersey	$840,516,474	$94.82
Pennsylvania	$757,724,227	$59.37
Washington	$438,220,772	$63.54
Maryland	$413,048,657	$70.19
Massachusetts	$346,312,216	$52.11
Source: TPL Conservation Almanac		

The table to the right lists the ten states with the greatest amount of spending on conservation during the time period from 1998 to 2008. Two of those states are featured below.

Florida

Florida's Preservation 2000 Program (P2000) was created in 1990 and expenditures concluded in 2001. Over the 10-year span, P2000 was funded by an annual $300 million revenue bond for a total

[17] http://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2012/0/0013..HTM HB 1950
[18] For more information about other states' conservation programs, www.landvote.org or The Trust for Public Land's Conservation Almanac at www.conservationalmanac.org,

of $3 billion. Revenues from the state real estate transfer tax (known as the Documentary Stamp Tax) supported the annual bond. Almost two million acres of land have been protected.

Upon the conclusion of P2000, bi-partisan support in the Florida Legislature led to a successor program, Florida Forever, formerly the nation's largest land conservation program. Florida Forever addresses a wide range of conservation objectives including the restoration of damaged environmental systems, water resource development and supply, increased public access, public lands management and maintenance, and increased protection of land via conservation easements. Like P2000, Florida Forever was funded at $300 million annually from revenue bonds backed by Documentary Stamp Tax revenue.

Although the Florida Forever program was authorized through 2020 at $300 million a year the funding has been cut by 97.5 percent due to declines in state revenues and shifts in political priorities. Florida Forever has not received substantial funding since 2008. An initiative petition is underway to place a constitutional amendment on the 2014 ballot to dedicated one-third of the documentary stamp tax generating at least $500 million per year for 20 years for land conservation, including Florida Forever, land management, and restoration.

Minnesota

In November 2008, Minnesota voters approved a constitutional amendment entitled, "The Clean Water, Land and Legacy Amendment," with 56 percent of voter support. This ballot measure was the largest in U.S. history and will generate more than $5.5 billion dollars for land and water conservation. This is nearly double the largest previous ballot measure – New Jersey's 1998 Garden State Preservation Trust Act, which dedicated $2.94 billion in sales tax proceeds ($98 million/year for 30 years.)

The historic success of the Clean Water, Land and Legacy Amendment will increase investment in clean water, natural areas, cultural legacy, and parks and trails by about $290 million a year for 25 years. Approximately $220 million a year goes to protect and restore natural areas, parks, and lands vital for water quality. Projects can be proposed by the Department of Natural Resources and the Minnesota Pollution Control Agency as well as other organizations and agencies. The state Legislature makes final funding decisions based on recommendations from citizen advisory boards and the merits of the projects.

Dedicated Funding

Funding for land conservation that is subject to annual appropriation can vary widely. One way to secure state funding for land conservation is to adopt an amendment to the state constitution dedicating a certain funding stream or certain amount of funding for this purpose. Other states have dedicated funding through statute. Since 1988, eleven states have adopted constitutional amendments to dedicate funding for parks and open space. Those states are: Alabama, Arkansas, Colorado, Michigan, Minnesota, Missouri, Nebraska, New Jersey, Ohio, Oregon, and Iowa (funding for the Iowa program is dependent upon future legislative action to increase the state sales tax).

Alabama

Since 1992, Alabama has funded the purchase of land for conservation, recreation, and wildlife management through the Forever Wild Program. This program is established through a constitutional amendment that directs 10 percent of interest income on payments from offshore gas exploration and drilling. In November 2012, voters in Alabama approved a constitutional amendment to renew and extend the Forever Wild program, which provided $300 million over 20 years drawing upon royalties on offshore drilling. The measure passed overwhelmingly with 75 percent support. The program has purchased lands for general recreation, nature preserves, additions to wildlife management areas and state parks.

The program receives 10 percent of the interest income from the Alabama Trust Fund which is comprised of payments from the sale or lease of rights to explore and drill for gas in offshore areas off the coast of Alabama. Funding also comes from the sale of Forever Wild Alabama license plates.

Colorado

Colorado voters approved the Great Outdoors Colorado (GOCO) Amendment to the state constitution in 1992. This amendment created the GOCO Trust Fund, which earmarked a portion of state lottery proceeds to award as grants for parks, wildlife, outdoor recreation, trails, and open space. Presently, GOCO receives 50 percent of lottery proceeds with an annual cap based on 1992 dollars of $35 million adjusted for inflation.

State and local government agencies and nonprofit land conservation organizations are eligible to apply for the grants, with a 25 to 50 percent matching fund requirement. Grants range from open space grants, to grants for local governments, to grants to Colorado State Parks and Division of Wildlife, and finally to legacy grants for multi-year regional projects. For instance, between 1998 and 2003, GOCO awarded $180 million for land acquisition which was matched three to one by grant recipients. The demand for GOCO grants, however, outpaces available funds by three to one.

Enable Local Financing

Federal and state governments by themselves often cannot meet conservation needs. Communities are looking for local financing options to fill the gap. State enabling legislation makes local governments partners in protecting open space resources. Common local financing options include the property tax, local option sales tax, and general obligation bonds as shown in the table below. Other local revenue sources include special assessment district fees, impact fees, local income tax, and real estate transfer tax.

Common Revenue Streams Used for Local Conservation Programs	
Revenue Stream	**Selected States that Authorize Local Use**
Property tax	Massachusetts, New Jersey
Sales tax	Arizona, Colorado, Florida, New Mexico
General obligation bonds	Connecticut, Montana, Rhode Island, Utah
Income tax	Pennsylvania
Real estate excise/transfer tax	Maryland, New York, Washington

The table to the right lists the number of local conservation finance measures on the ballot by state. Most of the states with the largest number of local ballot measures have enabled local governments to implement tax and debt mechanisms for parks and open space purposes. In some cases the amount of funds approved by local governments far surpasses that allocated by the state making them very valuable partners in conservation.

Local Measures by State *1988 to 2012*		
Top 20 States	# of Measures	Total Funds Approved
NJ	501	$5,114,456,942
MA	301	$1,404,682,579
CO	161	$3,891,193,986
PA	149	$1,135,816,512
CT	101	$286,252,050
FL	99	$10,458,163,012
TX	98	$2,976,635,944
IL	94	$1,604,849,716
NY	94	$2,645,133,732
CA	85	$35,967,847,629
OH	78	$1,517,155,510
MI	60	$508,863,699
WA	60	$879,104,000
NC	59	$1,260,605,000
RI	48	$122,937,760
GA	36	$3,223,429,008
OR	33	$648,884,000
MN	30	$151,740,000
VA	29	$888,393,200
AZ	25	$3,066,104,560

Source: TPL LandVote Database

Illinois

The State of Illinois has authorized the creation of local forest preserve districts whose primary mission is to preserve open space, protect wildlife habitat, and provide passive recreation. These districts are authorized under Illinois statute and may be created only through voter approval by a simple majority. Forest preserve districts are separate legal entities, generally coterminous with a county's boundaries. The county's elected officials — board of commissioners— also serve as the elected officials of the forest preserve districts, with the president elected from his/her peers. All forest preserve districts may levy a property tax for general operations purpose (limited to .06 percent of property value) and may also levy above this level for additional maintenance and operations, with voters able to seek a referendum on the higher levy. Finally, all forest preserve districts may submit bond questions to voters for land acquisition and capital improvements, subject to approval by a majority of voters. Since 1988, six forest preserves have passed 19 measures providing just over $1 billion in new funding for land conservation.

Pennsylvania

In Pennsylvania, the state has enacted uniform enabling authority for municipalities to adopt a real estate transfer tax or earned income tax, which accounts for the substantial municipal land conservation. Local governments in Pennsylvania also have the authority to issue general obligation bonds for land conservation. There are no statutory debt limits on the amount of voter-approved debt. Since 1988, Pennsylvania municipalities have passed 107 ballot measures providing $670 million in new funding for land conservation.

In February 2012, the Pennsylvania Legislature approved Act 13 of 2012, which increases revenue from the Oil and Gas Lease Fund for conservation and establishes a new drilling impact fee on natural gas extraction from the Marcellus Shale. Revenue will be allocated to select state agencies and local governments that have passed an ordinance imposing the fee. Sixty percent of funds will be dispersed to local governments and 40 percent to the Marcellus Legacy Fund for statewide programs. Funds will be used for land acquisition as well as for restoration and improvement projects.

Incentives for Local Governments

In several states around the country, the establishment of a state matching fund for conservation has resulted in a significant increase in local conservation funding. States that have enabled expanded local financing options and provided state incentives, such as Massachusetts and New Jersey, have seen significant increases in the number of local jurisdictions that have undertaken or improved open space planning and established their own local funding programs, making them important partners in reaching statewide goals.

Massachusetts

The Massachusetts' Community Preservation Act, signed into law in 2000, combines local enabling authority with a commitment of state funds to urge communities to implement a local property tax for open space. Cities and towns are authorized to impose a surcharge (of up to 3 percent) on local property taxes to be used for open space and outdoor recreation, affordable housing, and historic preservation. State matching funds are provided from a $10 and $20 surcharge on most recorded documents, including deeds of conveyance and mortgages. Each year a percent of state matching funds will be divided among communities that have adopted the Act based on the total amount raised by the local open space tax. The state will match up to 100 percent of local funds depending upon the number of participating communities and the strength of the real estate market, so there is an added incentive for cities and towns to move quickly in order to leverage a larger portion of state funds. In FY13, the state appropriated an additional $25 million from the FY13 budget surplus to increase the percentage of the state match that will go to communities participating in the CPA program. To date, 155 cities and towns have adopted the Community Preservation Act and are appropriating fund revenues to meet community needs.

New Jersey

New Jersey has a long history of preserving open space and farmland. Between 1961 and 1995, New Jersey voters approved nine statewide Green Acres bond referendums. A 1998 referendum authorized the dedication of $98 million annually for a ten year period from the State's general fund for open space, historic and farmland preservation. New Jersey voters subsequently approved additional referendums in 2007 for $200 million and in 2009 for $400 million.[19] In 1989, the New Jersey legislature enacted legislation authorizing counties and municipalities to establish a voter-approved Open Space Trust Fund supported by property taxes and provided for matching funds. Since then, all 21 counties and 233 municipalities in the state have established an open space tax by voter referendum.

Municipalities and counties have been key partners and direct beneficiaries of these state conservation programs. Generally, counties and municipalities can obtain Green Acres grants for 25 percent of the purchase price of a property, but local governments that have a dedicated open space funding mechanism can qualify for 50 percent grants if they complete certain planning tasks. Specifically, the Planning Incentives Program created in 1999 provides that local governments with a dedicated source of open space funding and a formal open space plan can apply for grants in a

[19] Excerpted from: http://www.politickernj.com/64786/preserve-our-open-space-and-farmland#ixzz2S4USPjrQ

manner that is similar to a credit line. Parcels designated in the plan are essentially pre-screened so the local government does not have to start from square-one in the application process for each purchase.

Green Acres also provides funding for park development. Funding availability for parks and recreation facilities varies with the qualifications of the local government.

LOCAL PROGRAMS

In Maine, municipalities, rather than counties, have undertaken most local conservation finance programs. State law limits dedicated funding options for land conservation available to local government to a few key sources, primarily general obligation bonds, development impact fees, and tax increment financing. Local governments are precluded by the state from levying a property tax, real estate transfer tax, sales tax, or income tax for open space land acquisition. Other smaller revenue sources exist, such as donations, bequests, excise tax surcharges and user fees, but are not examined here.

Bonds

To raise funds for capital improvements, such as land acquisition or building construction, Maine towns and cities may issues bonds. There are two types of bonds: general obligation bonds and revenue bonds. GO bonds are essentially loans taken out by a government secured by the jurisdiction's full faith, credit, and taxing power to make timely payments. A revenue bond is a municipal bond whose debt service is payable solely from the revenues derived from operating the facilities acquired or constructed with the proceeds of the bonds. A more detailed description of local bonding authority is provided in Appendix I Municipalities can issue revenue bonds not exceeding the total tax levy of the preceding two years.[20] Falmouth, Freeport, Kittery, Saco, Scarborough, and York have passed bond measures for land conservation.[21]

The most recent measure was the approval in Kittery of a $150,000 bond to acquire land for conservation in June 2013. The measure passed with 85 percent support and the language for the question was as follows:

Shall the Town of Kittery Council be authorized to issue bonds in a total amount not to exceed $150,000, which bonds shall be matched by at least $500,000 in Federal funds and other private contributions, for the purpose of partially funding the purchase of two agricultural conservation easements on the 300 acre Rustlewood Farm, owned by the Johnson family, which easements will be held by the Kittery Land Trust and will preserve open space and maintain farmland in Kittery, safeguard the scenic views along Wilson Road, protect the headwaters of Spruce Creek, provide public access for walking, hunting, and winter recreational activities?

Impact Fees

In 1987, the Maine Legislature authorized local governments to impose impact fees on new development for the purpose of financing facility improvements, including parks and open space, due to demand caused by new growth. [22]

The first step for a community considering implementing an impact fee is to assess its rate of growth and determine if it would generate enough revenue to make the effort of development of an

[20] 30-A MSRA §5771
[21] The Trust for Public Land. LandVote Data. Accessed at http://www.tpl.org/tier3_cd.cfm?content_item_id=12010&folder_id=2386
[22] Me. Rev. State. Ann., Title 30-A, Section 4354

ordinance and its administration worthwhile. [23] The next step is to identify the current level of service (e.g. 25 acres of park for every 1,000 residents) provided in order to determine the need for future parks and open space and the extent to which new development contributes to that need. It is important to remember that impact fees cannot be used to finance existing deficiencies; therefore, an impact fee can only be used in a community with increasing population, and for providing open space to those new residents. Two examples of municipalities in Maine that have implemented impact fees for open space, are the Town of Brunswick and the City of Saco with open space impact fees of $127 and $156 per new resident, respectively.[24] Impact fees have traditionally been used to fund new sewer systems or road projects.

Similar to impact fees, the Town of Gorham (along with several others) has a Development Transfer Fee Ordinance. For projects located in a certain portion of Gorham's growth area, developers have the opportunity to pay a fee for increased density. The fees are then used for land conservation in rural portions of town. [25]

Tax Increment Financing

Some cities have used tax increment financing as a major source of park acquisition and improvement funds. Tax increment financing (TIF) diverts increases in property tax revenue within a set geographic area for specified purposes. Chicago's Millennium Park relies in part on revenues from the Central Loop TIF, and Portland, Oregon used TIF for Pioneer Courthouse Square and Jamison Square. In the city's Pearl District, a new densely populated central neighborhood built near the Willamette River on a former railroad area, nearly $23 million has been used to build three parks totaling 4.9 acres and renovate another acre of existing parkland.

In Maine, a municipality may participate in local project financing by using some or all of the new property taxes from a capital investment within a designated geographic district.[26] The municipality has the option of using the "incremental" taxes to retire bonds it has issued for the project, compensate a developer or business for development project costs, or fund eligible municipal economic development activities (e.g. parks, recreational trails). TIF districts may be designated for up to 30 years and bonds may be issued for up to 20 years. The designation of a TIF district requires proper notice, a local public hearing, the majority vote of the municipal legislative body, and state approval. [27]

In Bangor, a TIF was created in an area designated for commercial development near the Penjajawoc Marsh and Stream and located to the north and west of Stillwater Avenue and to the west of Kittredge Road.[28] The City set aside 25 percent of the new taxes from commercial development within the district for open space that protects or enhances water quality starting at the

[23] Maine State Planning Office. Financing Infrastructure Improvements Through Impact Fees: A Manual for Maine Municipalities on the Design and Calculation of Development Impact Fees. January 2003.
[24] Town of Brunswick Open Space Impact Fee Methodology. Accessed at http://www.beginningwithhabitat.org/toolbox/finance_impactfee.html
[25] Personal communication with Bethany Atkins, Maine Dept. of Inland Fisheries and Wildlife http://www.beginningwithhabitat.org/contacts/
[26] Maine Department of Economic and Community Development, Municipal Tax Increment Financing, May 1, 2005.
[27] TIF Statute: 30-A M.R.S. §§ 5221-5235
[28] City of Bangor Code of Ordinances, Article IV Section 23-34.

end of 2008, and continues to do so for 10 years.[29] The TIF is expected to generate revenues in the range of $1 million, plus or minus 20 percent over the next 15 to 20 years.[30] These funds will be used to purchase property or conservation easements, public access projects and water quality improvement efforts.[31] Property and easements will only be acquired from willing sellers.

In 2013, municipalities using TIF for open space or park related capital projects include Belfast, Falmouth, and Westbrook.

[29] Penjajawoc Marsh Bangor Mall Management Commission, Marsh/Mall Overlay Zone Management Plan, November, 2007.
[30] Written communication from Ed Barrett, Bangor City Manager, on May 8, 2008.
[31] Penjajawoc Marsh Bangor Mall Management Commission, Marsh/Mall Overlay Zone Management Plan, November, 2007.

STATE REVENUE OPTIONS FOR CONSERVATION

A number of potential revenue sources have been considered to fund land conservation in Maine. This study will look further at:

- Issuing new state general obligation bonds
- An increase in the real estate transfer tax
- An increase in the deed recording fee
- An increase in the sales tax
- An increase in the prepared foods and lodging tax
- Implementing an amusement and recreational services tax
- Allocating a portion of sales tax on sporting goods
- Assessing a vehicle registration surcharge
- Imposing a water utility fee
- Allocating additional lottery funds, and
- Increasing the waste handling fee

To issue a bond the constitution of Maine requires that a referendum be held.[32] It also requires a two-third vote of present members for both chambers of the Legislature. All other conservation funding mechanisms explored in this section would require approval by both chambers of the Legislature with a simple majority and the Governor.

General Obligation Bonds

General obligation bonds are loans taken out by a government secured by the jurisdiction's full faith, credit, and taxing power to make timely payments. Borrowing, by issuing bonds, presents a number of advantages. Borrowing can provide the state with the revenue and flexibility it needs up front to fund large-scale park and open space projects, when land is available and less expensive than it will be in the future. Bonds insure a steady stream of funding that is not dependent on the fluctuations of the operating budget. Costs are typically spread out over a long time horizon, and therefore are borne by both current and future beneficiaries. GO bonds are a popular open space financing tool at the state and local levels across the county. As shown in the table below Maine could issue a $100 million GO bond with an annual debt service of about $12 million, this assumes a 10-year bond at a 3 percent interest rate.

[32] Constitution of the State of Maine. Article 9 §14

Maine Bond Financing Costs	
Assumes a 10-year bond issues at 3.0% Interest Rate	
Bond Issue	**Annual Debt Service**
$25,000,000	$2,930,763
$50,000,000	$5,861,525
$75,000,000	$8,792,288
$100,000,000	$11,723,051
$150,000,000	$17,584,576
$200,000,000	$23,446,101

On the other hand, financing charges accrue, debt ceilings limit the amount of bonds a state or community can issue, and convincing voters of the merits of incurring debt can be challenging. There is competition for GO bonds among many programs in need of financing.

Finally, Maine must be mindful of how continued increases in debt will affect its bond ratings, as ratings can influence the interest rate charged on the loans. Maine continues to have voter authorized but unissued GO debt. Voters in the state approved a total of $149.5 million in bonds for capital improvements for community colleges, universities, highways and other infrastructure on November 5, 2013.

Real Estate Transfer Tax

Real estate transfer taxes (RETTs) are imposed by states and localities on the sale of land and/or property, usually with the buyer paying the additional percentage tax. The revenue generated can be dedicated solely or in part to the purpose of open space conservation, although many states have RETTs that fund government programs other than conservation. The tax can generate substantial funds for parks and open space, particularly in fast-growing communities. However, since revenues from the tax fluctuate with the real estate market, income can be difficult to predict.

The large majority of states levy some form of real estate transfer tax and/or allow local governments to do so. Currently, Maine charges a real estate transfer tax of $2.20 per $500 or fractional part of $500 of the value of property conveyed.[33] Of these funds, 90 percent is paid to the State of Maine and the county collecting the tax retains 10 percent. Of the state funds, half goes to the Maine State Housing Authority's Housing Opportunities for Maine Fund (HOME)[34] and, beginning in 2012, the other half goes to the Authorities, Maine Energy, Housing and Economic Recovery Fund. [35]

NOTE: In 2001, a provision was passed and then repealed in the same year to transfer $200,000 from the transfer tax revenue to the Community Forest Fund.

[33] 36 MRSA §4641
[34] A portion of this is placed in the general fund until 2015
[35] Once this amount equals the amount the Housing Authority certifies for bond obligations, the rest goes into the general fund

According to the Office of Fiscal and Program Review, the RETT generated a high of $34 million in FY06 and generated $22.4 million in FY13.[36] The RETT revenue has declined nearly 45 percent as a result of the economic and housing downturn. The table below shows how much money could be generated by increasing the transfer tax from the current $2.20 per $500.

Increase in the Real Estate Transfer Tax	
Increase per $500 value	Revenue Increase
$0.10	$1,020,395
$0.20	$2,040,790
$0.30	$3,061,185
$0.40	$4,081,580
$0.50	$5,101,975
$0.60	$6,122,370

Maine's current transfer tax rate is lower than the average rate for the other New England states as illustrated in the table below.

Comparison of Transfer Tax Rates	
State	Tax Rate per $500
Rhode Island	$2.00
Maine	$2.20
Massachusetts	$2.28
New Hampshire	$3.75
Connecticut	$3.75
Vermont	$6.25

In addition, these revenues could support the payment of a bond issue for land conservation. (Debt service on various bond options is detailed in the previous section). An additional 20 cents of the RETT could provide annual debt service for a $25 million bond.

Real Estate Transfer Tax: Case Examples

Florida's primary land conservation program, Florida Forever, was funded in large part by a documentary stamp tax (real estate transfer tax). This tax is a two tier system, whereby a tax of $.70 per $100 of the total consideration paid is charged for recording deeds and other documents related to realty transfer, and a rate of $.35 per $100 is charged for all other taxable documents including stock transfers and mortgages. Collections from this tax have been greatly influenced by a wave of mortgage refinancing in recent years. Total annual collections in the mid-2000s reached several billion and annual appropriations of documentary stamp tax revenues were used to finance $300 million in Florida Forever bonds each year.

[36] http://www.maine.gov/legis/ofpr/compendium/compend/compendium.htm

Since 2009, these fees have been diverted to the state's general revenues, however a campaign is underway to place a constitutional amendment on the 2014 ballot, which if approved would direct one-third of existing state revenues from "doc stamps" to fund restoration and conservation projects in Florida's most critical water protection areas and lands. The measure is expected to generate $10 billion over the 20 year life of the amendment. [37]

Deed Recording Fee

The Maine Registry of Deeds charges several different types of fees pertaining to the recording of real estate documents. As of October 9, 2013, all Maine Registry of Deeds recording fees increased by $6 for the first page and recording plans were increase by $6 per plan. The current fee structure is as follows:

Registry Fees	
Surcharge (State and municipal governments are exempt)	$ 3.00
Recording first page of document	$ 19.00
Recording additional pages of a document (per page)	$ 2.00
Names to index in excess of four (per name)	$ 1.00
Marginal references (after the first)	$ 13.00
Recording a plan	$ 21.00

All revenue from deed recording fees goes to the county where the transaction occurred. The recent increase was to fill a county budget shortfall. [38]

Governor LePage vetoed the bill that increased fees however the Legislature overrode the veto and enacted the law.

Deed Recording Fee: Case Examples

The Massachusetts' Community Preservation Act, signed into law in September 2000, combines local enabling authority with a commitment of state funds to urge communities to implement a local property tax for open space. Cities and towns are authorized to impose a surcharge (of up to 3 percent) on local property taxes to be used for open space and outdoor recreation, affordable housing, and historic preservation. State matching funds are provided from a $10 and $20 surcharge on most recorded documents, including deeds of conveyance and mortgages. Each year a percent of state matching funds will be divided among communities that have adopted the Act based on the total amount raised by the local open space tax. The state will match up to 100 percent of local funds depending upon the number of participating communities and the strength of the real estate market, so there is an added incentive for cities and towns to move quickly in order to leverage a larger portion of state funds. To date, 155 cities and towns have adopted the Community Preservation Act and are appropriating fund revenues to meet community needs. The state

[37] http://floridawaterlandlegacy.org/pages/129/the-campaign-to-protect-floridas-most-cherished-waters-and-natural-areas/
[38] http://bangordailynews.com/2012/04/24/news/state/lepage-vetoes-bill-to-increase-county-fees-sponsor-says-that-will-create-shortfall/?ref=search

surcharge is estimated to generate roughly $27.7 million in FY12. In FY13, the Legislature added $25 million so the distribution to cities and towns that have passed CPA will nearly double.

New Hampshire funds its Land and Community Heritage Investment Program (LCHIP) partly with a $25 deed recording fee that began July 1, 2008. LCHIP is an independent state authority that makes matching grants to New Hampshire communities and non-profits to conserve the state's most important natural, cultural and historic resources. The deed recording fee generates up to $6 million annually, but has been subjected to budgetary raids by the state Legislature.

Sales Tax

In Maine, there is a current 5.5 percent tax on general sales, service providers, and uses.[39] The sales tax was increased temporarily (5 percent to 5.5 percent) from October 1, 2013 to June 30, 2015 in order to balance the state's budget. The table below shows the average household cost and annual revenue that could be generated by an increase or diversion towards conservation in the sales tax. At an average household cost of $29 annually an increase to 5.25 [40] percent in the sales tax would generate approximately $44 million annually.

Estimated Revenue and Cost of Sales Tax			
Sales Tax	**Annual Revenue**	**Household Spending on Taxable Goods***	**Annual Cost/ Household**
0.25%	$43,755,390	$11,508	$28.77
0.50%	$87,510,780	$11,508	$57.54
Sales Tax	**Annual Revenue**	**Total Revenue Attributed to Resident Spending****	**% of Revenue Generated by Residents**
0.25%	$43,755,390	$16,031,539	37%
0.50%	$87,510,780	$32,063,078	37%
**Assumes 25% of household income is spent on taxable items.*			
Based on 2012 median household income of $46,033.			
***Average household spending multiplied by est. # of households in the state (557,219).*			

Despite the recent tax rate increase, Maine's sales tax is still lower than other New England states, demonstrated in the table below. However, its neighbor New Hampshire has no sales tax.

[39] 36 MRSA §1811
[40] Assuming the tax rate returns to 5 percent in 2015

Selected State Sales Tax Rates	
State	**Rate**
New Hampshire	None
Maine	5.50%
Massachusetts	6.25%
Vermont	6.00%
Connecticut	6.35%
Rhode Island	7.00%

Sales Tax: Case Example

In November 2008, Minnesota voters approved a constitutional amendment entitled, The Clean Water, Land and Legacy Amendment, with 56 percent of voter support. This ballot measure was the largest in U.S. history and will generate more than $5.5 billion dollars for land and water conservation. This is nearly double the largest previous ballot measure – New Jersey's 1998 Garden State Preservation Trust Act, which dedicated $2.94 billion in sales tax proceeds ($98 million/year for 30 years.)

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Prepared Foods and Lodging Tax

In Maine there is a current 8 percent tax on prepared foods and lodging.[41] As part of the 2013 budget agreement the sales tax on prepared foods and lodging was raised to 8 percent from 7 percent. As with the state's general sales tax this increase is in effect from October 1, 2013 to June 30, 2015. Five percent (about $12 million in FY15) of the food and lodging tax is allocated to a Special Revenue Account in the Office of Tourism. The remaining funds are placed in the state's general fund. The now 8 percent tax is expected to generated $240 million in FY15.

An additional increase or diversion of the prepared foods tax of .25 percent would generate an additional $5.5 million in revenue; residents would account for two-thirds of this revenue. The same increase in the lodging tax would generate $1.8 million, and residents would generate only 23 percent. Other estimates of incremental increases in the prepared foods and lodging taxes can be found in the table on the next page.

[41] 36 MRSA §1811

Estimated Revenue of a Prepared Foods and Lodging Tax Increase			
Prepared Foods Tax	**Annual Revenue***	**Total Revenue Attributed to Resident Spending****	**Revenues Generated by Residents**
0.25%	$5,465,235	66%	$3,607,055
0.50%	$10,930,470	66%	$7,214,110
Lodging Tax	**Annual Revenue***	**Total Revenue Attributed to Resident Spending****	**Revenues Generated by Residents**
0.25%	$1,829,588	23%	$420,805
0.50%	$3,659,175	23%	$841,610
Maine Office of Policy and Management Taxable Retail Sales 2012			
***Murray, Matthew. 2006. Exporting State and Local Taxes: An Application to the State of Maine. Brookings Institution.*			

The following chart shows how Maine's prepared food (meals tax) and lodging tax compares with other surrounding states.

Selected State Meals and Lodging Tax Rates		
State	**Meals Tax**	**Lodging tax**
New Hampshire	9.00%	9.00%
Maine	8.00%	8.00%
Massachusetts	6.25%	5.70%
Vermont	9.00%	9.00%
Connecticut	6.35%	15.00%
Rhode Island	1.00%	6.00%

Amusement and Recreational Services Tax

Amusement and recreational services include theaters and opera performances, movies, pari-mutuel racing net receipts, spectator sporting events, commercial participant amusements, and all other purchases of recreational services.[42] Amusement and recreational services have never been taxed. The Maine Department of Administrative and Financial Services estimated that in FY14 $23.8 million in general fund revenues are lost by not taxing amusement and recreational services at the current sales tax rate and that figure will increase to $25 million in FY15.

Sporting Goods Tax

A sporting goods sales tax (SGST) for land conservation allocates a portion of *existing* general sales tax attributable to sporting goods to be used for land conservation. The current 5.5 percent state sales tax, or some portion, that is paid on equipment items that are specifically associated with hunting, fishing, and other wildlife-associated recreation, could be dedicated to fund fish and wildlife conservation. In this way, hunters and fishermen and non-consumptive users would contribute to land conservation in the state.

[42] Department of Administrative and Financial Services. 2013. Maine State Tax Expenditure Report 2014-2015. Economic Research Division, Maine Revenue Services, Department of Administrative and Financial Services.

The U.S. Census Bureau and the U.S. Fish and Wildlife Service have determined that the sales of fishing, hunting, and wildlife-associated recreation equipment in Maine totaled approximately $204.6 million in 2011.[43] Applying the 5.5 percent state sales tax rate yields about $11.3 million annually in state taxes. All or a portion of this sporting goods tax revenue could be diverted from the general fund to land conservation. This $11.3 million accounts for 1.15 percent of the state's total sales tax revenue that in FY12 generated $981 million.

Sporting Goods Tax: Case Examples

This revenue source was first used in Texas, beginning in 1993 when the Texas Legislature statutorily allocated funds. In 2000, Virginia's General Assembly passed similar legislation. The support for this funding mechanism draws upon the logical connection between the benefits received from outdoor recreation and the expenses associated with having public access to open space.

Virginia

Beginning on July 1, 2000, legislation passed[44] (often referred to as "HB38" by Virginia's General Assembly) which allocated two percent of the sales tax revenue generated from the sale of hunting, fishing, and wildlife watching equipment to the Department of Game and Inland Fisheries (DGIF) which utilizes these funds across virtually all of their programs. The revenue is capped at $13 million.[45] This legislation was a result of several years of work by a bi-partisan committee of the legislature. It was supported by a finding that DGIF would be unable to continue operations in 2001 unless new revenue was available to support current operations. The legislation specifically allowed DGIF's supervisory board to utilize up to 50 percent of the new funds for capital projects since DGIF had no identifiable funds for capital projects and land acquisitions.[46]

The state typically generates approximately $11 million from the sales tax revenue. The table to the left illustrates revenue from select years. This revenue is essentially the full two percent of sales tax generated from the sale of hunting, fishing, and wildlife watching equipment. The Comptroller collects two percent of revenue from the sale of hunting, fishing, and wildlife watching equipment based off of estimates for total sporting goods equipment sales from the National Survey of Fishing, Hunting and Wildlife-Associated Recreation. Because this survey only comes out every five years, Virginia's allocations remain the same until new estimates are generated. The national survey is conducted by the U.S. Census and the U.S. Fish and Wildlife Service and includes state-level data.

The tax is collected from the following categories: hunting equipment, fishing equipment, wildlife-watching equipment. Outside of items owned primarily for hunting, fishing, or wildlife-watching (i.e. guns, rods and reels, bird houses, wild bird food), each category also includes auxiliary equipment which covers such items as tents, special clothing, binoculars, and backpacking equipment.

[43] U.S. Department of the Interior, Fish and Wildlife Service, and U.S. Department of Commerce, U.S. Census Bureau. 2011 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation.

[44] Code of Virginia §58.1-638E

[45] Code of Virginia § 29.1-10

[46] Personal Communication with Ray Davis, Virginia Dept. of Game and Inland Fisheries.

Texas

The Sporting Goods Sales Tax legislation, passed in 1993, replaced state cigarette tax revenues that had previously provided funding for state and local parks. Legislators first capped the sporting goods sales tax draw at $27M. In 1995 the cap was increased to $32M until 2007 when it was lifted. Prior to 2007, if the full $32M was appropriated, $15.5M went to the State Parks Account, $15.5 M went to the Local Recreation and Parks Account, and $1M to a Capital Account. In 2007, the cap was lifted. Beginning in FY08, 94 percent of SGST collections each biennium are credited to the Texas Parks and Wildlife Department (TPWD) and 6 percent to the Texas Historical Commission.

TPWD keeps 4 percent of proceeds for agency spending and the remaining funds are divided between the State Parks Account (74 percent), the Texas Recreation and Parks Account (15 percent), and the Texas Parks and Wildlife Conservation and Capital Account (1 percent). The State Parks Account and the Texas Recreation and Parks Account spend proceeds through the Local Park Grant Program. This grant program provides matching funds to local political subdivisions for the acquisition and development of public recreation areas and facilities, as well as programmatic spending for parks. The remaining 1 percent of proceeds goes to the Texas Parks and Wildlife Conservation and Capital Account.

Estimates for the 2014-2015 biennium indicate about $265M should go towards the SGST. In FY13 the state appropriated $31.6M to TPWD, just 25 percent of the total estimated collections. Because allocations remain subject to appropriation by the Legislature the department has yet to receive full funding. Two state legislators filed a bill this year to truly dedicate the funds towards their intended purpose.

The Comptroller collects this sales tax revenue based on estimates of actual sales. The bases for their estimates are statistics provided in a national survey of the sporting goods market produced by the National Sporting Goods Association. NAICS commodity codes are used to determine what sales tax the state derives from sporting goods stores. However, in order to estimate categories of goods sold the comptroller relies on the survey from the National Sporting Goods Association.

Vehicle Registration Surcharge

Vehicle license fees and surcharges have helped fund state park operations in many states across the country and this funding mechanism has been analyzed a number of times as a potential funding mechanism for parks and open space.

In California, this mechanism was put before voters in November 2010 as a long-term solution to fully funding state parks An $18 dollar vehicle license fee, if approved, would have provided about $10 billion for state parks and wildlife habitat protection over ten years. The measure failed, garnering 43 percent support.

If a similar program were successful in Maine for passenger vehicles a $10 fee could generate about $8.1 million each year.[47] The current fee for a passenger car is $35.

[47] This estimate is based on 812,653 passenger vehicle registrations in 2012. Registration information from the Maine Bureau of Motor Vehicles accessed at http://maine.gov/sos/bmv/stats/reg11.html.

Water Utility Fee

Currently a consumer-owned water utility in Maine may establish a water supply protection fund from surplus funds.[48] The annual credit may not exceed five percent of the prior year's total revenue. However, many water utilities have not created water supply protection funds, and those that have often raid those funds for capital improvements to avoid raising fees.[49]

In 2013, about 260,000 "service connections"[50] obtain water from public utilities in Maine.[51] On average public utility customers pay a flat rate of $316 annually for drinking water (rates vary by consumption for those utilities that do not charge a flat fee).[52] If households obtaining their water from a public utility paid a $10 fee for land conservation it would generate roughly $2.6 million each year, this represents an increase of 3.1 percent in the average water utility bill. Given past experience with the water supply protection funds any legislation should limit the ability to use the funds for other projects and provide some incentive for the utilities to establish the fund.

Water Utility Fee: Case Example

Under the provisions of the Rhode Island Public Drinking Water Protection Act (RIGL Chapter 46-15.3), water suppliers impose a levy of 2.92 cents per 100 gallons, which is billed directly to retail customers - senior citizens (65+) and commercial farmers are exempted from the levy. Suppliers remit the levy to the Rhode Island Water Resources Board (WRB), which transfers 1.664 cents to the Rhode Island Treasurer for general WRB operations and deposits 1.054 cents into the Watershed Protection Fund. The Watershed Protection Fund ("the penny per hundred") is used for the acquisition of watershed lands and for water quality improvement projects.

Lottery Funds

In FY12, $53.8 million in lottery revenues were transferred to the Maine general fund.[53] The Maine Outdoor Heritage Fund is supported by small percentage of the total proceeds from scratch-off lottery tickets. Funds are allocated to habitat conservation, land acquisition, and endangered species projects. The proceeds from scratch ticket sales generally total approximately $700,000 annually, but $527,799 was generated in FY13. The Heritage Fund receives 24 percent of the scratch ticket revenue for conservation related grants.

Lottery Funds: Case Examples

Several states around the country utilize lottery proceeds for land conservation. Colorado's program, Great Outdoors Colorado (GOCO), was approved as a constitutional amendment by voters in 1992 and created the GOCO Trust Fund, which earmarked a portion of lottery proceeds (presently 50 percent of lottery proceeds with an annual cap based on 1992 dollars of $35 million adjusted for

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48 35-A MRSA §6113.
49 Personal communication with Andrews Tolman, Assistant Director, Hydrogeologist, Water Resources, Maine Drinking Water Program, July 8, 2008.
50 "Service connections" for a Community Public Water System here could be a business, a school, a house, an apartment building
51 U.S. Census.
52 Maine Public Utilities Commission. Cost of Water at Selected Usages: Comparison of Current Rates with Average Charges through January 2008. Accessed at http://maine.gov/mpuc/industries/water/
53 Maine 2012 Tax Compendium http://www.maine.gov/legis/ofpr/compendium/11compend/index_pdf.htm

inflation) to award as matching grants for parks, wildlife, outdoor recreation, trails, and open space. In Oregon, 15 percent of lottery proceeds fund state park projects and salmon/stream restoration projects. Approved by 65 percent of state voters in 1998, at least 65 percent of the proceeds must be expended for capital improvements. Selected states that utilize lottery proceeds to fund conservation have varying allocations as listed below:

State	% or Amount of Lottery Funds for Conservation
Arizona	Up to $20 million per year of lottery proceeds
Colorado	50% of lottery proceeds go tow ards Great Outdoors CO
Iow a	$11 million annually from lottery proceeds
Nebraska	49.5 percent of lottery proceeds
Oregon	15 percent of lottery proceeds

Similar to the Colorado and Oregon programs, Maine could utilize a portion of the net lottery revenue to fund the preservation of working lands, parks, forests and wildlife habitat via a statutory amendment to the lottery statute. For example, dedicating five percent of total lottery proceeds would generate approximately $2.8 million in funding for conservation, and would leave a corresponding gap in the general fund.

Alternatively, Maine could consider creating a new lottery to support conservation in the state. A 2012 bill in Colorado was introduced to create a new scratch lottery ticket to help raise money for veterans. Senate Concurrent Resolution (SCR12-002) would have submitted to the registered electors of Colorado an amendment to the Colorado constitution to authorize a new state-supervised lottery, with the proceeds going to benefit the Veterans Assistance Grant Program. This amendment intended for the 2012 general election authorized the creation of a lottery for state veterans assistance, required the State Lottery Division to market and advertise the new lottery, created the State Veterans Assistance Grant Fund, and required the General Assembly to enact legislation to facilitate the operation of the provisions of the amendment. The constitutional amendment further required the Department of Military and Veterans Affairs to create a state veterans assistance grant program and administer it such that nonprofit veterans' organizations and state and local governmental agencies can address a broad range of needs for all United States veterans in Colorado.

The Colorado Department of Revenue, which oversees the lottery, predicted a veteran's scratch ticket could generate about $2 million in the first two years. However, the bill was narrowly defeated in the Colorado Senate in April 2012.

Solid Waste Handling Fee

In 2012, a waste handling fee was established in Maine [54] for construction and demolition debris and residue from the processing of construction and demolition debris disposed of at landfills. The new fee is $1 per ton in 2013 and $2 per ton thereafter. The fee must be paid by commercial, municipal, regional association, and state-owned landfills, except for municipal or regional association landfills

[54] http://www.mainelegislature.org/legis/bills/bills_125th/chapters/PUBLIC544.asp

less than six acres in size that accept only inert fill, construction and demolition debris, debris from land clearing, and wood wastes.

Funds resulting from the fee may only be expended for the State's obligations to municipalities under the closure and remediation cost-sharing program for solid waste landfills. The Department of Environmental Protection estimates that the provisions of the bill will increase Other Special Revenue Funds revenue by $175,000 in fiscal year 2012-13, $525,000 in FY 2013-14 and by $700,000 annually thereafter.

Waste Handling Fee: Case Example

In 2002, funding for Pennsylvania's Growing Greener Program was due to expire, when it received an infusion of funding from a $4.24/ton tipping fee dedicated for land conservation and environmental protection. The tipping fee is deposited into the Environmental Stewardship Fund.[55] In 2005, Pennsylvania voters overwhelmingly approved a $625 million bond measure that was in part backed by the tipping fee. The tipping fee currently generates an estimated $60 million annually.

Fireworks Tax

In Maine, after 63 years, the sale of fireworks was again legalized in January 2012. When legislators debated a bill in 2011 the Maine Revenue Services estimated that fireworks stores would generate about $120,000 a year in sales taxes. Over its first year the state collected $380,000 in sales taxes, more than double the initial estimate.[56] Eighteen stores are approved to sell fireworks thus far.

Most of the revenue is allocated to the Maine Department of Public safety. A bill was introduced in 2013 which would have doubled the sales tax collected on fireworks to ten percent from five percent. The new revenue would have been used to create a pension fund for volunteer firefighters who put in at least 20 years of service to their communities. The bill was tabled until next session.[57]

Casino Proceeds Tax[58]

Racino and casino revenue is collected from slot machines and table game operations that are currently authorized on the premises of one commercial racetrack in Bangor and on the premises of one location in Oxford County.

- The Bangor facility (Hollywood Casino) was originally licensed in fiscal year 2005 as a racino. In fiscal year 2012, the facility was licensed as a casino and subsequently added table games. Under current law (8 MRSA §1036), Hollywood Casino is taxed at the rate of one percent of the gross slot income (the amount collected from slot machine players) , 39 percent of the net slot machine income and 16 percent of the net table game income.

[55] Pennsylvania Department of Conservation and Natural Resources. New Budget Shores Up Growing Greener. http://www.dcnr.state.pa.us/polycomm/res2002/ggbudget0702.htm
[56] http://www.mainelegislature.org/legis/bills/bills_125th/fiscalnotes/FN008302.htm
[57] http://www.mainelegislature.org/legis/bills/getPDF.asp?paper=HP0819&item=2&snum=126
[58] Excerpted from State of Maine, Compendium of State Fiscal Information Through Fiscal Year Ending June 30, 2012 http://www.maine.gov/legis/ofpr/compendium/previous_compendiums/2012COMPEND.pdf

- The Oxford facility (Oxford Casino) was licensed as a casino in fiscal year 2012 with both slot machines and table games. Oxford Casino is taxed at the rate of 46 percent of net slot machine income and 16 percent of net table game income.

The following chart summarizes the different tax bases and the distribution of funds for each facility in effect for fiscal year 2012. As shown below, a variety of areas receive casino tax revenue including schools, agriculture, and public health.

	Hollywood Casino		Oxford Casino	
Tax Base and Purpose	**Slot**	**Table**	**Slot**	**Table**
% of Gross Machine Revenue:				
General Fund	1.0%	0.0%	0.0%	0.0%
% of Net Machine and Gaming Revenue: [1]				
General Fund [2]	4.0%	9.0%	3.0%	0.0%
Gambling Control Board	0.0%	3.0%	0.0%	3.0%
Fund for a Healthy Maine [3]	10.0%	0.0%	0.0%	0.0%
Fund to Supplement Harness Racing Purses	10.0%	0.0%	1.0%	0.0%
Sire Stakes Fund	3.0%	0.0%	1.0%	0.0%
Agricultural Fair Support Fund	3.0%	0.0%	1.0%	0.0%
Fund to Encourage Racing at Commercial Tracks	4.0%	0.0%	0.0%	0.0%
Fund to Stabilize Off-track Betting Facilities [4]	1.0%	0.0%	0.0%	0.0%
University of Maine Scholarship Fund	2.0%	0.0%	4.0%	0.0%
Community College System Scholarship Fund	1.0%	0.0%	3.0%	0.0%
Department of Education, K-12 Education	0.0%	0.0%	25.0%	10.0%
Penobscot Nation and Passamaquoddy Tribe	0.0%	0.0%	4.0%	0.0%
Maine Milk Pool, Dairy Stabilization Program	0.0%	0.0%	1.0%	0.0%
Eligible Charitable Nonprofit Organizations	0.0%	2.0%	0.0%	0.0%
Host County	0.0%	0.0%	1.0%	1.0%
Host Municipality	1.0%	2.0%	2.0%	2.0%
Host Municipality - Paid directly by Operator [5]	3.0%	0.0%	0.0%	0.0%

[1] Hollywood Casino's net machine income for the calculation of the other distributions includes the reduction of the 1% payment on gross slot machine income in addition to the player paybacks.

[2] Law requires the transfers of funds from the General Fund to the Gambling Addiction Prevention and Treatment Fund of $50,000 in fiscal years 2012 and 2013 and $100,000 annually beginning in fiscal year 2014.

[3] For fiscal years 2010, 2011 and 2012 the amount distributed to this Fund was capped at $4,500,000 with any excess amounts credited to the General Fund. For fiscal year 2013 the distribution to this Fund was eliminated.

[4] The amount distributed to this Fund was 2% until November 5, 2009, at which time it was reduced to 1% with the remaining 1% distributed to the General Fund.

[5] The City of Bangor receives 3% of the net slot machine income that does not pass through the state directly from Hollywood Casino.

In recent years Maine has diverted Oxford Casino revenue allocated to schools to fill state budget gaps. The revenue the state has taken in from racinos and casinos has grown steadily since 2005. If the state allocated one percent of the tax revenue, which in 2012 was almost $31.4 million, it could provide $314,000 annually for conservation.

Efforts have been made to increase the tax rate for specific purposes. Most recently, supporters of Veterans hoped to increase the tax rate on Hollywood Casino to 40.5 percent from 39 percent in order to create a fund for veteran cemeteries in Maine.

Water Extraction Tax

Over the past decade a number of proposals have been introduced in the Maine Legislature and by citizens in the initiative process which would place a tax or fee on the extraction of water drawn from Maine's aquifers for use as a bottled water product. There were two major efforts since 2004:

- In 2004, the Maine's Water Dividend Trust (MWDT) was created and a fee was proposed of 3 cents for each 20 fluid ounces that would have been assessed for water extracted from the State for containerized resale. Trust dividends were to pay for investment in the state, purchase of Land for Maine's Future lands, and for municipalities to offset cost of improvements/maintenance of infrastructure affected.

  A citizen petition was started to place this proposal, which would have generated about $100 million annually, on the November 2006 ballot. The initiative fell about 1,000 signatures shy of the amount needed. About 7,100 signatures were ruled invalid.

- In 2010 a penny per gallon tax on containers of five gallons or less was proposed. Fifty percent of the revenue would offset other taxes, 25 percent would protect watersheds and water quality, and 25 percent would be dedicated to the community where water was extracted. Poland Springs said the measure would cost 20 percent of annual payroll ($7 million). The excise tax was brought up in two consecutive legislative sessions (124th and 125th). In neither instance was the excise tax adopted.[59]

A number of campaigns have been established to block water extraction. The Save Our Water campaign in the Branch Brook Watershed communities was established to prevent large-scale water extraction and to maintain control of surface/groundwater. Towns have also started passing individual water ordinances governing terms of extraction. Thus far, no local extraction fee has been approved.

Maine Bottle Bill

Each year the Maine Returnable Beverage Container Law, commonly known as the Bottle Bill, generates $600,000 in revenue for the state.[60] The law was enacted in 1976 and implemented in 1978.[61] Each beverage container, with the exception of dairy, unprocessed cider, wine, and spirits containers, has a deposit and refund value of $0.05. Wine and spirits containers greater than 50 milliliters have a deposit and refund value of $0.15. Distributers and bottlers are required to collect a bottle deposit. Since 2004, distributers and bottlers have been required to report these transactions to the State Tax Assessor and transfer unclaimed bottle deposits to the state, except on containers

[59] http://www.mainelegislature.org/legis/bills/bills_125th/fiscalpdfs/FN121601.pdf
[60] Personal Communication with Suzanne Voynik, Office of Fiscal and Program Review Analyst, Maine State Legislature, November 12, 2013.
[61] Bottle Bill Resource Guide, *Maine* (accessed November 14, 2013, http://www.bottlebill.org/legislation/usa/maine.htm).

that are part of a distributor commingling agreement. These unclaimed bottle deposits are then treated as a tax and deposited into the General Fund, per M.R.S. Title 32, Chapter 28 §1866-E.

In states where the bottle deposit and refund is $0.05, 10 to 30 percent of beverage containers sold are not returned for their refund value. Redemption rates vary widely depending on a variety of factors, but they are closely related to the deposit amount. A higher deposit results in a higher return rate and fewer unclaimed deposits. In Michigan, with a deposit of $0.10, less than 5 percent of containers sold are not redeemed.[62] In 2012, Michigan's bottle bill was responsible for the collection of $370.8 million in deposits and refunds of $351.1 million. This resulted in a 94.7 percent redemption rate and $19.7 million in unclaimed bottle deposits, of which 75 percent, or $14.8 million, was deposited into the Cleanup and Redevelopment Trust. Between 1990 and 2012, 96.9 percent of bottles were redeemed. The State has collected $9.32 billion in deposits, refunded $9.03 billion, resulting in $214.35 million in unclaimed deposits that were escheat to the state.[63]

At this point in time, it is uncertain what effect a five-cent increase in the bottle deposit would have on the State of Maine's revenue from unclaimed bottle deposits. While the unclaimed deposit revenue would increase if the redemption rate stayed the same, the larger deposit would increase the incentive that residents have to return their bottles. In Michigan, where the bottle deposit is $0.10, the average rate of redemption between 1990 and 2012 was 96.9 percent.[64] Maine's bottle bill program currently has a 90 percent redemption rate.[65] This redemption rate is consistent with what was found in a 2007 report by the former Maine Department of Agriculture, where 10 percent of bottles sold by the surveyed producers and distributors were not redeemed.[66] If we assume that Maine's current redemption rate similar to the rate in Michigan, than the revenue generated to the state in unclaimed bottle deposits would be lower than the revenue that is currently generated with the five-cent deposit.

[62] Bottle Bill Resource Guide, *The Fate of Unclaimed or "Abandoned" Deposits* (accessed November 14, 2013, http://www.bottlebill.org/about/unclaimed.htm).
[63] State of Michigan, *Michigan Bottle Deposit Law: Frequently Asked Questions* (accessed November 14, 2013, http://www.michigan.gov/documents/deq/dnre-whmd-sw-mibottledepositlawFAQ_318782_7.pdf).
[64] Ibid.
[65] Bottle Bill Resource Guide, *Maine* (accessed November 20, 2013, http://www.bottlebill.org/legislation/usa/maine.htm).
[66] Maine Department of Agriculture, Division of Quality Assurance and Regulations, *Response to Chapter 40 Resolve, to Estimate the Annual Value of Uncollected Bottle Deposits, Fraud and Total Costs under Maine's Bottle Bill* (A Report Prepared for the 123rd Legislature Joint Standing Committee on Business, Research and Economic Development, 2007).

APPENDIX I: LOCAL FUNDING

The following section analyzes potential local bonds for land conservation which are a critical component to the conservation funding quilt.

Local Funding Options in Maine

In Maine, municipalities, rather than counties have largely undertaken conservation finance programs. State law limits dedicated funding options for land conservation available to local government to a few key sources, primarily general obligation bonds and development impact fees. Local governments are precluded by the state from levying a property tax, real estate transfer tax, sales tax, or income tax for open space land acquisition. Other smaller revenue sources exist, such as donations, bequests, excise tax surcharges and user fees, but are not examined here.

General Obligation Bonds

To raise funds for capital improvements, such as land acquisition or building construction, Maine towns and cities may issues bonds. There are two types of bonds: general obligation (GO) bonds and revenue bonds. GO bonds are essentially loans taken out by a government secured by the jurisdiction's full faith, credit, and taxing power to make timely payments. A revenue bond is a municipal bond whose debt service is payable solely from the revenues derived from operating the facilities acquired or constructed with the proceeds of the bonds. Municipalities can issue revenue bonds not exceeding the total tax levy of the preceding two years.[67]

Borrowing, by issuing bonds, presents a number of advantages. Borrowing can provide the community with the revenue and flexibility it needs up front to fund large-scale park and open space projects, when land is available and less expensive than it will be in the future. Bonds insure a steady stream of funding that is not dependent on the fluctuations of the operating budget. Costs are typically spread out over a long time horizon, and therefore are borne by both current and future beneficiaries. GO bonds are a popular open space financing tool at local levels across the country.

On the other hand, financing charges accrue, debt ceilings limit the amount of bonds a state or community can issue, and convincing voters of the merits of incurring debt can be challenging. There is generally stiff competition for GO bonds among many programs in need of financing. Finally, municipalities must be mindful of how continued increases in debt will affect its bond ratings, as ratings can influence the interest rate charged on the loans.

In general, Maine municipalities are organized in one of two forms of government: the direct, town meeting form of government where the legislative body of the community is the town meeting, or the representational form of government where the legislative body of the community is the town or city council.[68] Each municipality can specify the procedural requirements for issuing debt.

[67] M.S.A., §5771
[68] Maine Municipal Association. http://www.memun.org

The debt limit for municipalities in Maine is 15 percent of their state valuation. Under state statute, municipalities have the authority to issue general obligation bonds for any type of capital improvements. The general debt limit for this purpose is 7.5 percent of the municipality's last full state valuation.

In Maine, only a handful of communities have successfully approved local dedicated funding for land conservation. Those include: Kittery, York, Scarborough, Saco, Falmouth and Freeport. These measures have generated over $110 million alone from local land acquisition.

As mentioned earlier in the report, federal and state governments by themselves often cannot meet conservation needs. Communities should look at local financing options to fill the gap. States sometimes create legislation enabling local governments to become partners in protecting open space resources. The traditional local financing option in Maine has been general obligation bonds. By increasing the total funding for conservation the state could commit some of the additional funds to local park and open space programs, thereby providing incentives to local governments, making them strong partners in the state's land conservation efforts and adding local dollars to the total amount of funding committed to this purpose.

APPENDIX II: MAINE SELECTED REVENUE OPTIONS MATRIX

Revenue Option	Description	Implementation Process	Comments & Considerations
Issuing G.O Bonds	The legislature could send to voters another G.O. bond for LMF, its traditional funding source. A $100 million bond, for example, would have a small impact on the state's annual debt service capacity. State officials, its financial advisors, bond counsel, and underwriters would establish the actual terms of any bond issue.	General obligation bonds require two-thirds approval of both houses of the legislature and the governor signature during one legislative session. Voter approval must then be sought. .	<u>Revenue raising capacity:</u> A bond would create a significant funding source for land conservation acquisition and capital improvements, thus enabling the state to make important acquisitions now while land is available. Payments would be spread out over a long time horizon, and therefore costs borne by both current and future beneficiaries. Bond proceeds may not be used for maintenance and operations. <u>Precedent for using funding source for land conservation:</u> This revenue source has been used successfully by local and state governments throughout the country to raise billions for land conservation. It has been the traditional funding source for LMF. <u>Funding for Operations & Maintenance:</u> Funds from G.O. bonds cannot be used for operations and maintenance expenses.
Increased Real Estate Transfer Tax	Increasing the real estate transfer tax from $2.20 per $500 to $2.50 per $500. Potential revenue ≈ $3M / year	An increase in transfer tax would require majority approval of both houses of the legislature during one legislative session.	<u>Revenue raising capacity:</u> Could generate moderate sums for land conservation. Could support both acquisition and maintenance costs. <u>Reliability:</u> Tax revenues can fluctuate significantly with changing economic conditions. <u>Nexus between funding source and land conservation:</u> A tax upon real property transfer ties in to the need to conserve lands.

Revenue Option	Description	Implementation Process	Comments & Considerations
Sales Tax Increase	Increase the state sales tax rate by an additional .25 percent. Potential revenue = $16M / year	An increase in sales tax would require majority approval of both houses of the legislature during one legislative session.	Revenue raising capacity: Would create a very significant funding source for parks maintenance, conservation acquisition and capital improvements. Reliability: Sales tax revenues can fluctuate significantly with changing economic conditions, but generally revenues from this source are growing. Precedent: A temporary increase in the sales tax began in October 2013 to help fill state budget gaps.
Prepared food and lodging tax increase	Increase the state tax rate on prepared foods and lodging by .25 percent. .25 percent dedication ≈ $13M / year	An increase in the prepared foods and lodging tax would require majority approval of both houses of the legislature during one legislative session.	Revenue raising capacity: Would create a very significant funding source for parks maintenance, conservation acquisition and capital improvements. Reliability: Revenues can fluctuate significantly with changing economic conditions, but generally revenues from this source are growing. Precedent: A temporary increase in the tax began in October 2013 to help fill state budget gaps. This increase from 7 to 8 percent ends in June 2015.
Dedicating the Sporting Goods Sales Tax	*Annual Revenue Potential* $11.3M The revenue could support debt service on a revenue bond issue. The legislature could propose to dedicate 100 percent of all tax revenues from sales of sporting goods towards land conservation.	A dedication of this existing sales tax revenue would require majority approval of both houses of the legislature during one legislative session.	Revenue raising capacity: Would create a significant funding source for operations and maintenance, conservation acquisition and capital improvements. Reliability: Sales tax revenues can fluctuate significantly with changing economic conditions, but generally revenues are growing. Competition: Changing existing revenue allocations would result in a small funding gap in the state general fund. Precedent for using funding source for conservation: Revenues from this source have been used in other states.

Revenue Option	Description	Implementation Process	Comments & Considerations
Water Extraction Excise Tax	Impose a water extraction excise tax of $.01/gallon on the extraction of surface water or groundwater from springs or other underground sources on bottled water operators. Potential revenue ≈ $6.5M / year. .	Would require majority approval of both houses of the legislature during one legislative session. .	<u>Revenue raising capacity</u>: Would create a significant funding source for land conservation and could be used for acquisition as well as development and maintenance purposes. <u>Opposition:</u> Severance tax changes can stir well funded opposition. Multiple efforts have failed over the past decade. <u>Precedent</u>: Several states use severance tax revenue to fund conservation purposes. <u>Nexus</u>: Reasonable nexus between mining and drilling state natural resources. <u>Reliability:</u> Tax revenues can fluctuate significantly with changing economic conditions.
Lottery Proceeds	Dedicate a portion of lottery proceeds to parks and conservation. Potential revenue from 5% of total proceeds ≈ $2.6M / year.	Would require majority approval of both houses of the legislature during one legislative session.	<u>Revenue raising capacity</u>: Would create a dedicated funding source for land conservation and could be used for acquisition as well as development and maintenance purposes. <u>Reliability</u>: Tax revenues can fluctuate significantly with changing economic conditions. <u>Competition</u>: Changing existing revenue allocations would result in a small funding gap in the state general fund. <u>Precedent</u>: Maine Outdoor Heritage Fund receives scratch ticket revenue. Lottery proceeds fund state conservation programs in CO and OR.
Vehicle Registration Surcharge	Increase fees on vehicle registrations. Potential revenue from a $10 fee increase ≈ $8M / year	Would require majority approval of both houses of the legislature during one legislative session.	<u>Revenue raising capacity</u>: Would create additional funding protection of land and water resources and could be used for acquisition as well as development and maintenance purposes. <u>Reliability</u>: Revenues can fluctuate significantly with changing economic conditions. <u>Precedent</u>: Many states use vehicle license fees and similar surcharges to fund state parks. The most recent measure, however, to increase the vehicle registration fee for conservation failed at the ballot in California in 2010.

Revenue Option	Description	Implementation Process	Comments & Considerations
Water Fees	Levy a fee on water use. Potential revenue from \$10 per household fee≈ \$2.6 M / year.	Would require majority approval of both houses of the legislature during one legislative session.	Revenue raising capacity: Would create a dedicated funding source for land conservation and could be used for acquisition as well as development and maintenance purposes. Depending on the structure, it does not capture industrial and agricultural users. Nexus: Reasonable nexus to state natural resources.

For any questions or more information please contact:

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