REPORT ON THE USE OF INCENTIVES TO KEEP LAND IN PRODUCTIVE FARMING, FISHING AND FORESTRY USE

Presented to the Joint Standing Committees on
Natural Resources,
Taxation, and
Agriculture, Conservation and Forestry
of the
120th Maine Legislature

pursuant to 1999 PL chapter 776, section 17

Prepared by

LAND AND WATER RESOURCES COUNCIL

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Contents

I. EXECUTIVE SUMMARY

<u>Project Background</u>

Introduction
In 1999, the Maine State Legislature enacted L.D. 2600, "An Act to Implement the Land Use Recommendations of the Task Force on State Office Building Location, Other State Growth-related Capital Investments and Patterns of Development." Section 17 of this bill, now 1999 PL chapter 776, charges the Land and Water Resources Council *(hereinafter LWRC or Council)* to submit a report to the joint standing committees of the Legislature having jurisdiction over natural resource matters, agriculture, conservation and forestry matters and taxation matters by January 15, 2001 *with an evaluation of and recommendations on the use of incentives to keep land in productive farming, fishing and forestry use.*

This report is limited in scope due to the fact that it had to be prepared within existing resources at a time when state agency staff were extraordinarily busy. In order to keep the project at a manageable level within resource and time constraints, attention was focused on (1) existing programs with which state staff are familiar and (2) approaches that either have been discussed during recent years or are known to be extremely effective in other states. This report should not be construed to represent an exhaustive consideration of the incentive options available to the State of Maine.

As the Council believes that its recommendations concerning new and existing incentives are the most important aspect of this report, these recommendations are highlighted in this executive summary together with a synopsis of background information. The summary also includes several ideas that the Council believes warrant additional study. The main body of the report provides additional information on each recommendation, including projected costs and possible funding sources.

Relationship to 1999 Resolves chapter 99 Study (based on LD 1665)
It should be noted that a related study evaluating business support for these same natural resource based industries was assigned to the State Planning Office pursuant to Resolve 99. This effort involved additional parties and the report provides an in-depth analysis of labor, education and general business support programs for the farming, fishing and forestry industries. The analysis and findings of the LD 1665 report, entitled "Fishing, Farming and Forestry: Resources for the Future," are directly relevant and should be considered in tandem with this Rural Land Incentives Report. For ease of reference, a copy of the Rural Lands Incentive Study is being included as Appendix H of the "Fishing, Farming and Forestry: Resources for the Future" report.

Given the limited time available, the Land and Water Resources Council (LWRC) assigned a Rural Lands Working Group *(see Appendix B)* to the project, which in turn delegated research of industry-specific incentives to the department of jurisdiction. The working group met once to review an initial inventory and evaluation of existing incentives and develop recommendations regarding new ones. The working group met a second time to winnow the proposals and agree upon recommendations before a draft of this report was presented to the LWRC on December 21, 2000. Time did not allow for a public input process in developing this report, though many of the proposals have been discussed by interest groups in the past. It is expected that the Legislature will organize one or more opportunities for public input as it determines what direction this important policy matter might take. It is hoped that this report can serve as a starting point for further research and deliberation by interested parties who will provide additional valuable contributions.

Relationship to Administration Policy
As this evaluation sought to explore some new territory and consider long-term possibilities, there are options presented for the Legislature to consider within this report that are not necessarily Administration policy. Many of the incentives would require new funding that is not contained within Governor King's budget but are offered to be responsive to the Legislative charge. ***Thus, the contents of this report should be characterized as recommendations for further consideration but are not Administration proposals except where specifically noted.***

Guiding Philosophy
The orientation of the Executive Branch (and it would seem the 119^{th} Legislature) is that the best ways to keep rural lands in productive farming, fishing and forestry use are through policies and programs that support the economic viability of these rural industries while maintaining ecological productivity. This can be done in a number of ways, including but not limited to research and development, workforce training, labor standards policies, educational programming, land use policies, land and development rights acquisition strategies, taxation policies (numerous subsets of these), financing programs, marketing assistance and state purchasing policies.

Recommendations at a Glance

A. Strengthening Existing Incentives

The LWRC finds that the State has a number of programs that are designed to be incentives for productive farming, fishing and forestry. Of the three industries, fishing has received the least assistance in terms of either industry support or land use policy protection. The first set of recommendations proposes actions that would strengthen Maine's existing incentives.

A.1. Provide Reimbursements for Current Use Programs

Of the state's current use tax programs designed to promote conservation of forestlands, farmlands, wildlife habitat and open space, only the Tree Growth Program provides a reimbursement to municipalities for tax revenues shifted to other local property taxpayers as landowners enroll in the program. Not surprisingly, this is the only program that has been widely used. By ensuring reimbursement for all current use tax programs, the state could promote the use of these programs and ensure that municipal taxpayers do not have to bear the entire cost of land conservation efforts.

In addition, the Legislature should be aware of the position of the Maine Municipal Association, which argues that the current methodology of averaging of tree growth land values on a county-wide basis severely under-reimburses municipalities with high land values, typically coastal communities. Maine Revenue Services believes that the education funding formula more than compensates for this under-reimbursement. Whether real or perceived, the municipal viewpoint interferes with a positive partnering relationship between the state and local governments in discouraging premature conversion of forested land. While this issue is raised concerning the Tree Growth Program, the only current use program that offers any reimbursement whatsoever, the protocol for state reimbursement should be consistent across the current use programs.

Funding to reimburse municipalities for land enrolled in the Farm and Open Space Tax Program is modest ($290,000) and was both included within the Governor's FY01 supplemental budget and passed by both houses of the Legislature. Unfortunately, this line item did not survive the Appropriations Committee process. The failure to fund farmland reimbursement undoubtedly influenced Maine Municipal Association's position and resultant active lobbying to defeat Question 4 (Constitutional amendment to allow current use program for commercial fishing land) in November. Municipalities need evidence that state government is willing to consistently share in the tax shifts caused by current use programs. *Funding: $290,000 in FY02, slight increases annually to likely maximum of $1,000,000, compared to $5.4 million in Tree Growth reimbursement program. Good value for the dollars spent.*

A.2. Stabilize Terms of Current Use (particularly Tree Growth) Programs

Although the Tree Growth Tax program is considered to be very effective in keeping forestland undeveloped and in productive use, proposed changes in the law – whether from legislative proposals or referenda – have the effect of undermining landowner confidence in the program, and may have the dual unintended consequences of (1) encouraging premature timber liquidation, and (2) discouraging new enrollments. The state could improve program stability by fixing the terms under which newly enrolled lands are to be managed at the time of enrollment, essentially creating a binding contract between the state and enrolled landowners. How this might be offered to current enrollees would have to be explored but could easily be introduced for future enrollees. *No substantial fiscal note.*

A.3. Close LURC Subdivision Loophole

The LURC law currently contains a provision that allows 10 lots to be created every 5 years if these lots are 40 acres or more in size and located outside at least ¼ mile from a shoreland area. This loophole creates a disincentive to maintaining forestland in productive forest use. It has been used primarily to create lots in forestry and agricultural areas that are used for seasonal or year-round home development. (Note: This amendment is proposed as part of a Department bill.) *No substantial fiscal note.*

A.4. Improve Outreach for Land for Maine's Future Program

Although the state has made a substantial investment in farmland preservation, the Land for Maine's Future (LMF) Program has identified a need for more outreach to help solicit and assist in the development of proposals involving the areas of special need that have legislated set-asides within the bond money -- preservation of farmland *(see Section III)* and water (including but not limited to coastal) access sites, for which commercial fishermen are one type of beneficiary. There are several possible solutions to this problem (see also Farm Link Program, with which farm outreach should be paired, and SHIP refunding recommendations below):

- Fund two positions at the state level, probably within the respective state natural resource agency (DAFRR and DMR);
- Explore whether USDA and/or University (e.g. Extension) employee time might be able to be deployed in this area.
- Contract with another organization (e.g. the Maine Farmland Trust) to provide this service; or
- Establish a program that would provide small grants to improve the staff capacity of local and regional land trusts and other nonprofits, which rely heavily on volunteer labor.

Funding for the preferred choice among these program/staff responses could be combined with Farm Link Program. Given the critical timing with so much land in transition, at least two full-time people statewide should be working on these combined strategies for perhaps a 5-year time period.

A.5. Support Refunding of Small Harbor Improvement Program (SHIP)

This recommendation is characterized as an existing program but needs another round of funding. The Small Harbor Improvement Program (SHIP), administered by the Maine Department of Transportation (MDOT), is a municipal matching grant program that has funded a variety of public infrastructure improvement projects along the Maine coast – mostly piers, floats, boat ramps and shore stabilization projects. The program, funded through transportation bond, awarded grants to over 40 projects in 1995 and 1998, totaling nearly $3 million. Most of these projects have resulted in improved public access to coastal areas, and many have enhanced opportunities for those engaged in commercial fishing activities. As part of a new transportation bond that is being proposed for 2001, MDOT is planning to seek additional funding to fund another round of the SHIP program. *Funds to come from Transportation Bond, if approved by Legislature and voters, with a $1.5 million component dedicated to the SHIP program*.

A.6. Adjust Forest Management Tax Credit

This existing program allows forest landowners to take a modest tax credit of up to $200 every 10 years to offset the cost of forest management plans. The relative share of this credit against the cost of a forest management plan has decreased over the years with inflation; the program would be improved by recalculating the credit every 5-10 years based on inflation rates. *Assuming an initial 20% adjustment in the credit, the credit is likely to cost an additional $10,000 annually for the first 5-10 year period*.

A.7. Improve Linkage of Comprehensive Planning to Farming, Forestry, Fishing and Wildlife Habitat Issues

The link between comprehensive planning and farming, forestry, fishing and wildlife habitat issues could be strengthened through more aggressive technical assistance but is limited by strained staffing resources and the lack of a working GIS. As part of its Comprehensive Planning and Investment Program, the State Planning Office (SPO), with the assistance of other agencies, could provide communities with better information regarding local resource-based activities, especially once a coordinated geographic information system such as outlined in Recommendation B.5. is operational. State agencies could also provide communities with more information about strategies to promote the health of rural based industries, sustain wildlife habitat and encourage open space protection and provide more technical assistance during the planning process. Given staff workloads, this effort needs to be strategically and efficiently deployed. *This work needs to be incorporated into coordinated agency workplans, starting in FY02 and can be done to a significant degree within existing resources given sufficient time. With a full set of working current use tax programs, cooperative arrangements will be easier to achieve in concert with the municipal comprehensive planning process.*

B. New Incentives: Highly Effective and Readily Achievable

B.1. Create Farm Link Program

This program, patterned after a successful program in Massachusetts, would match retiring Maine farmers who want to sell their farms with young farmers who want to buy one. It would facilitate the transition of farms into the hands of farmers rather than others who might not maintain the agricultural activities on the properties. This program is needed now due to the high number of retirement-aged farmers. It is an important companion piece to a farmland protection program. *Staffing outreach for this program could be combined with LMF farmland outreach. Given the critical timing with so much land in transition, at least two full-time people statewide should be working on these combined strategies for perhaps a 5-year time period.*

B.2. Inventory Rural Resources and Monitor Impacts of Development using Coordinated Geographical Information System

The State Planning Office, working with the Office of Geographic Information Systems, has proposed the development of a regionally based coordinated geographic information system. The development of such a system is also a recommendation of the Growth Management Task Force that convened in the fall of 2000. The primary purpose of this project is to track patterns of development, but the project would also provide a variety of information regarding productive rural lands, including mapping of high-priority areas for protection, site selection for rural industries and technical assistance. It would make real estate disclosure for commercial farming, fishing and forestry activities possible. LD 449, "An Act to Require Real Estate Disclosure for Purchasers of Land Abutting Agricultural Land," failed in the 2nd session of the 119th Legislature due to lack of an administrative mechanism to identify and efficiently notify affected landowners. A working Geographical Information System would enable implementation of a viable disclosure provision that would alert residential buyers to the existence of an adjacent farming, fishing, forestry or mining operation.

Based on the findings of the Sprawl Task Force in early 2000, the 2nd session of the 119th Legislature approved establishment of a GIS Coordinator position in LD 2600 but the funding was not made available. The Growth Management Task Force has recommended establishment of the program, including a coordinator, with general fund revenues. It is recognized that funding is a serious challenge this year. *Funding as described in LD 578 is under consideration by the 120th Legislature -- a $15 surcharge on the recording of deeds subject to the real estate transfer tax modeled on how Wisconsin funds its Land Management Information System. The governor is also proposing that the system be capitalized with a $2 million bond to be presented to the voters in November of 2001 if approved by the Legislature. Capitalization would include municipal assistance for digitizing parcel data.*

B.3. Enact Wildlife Habitat Tax Incentive

This new program would provide a financial incentive to landowners to work with the Department of Inland Fisheries and Wildlife (IF&W) in protecting significant wildlife habitat areas, with the goal of preserving special habitats and large contiguous blocks of land adequate to provide habitat for the full range of Maine's wildlife species. It would involve the adoption of legislation that would provide a tax reduction to landowners who own important wildlife habitat areas as identified by town planning efforts or IF&W and who agree to enter into a management agreement with that agency. The program would be run similar to the Tree Growth Tax program, and would provide for a reimbursement to municipalities that lose tax revenues as a result of the law. The program could be fit within the existing Farmland and Open Space law, or be set up as a new program. Such a program would make it much easier for landowners and municipalities to develop more aggressive land use policies at the local level. *This would require modest funding and would return great dividends in terms of land protected and a healthy public/private partnering attitude. The program could be phased-in over 3-4 years with funding increasing as enrollment in the program by landowners increases. There may be one-time federal funds available (CJS/CARA and Coastal) that could be used to fund a 2 year pilot to explore the rate of enrollment and effectiveness working with landowners.*

B.4. Support Current Use Program for Commercial Fishing Property

Coastal properties used for commercial fishing activities are currently taxed at their "best and highest use," putting them in the same category as multi-million dollar waterfront homes in the same area. As a result, high real estate taxes can create a significant disincentive for such properties to be retained for commercial fishing uses.

A referendum question to amend the Maine Constitution to allow for current use taxation on properties used for commercial fishing failed in November 2000 by .09% of the vote. An analysis of the vote suggests that people, particularly in inland areas, were not aware of the issue and voted against the referendum. The Administration took no position on the amendment. The fishing industry was not well financed to carry out an education campaign. Maine Municipal Association (MMA) lobbied effectively against its passage, with the likely lack of state reimbursement being one of the significant factors influencing MMA's negative position. Another difficulty is that the nature of a vague enabling clause, with future legislation to determine the details, essentially renders the debate about outcomes to a great deal of conjecture. A coalition could develop and agree upon the program to be presented if the amendment were to pass. A guarantee of state reimbursement in the Constitutional amendment might be necessary to gain municipal trust, given the State's spotty track record in funding municipal reimbursements.

Depending on industry support and other factors, a new referendum question could be in front of the voters in the fall of 2002. If this occurs, the state should consider putting more resources into educating the public about the need for this change and making a commitment for state reimbursement (difficult without inclusion in the amendment, as future legislatures cannot be bound). *Fiscal note unknown at this time, one of the difficulties in solidifying support.*

B.5. Enact Freedom to Fish Law

Maine currently has a Right to Farm law that strengthens the position of farms when faced with nuisance complaints and ordinances that unreasonably restrict farming operations. A Freedom to Fish Law could help to address use conflicts between fishing/aquaculture operations and other uses, and notify new or prospective landowners about existing commercial fishing operations in an area. *No substantial fiscal note.*

B.6. Address Aquaculture Application Review Issues

DMR's process for reviewing aquaculture leases is identified by the aquaculture industry as one of the disincentives for aquaculture development in Maine. The ability of DMR to process applications in a timely matter is a function both of available staffing and the nature of the application and review process. DMR is in the process of submitting a report to the legislature that will offer some possible solutions to the staffing and administrative constraints that affect aquaculture. *Possible funds source*: *Increase in license fee or use of review escrow account for $100,000 annually for additional staff to assist in administration of aquaculture licensing program.*

B.7. Adopt Overall Policy Statement and Implementation Strategy

Currently, the state has no official statement of support for resource-based enterprises, and their importance not only to the state's economy but to the viability of Maine's rural communities, working landscapes and cultural heritage. Such a statement, ideally supported by specific policy directives and a monitoring mechanism, would provide strength and momentum for efforts by the state and other entities to achieve these objectives. It could also provide a framework to integrate strategies such as state purchasing policy, educational curricula, tax policy, value added research and development, Maine-made marketing promotion, workforce training, health care and human service policy, business support, stewardship technical assistance programs, etc. The Maine Rural Development Council would be a logical forum for such policy formulation and the LWRC suggests tasking them with this assignment.

B.8. Enact Transferable State Income Tax Credit for Conservation

This credit would provide an additional incentive beyond the current federal income tax deduction available for charitable gifts. The credit would be available to individuals and corporate landowners for donation of land or easements to public agencies or qualified charitable organizations with the purpose of protecting prime coastal or agricultural lands, important forest areas, historic sites, critical open spaces, watersheds and wildlife habitats. The credits could be carried over a number of years, which would benefit individuals who are land rich but do not have large income tax bills, and would be transferable.

C. Promising Ideas Requiring Further Study

C.1. Cooperative Health Care and Retirement Plans

Two of the modern day benefits provided by successful employers are health insurance and retirement benefits. Aside from those employed by the paper industry, most of Maine's employees employed in natural resource based industries are self-employed or in small businesses that are unable to offer these critical benefits. Farmers, wood harvesters and fishermen unable to set a price for their products cannot pass along the true costs of production to the marketplace and often survive on subsistence wages. Often through inheritance, they have their land as their only asset and are extremely reliant on liquidating that asset in order to retire on other than the lowest levels of social security. The State should seriously explore options such as trading pensions for development rights and providing a cooperative option for more affordable health insurance plans than are currently available through organizations such as Maine Farm Bureau.

C.2. Sprawl Offset / Environmental Impact Fee or Tax

The Legislature, with support from the Administration, could best advance exploration of fiscal disincentives by authorizing a study of mechanisms that warrant serious consideration between the first and second sessions. Members of the Committees on Natural Resources, Taxation, Appropriations and Agriculture, Conservation and Forestry would be critical participants to such a study panel. The Maine Coastal Program will seek authorization from NOAA to dedicate a portion of Maine's FY02 program funding to support consultant services for the study.

C.3. State purchasing policies

Although perhaps unsuccessful in the past, it may be worth again reviewing the State's purchasing policies to determine the extent to which the state and related public and quasi-public institutions support Maine made products, particularly those related to fishing, farming and forestry. Arguments can be made in favor of energy savings and freshness of food in addition to supporting local industries, rural communities and quality of life.

C.4. Maine-oriented Transfer of Development Rights Model

Transfer of Development Rights programs (TDRs) provide for a system of compensation to address the potential loss of land value that occurs when one area is zoned for no or limited development in order to preserve farmland or other rural values. Under the system, owners of restricted lands are able to "sell" development rights to allow higher density development in areas deemed more appropriate for growth.

Although this concept is used successfully in other parts of the country, there are a number of serious constraints to its use in Maine that need to be satisfactorily addressed before it can be feasibly administered. Maine's local government system, as well as its land market and population base, all differ from places where TDR's have been typically utilized. A concentrated analysis of how TDRs might be adapted for use in Maine would help move this concept from idea to reality.

C.5. Incentives for use of Agriculture Zoning

Zoning that creates agriculture-only zones has the potential to protect active farms from new incompatible land uses. However, agricultural zones can also be opposed by farmers and other landowners in the area proposed for such zones who do not want to give up the option of developing their land in the future, especially when the future viability of farming is uncertain. Agricultural zoning has been used effectively in other parts of the country, typically used in conjunction with other pro-active strategies such as adjacency protection, purchase or transfer of development rights, business support programs, etc. Unlike some other states, Maine's agriculture is prevalent across much of the state, rendering Agricultural District models such as New York's inappropriate. Maine's home rule system requires unique treatment in each municipality, based on the comprehensive planning process. DAFRR, SPO and regional council staff should bolster technical assistance in this area.

C.6. Incentives for commercial fishing

Most of the current state program incentives that apply to natural resource based enterprises are focused on farming and forestry. There are relatively few state programs that target the commercial fishing industry. The existing incentives for farming and forestry should be studied to see if there are opportunities for applying some of them to the commercial fishing industry.

C.7. Research incentives used in other places

This report did not explore incentives used in many places in and out of the United States. For example, Canada and several European countries assign social values to natural resource based industries and recognize their value for tourism. A more thorough research effort would certainly be of benefit to Maine's policy makers in evaluating a full range of options.

II. INTRODUCTION

A. Background

In 1999, the Maine State Legislature enacted L.D. 2600, “An Act to Implement the Land Use Recommendations of the Task Force on State Office Building Location, Other State Growth-related Capital Investments and Patterns of Development.” Section 17 of this bill, now 1999 PL chapter 776, charges the Land and Water Resources Council to submit a report to the joint standing committees of the Legislature having jurisdiction over natural resource matters, agriculture, conservation and forestry matters and taxation matters by January 15, 2001 *with an evaluation of and recommendations on the use of incentives to keep land in productive farming, fishing and forestry use.*

The Legislative and Executive branches of Maine state government are clearly and rightly concerned about the impact that development sprawl is having on Maine’s ecology, fiscal health and community character. LD 2600 embodies the principle that healthy places, namely Maine’s traditional downtowns and rural communities, don’t die, but that as a society we need to invest in them to keep them healthy. The state’s new capital investment policy will ensure that state government will act more as a supporter of, rather than detractor from, quality downtowns and locally designated growth areas. The inclusion of Section 17 in the bill demonstrated recognition that the rural side of the equation is yet to be fully addressed.

For purposes of understanding Maine’s patterns of development and for preparing this report, “rural” lands shall indicate areas organized primarily for the societal production of food and fiber. Productive use stands in contrast to suburban use, which is typically residential, and oriented around the personal, rather than societal, and consumption rather than production. Productive and consumptive uses tend to conflict, and farming, fishing and forestry uses are at a relative disadvantage when competing for land within the residential housing market. In areas within an hour’s drive to employment centers, the residential housing market is providing an incentive to sell productive rural land for development, generally offering a higher rate of return than non-developed uses can provide. As the Legislature considers policies to enhance keeping rural places healthy, it is sensible to understand incentives a landowner might have for keeping land in productive use as a counter-balance to the development option.

B. Related Legislative Activity

LD 2600 was developed by a Task Force representative of seven standing legislative committees, but was primarily assigned to the Committee on Natural Resources. Meanwhile, other committees took a number of actions related to enhancing productive rural industries during the second session of the 119th Legislature.

1. A closely related report is being prepared by the Farming, Forestry and Fishing Advisory Council led by State Economist Laurie Lachance pursuant to Resolve 99 (LD 1665), "A Resolve to Promote Natural Resource-based Industries." This report will be presented to the Committee on Business and Economic Development and address the following areas:

   a. Identifying the percentage of business development resources that are being invested in farming, fishing and forestry;
   b. Examining the status of labor availability, average age of current workforce, and wages and benefits in these industries as well as existing educational programs aimed directly at supplying labor to these three industries;
   c. Developing a proposal for secondary and post-secondary educational programs to supply labor to the industries under examination; and
   d. Identifying both barriers to and opportunities for enhancing the growth and sustainability of the State's natural resource based industries.

   Although the charges given to the advisory committee preparing the report and to LWRC regarding its report are somewhat different, there will be considerable overlap in the subject matter of the two reports. Some of the Advisory Council's preliminary findings regarding business support are reflected in these recommendations, but due to the concurrent time frame of these efforts, it was not possible to consider all the preliminary findings of the Advisory Council's report. A reading of both reports should provide a comprehensive view of this issue.

2. LD 2532, implementing the recommendations of the Agricultural Vitality Task Force, which included a number of steps for improving research, marketing, resources and agricultural viability. Some of these recommendations have now been passed into law; others are in various stages of development and implementation.

3. LD 2086, "An Act to Preserve the State's Farm Economy and Heritage," was passed unanimously by the Committee on Agriculture, Conservation and Forestry in May 1999. A one-time appropriation of $200,000 is enabling the Maine Farms for the Future Program to be launched on a pilot basis. Modeled on a highly successful program in Massachusetts, this program offers targeted business plan development and implementation assistance to farmers. The farmer guarantees to protect his or her farmland from development for at least 5 years for each portion of assistance received. This program is just beginning.

4. LD 2669, implementing the taxation recommendations of the Sprawl Task Force, contained provisions virtually identical to the Governor's budget bill, LD 2510, with regard to amendments to the Farm and Open Space Tax Law. There were two primary provisions to the amendments, both found to be barriers to program enrollment: (1) removal of the 20% of assessed value penalty for early withdrawal, and (2) funding municipal reimbursement at the same level as is done for land enrolled in the Tree Growth Tax Program. While the amendments passed both houses, the municipal reimbursement was not viewed as a priority by the Appropriations Committee and this provision was stripped from the bill. Lack of municipal reimbursement acts as a disincentive for enrollment for both the municipality and the landowner, hampering the effectiveness of this program and further straining state-municipal relations related to implementing state fiscal and growth management policies. On a happier note, the State did fund, after numerous failures at the Appropriations table, the exemption of sales tax on electricity used in agriculture, fishing and aquaculture, as has been customarily done for other industries. The sales tax exemption went into effect on January 1, 2001.

5. LD 449, "An Act to Require Real Estate Disclosure for Purchasers of Land Abutting Agricultural Land," attempted to provide affirmative action for farmland activities that compete with suburban residential uses. Members of the Committee on Agriculture, Conservation and Forestry very much wished for this effort to succeed and extended many extra work sessions on the bill in hopes that a solution would be crafted but the bill was ultimately defeated for lack of an acceptable administrative mechanism. A working Geographical Information System, such as proposed both by the Growth Management Task Force and the governor, would enable such a policy to be implemented as affected areas could be readily identified and tracked.

6. The voters' approval of the $50 million bond issue with up to $5 million reserved for farmland protection and up to $5 million reserved for public access to water bodies demonstrated public commitment to this effort. The Legislature, as urged by the Agricultural Vitality Task Force in recognition of the importance of the business side of farmland preservation, amended the LMF law to allow for some bond funds to be used for farm business planning as development rights are purchased.

In addition to these efforts, on November 7, 2000, Maine citizens voted on two measures that related directly to forestry and fishing.

1. **Question Two**, "An Act Regarding Forest Practices" was soundly defeated. It was the third citizen's initiative on forest practices that has gone before the voters in the last five years. Maine's people have been challenged repeatedly in recent years to reconcile their concern for the health of the forest with their respect for private land ownership and mistrust of government. Unfortunately the path toward reconciliation has been muddied with uncertain science, questionable economics and divisive referendum politics. The result of constant turmoil leaves Maine's forest policy unstable, environmental groups frustrated and forest landowners effectively discouraged from properly investing in the long-term health of their land.

2. **Question Four**, a constitutional amendment to allow for current use taxation on properties used for commercial fishing activities was defeated by the slimmest of margins. The lack of an organized campaign makes it difficult to know whether the voters were educated regarding the problems faced by rising coastal property values, whether they were aware but unsympathetic or whether they specifically rejected the remedy offered. There were many questions left unanswered as to how such a program, if authorized, might be set up. Given the Legislature's recent failure to appropriate even $300,000 for municipal reimbursement for enrolled farmland during the best of economic times, the Maine Municipal Association vocally opposed the amendment, fearing another tax shift to protect an interest of statewide concern would be absorbed entirely at the local level by other property taxpayers.

C. Citizen Survey

The Maine Development Foundation retained Market Decisions, Inc. to conduct a statewide random sample of 601 Maine households on behalf of public policy questions presented by the Maine Economic Growth Council, state agencies and non-profit organizations. One segment of questions related to Maine food products. ***Sixty-seven percent of respondents agreed or strongly agreed with the following statement: "More state funds should be allocated to promote the availability of and access to Maine food and farm products."*** A full 90% indicated that it is very (48%) or somewhat (42%) important that a product is grown, raised or harvested in Maine when selecting food to purchase. Eighty-one percent felt somewhat (55%) or very (26%) confident that commercial fishing will continue to be an important and viable industry in Maine in the future. In a related question, 65% strongly agreed and 22% agreed with the statement that "I feel that I have a personal responsibility to help preserve the health of Maine's marine resources, including keeping waters clean and ensuring the continued health of fish, mammals and shellfish."

D. Process

This report seeks to be responsive to the Legislative charge, yet is by necessity cursory in nature. A complete, thorough analysis of incentives was not possible to accomplish within the allowed timeframe given staffing constraints. To accomplish its task, the Land and Water Resources Council assembled a "Rural Lands Working Group" composed of representatives from the State Planning Office, and the Departments of Conservation, Agriculture, Marine Resources, Economic and Community Development, Inland Fisheries and Wildlife, Environmental Protection, Transportation and Administrative and Financial Services. The working group met twice to clarify the scope of the project and review draft material submitted by individual departments. The first draft of the report was submitted to the LWRC at its December meeting The report was finalized on January 11, 2001.

E. Defining the Scope of the Review

It was necessary to determine the scope of the review in the following four areas:

1. Defining "productive farming, fishing and forestry use;"
2. Defining "incentive;"
3. Determining whether to go beyond incentives offered by Maine state government to include those offered by the federal government and/or the private sector; and
4. Determining whether to limit recommendations to those deemed practical and affordable for implementation in the foreseeable future, or to include ideas for further consideration.

1. Defining "Productive Farming, Fishing and Forestry Use"

It is the policy of the Administration to look at productive rural lands from a combined ecological and economic perspective. Sustainable production and harvesting practices in farming, fishing and forestry can maintain strong ecosystem health for plants and animals. It is especially important to maintain large blocks of undeveloped area so that a diversity of wildlife may thrive. Since (a) most land is privately owned and (b) many, if not most landowners need to derive sufficient economic return to justify the costs of land ownership, productive economic activity such as farming and forestry is critical not only in its own right but also to the effort to prevent rampant development sprawl.

In addition, especially within the organized half of the state's land area, large parcels are often a mix of woodland, wetland, farmland and miscellaneous open space, suggesting that an approach which considers such land in common rather than divided according to specific functions might be more applicable both to Maine's landscape and ownership patterns. Hence, though LD 2600 called for an evaluation of incentives to keep land in productive farming, fishing and forestry use, it was determined that incentives to hold land in open space were relevant to and supportive of this objective and should therefore be included.

2. Defining Incentives

It was next necessary to interpret the meaning of the word "incentive." This report considers an "incentive" to be a conscious policy decision by Maine state government to accomplish one of more of the following objectives:

a. Provide a tax benefit to those engaged in farming, fishing or forestry or owning assets used in those industries;
b. Offer business support to those engaged in farming, fishing or forestry;
c. Provide a public investment that supports these industries;
d. Offer technical assistance to keep land in productive rural use; or
e. Establish proactive land use policy that supports these industries.

The Council recognizes that some state programs may actually constitute *disincentives* for keeping land in productive farming, fishing and forestry use. While a comprehensive review of such disincentives was not the charge given the Council, the report does identify several significant disincentives that might be addressed.

3. Defining Relevant Source of Incentives

It is assumed that the Legislature is most interested in reviewing incentives offered by the State of Maine. The scope of review is limited to these incentives, though some offered by the federal government or private sources might be mentioned to supply relevant information or indicate that a need is addressed though those sources. In identifying existing incentives, the Council also relied heavily on the input from the agencies involved in the Rural Lands Working Group. Therefore, the majority of the incentives pertain to programs administered by the Departments of Conservation, Agriculture, Marine Resources, Inland Fisheries and Wildlife, Transportation and Administrative and Financial Services, and by the State Planning Office.

4. Scope of Recommendations

It is felt that the Legislature would benefit most from a three-tiered set of recommendations:
- Strengthening existing incentives;
- New incentives: highly effective and readily achievable; and
- Promising ideas requiring further study.

Any incentives that were considered and rejected are also reported with an explanation provided to acknowledge that an idea was explored.

As several of the incentives would require the harnessing of resources to implement, a list of potential funding sources that might be explored or tapped is included in the report.

III. EVALUATION OF EXISTING INCENTIVES

This section includes an evaluation of existing incentives that help to keep land in productive forestry, farming, and fishing use. Eight incentives are highlighted, either because of their deemed importance in achieving this objective and/or because their evaluation has indicated that revisions or enhancements might improve their effectiveness. A more comprehensive inventory of incentives identified by the working group follows in tabular form. The section concludes with a listing of other needs relating to forestry, farming and fishing that may warrant the development of new incentives.

A. Highlighted Programs

1. Tree Growth Law

Type of Incentive: Taxation Policy

The Tree Growth Tax Law program provides for the valuation of enrolled forestland at the present value of its capacity to grow timber instead of at generally higher *ad valorem* values. The purpose of the law is to keep forestland in productive management by reducing the annual property tax burden to one that can be borne over the long life of a forestland investment. By keeping forestland in productive management, several benefits accrue to the public, including but not limited to:

1 - direct and indirect employment supported by the forest products sector;

2 - wildlife habitat;

3 - recreational opportunities on land open to public use;

4 - watershed protection;

5 - carbon sequestration; and,

4 - aesthetics.

About 11.8 million acres are currently enrolled in the Tree Growth Program statewide, 8.2 million acres in the LURC jurisdiction and 3.6 million acres in the organized towns. New enrollments and withdrawals, both very small in total acreage terms, have roughly balanced over the last decade, although the average parcel size has reportedly dropped. Any wooded parcel of 10 acres or more is eligible for enrollment in the program. The program's major requirement is that landowners have a forest management plan prepared or approved by a Licensed Professional Forester, and that every 10 years a forester must approve the management for the previous 10 years and develop a new management plan.

The Tree Growth Tax Law program has by most accounts been very effective in keeping forest land undeveloped and in productive forest management. The program can often mean the difference between land staying undeveloped and its conversion to developed uses, particularly in the organized towns.

Program stability has posed the key challenge to the program over the last decade. A number of interests, ranging from municipal officials to some conservation groups, have submitted numerous legislative proposals to make significant changes in program eligibility and forest management requirements. In November Maine people defeated a citizen's initiative that would have imposed significant management and oversight requirements on Tree Growth lands. All of these proposed changes tend to reduce landowner confidence in the program and may have the unintended consequence of discouraging new enrollments, particularly among small woodlot owners in southern and central Maine, where the program has its greatest value in keeping land from being converted to a non-forest use.

The state could improve program stability by fixing the terms under which enrolled lands must be managed at the time of enrollment, essentially creating a binding contract between the state and enrolled landowners. If the state elected to change the requirements for enrolled lands, the changes would only apply to new enrollments unless a simple re-enrollment option was created to allow a locking in of the current program rules. New York used this approach several years ago when it substantially revamped its original current use program (the Fisher program) to one with more significant management requirements (the 480-A program).

In addition, the Legislature might consider the position of the Maine Municipal Association, which argues that the current methodology of averaging of tree growth land values on a county-wide basis severely under-reimburses municipalities with high land values, typically coastal communities. While the bottom line is muddied by the complexity of the educational funding formula, this dynamic (based on reality or perception) interferes with a positive partnering relationship between the state and local governments in discouraging premature conversion of forested land. While raised concerning the Tree Growth Program, the only current use program that offers any reimbursement whatsoever, the protocol for state reimbursement should be consistent across the current use programs. There are landowners enrolled in Tree Growth who more properly belong in Open Space but with no reimbursement available both the landowner and municipal assessor are encouraged to leave the land in the tree growth program.

2. Farm and Open Space Law

Type of Incentive: Taxation Policy

The Maine Legislature enacted the **Farm and Open Space Tax Law** in 1971 in response to a trend of rising property values that were driving up local property taxes and forcing landowners to sell or develop their fields and farms. The purpose of the law was, and still is, to encourage the preservation of farmland and open space for future productive use by allowing a lower valuation for tax purposes than is applied to other real property. Farmland enrolled in this program is assessed at its current use rather than its potential fair market value for more intensive uses other than agricultural. Property tax relief of this kind exists in all 50 states today, and it represents an important strategy in sustaining a working rural landscapes and controlling development sprawl.

Over the years, the program has suffered from low participation levels. Currently, there are approximately 150,000 acres of land enrolled in the program as farmland, and 41,922 acres as open space. The enrollment figure for agricultural lands represents a small percentage of the land in the state that is actively farmed.

The 119th legislature amended the farmland provisions of the law in an effort to improve its overall effectiveness and attractiveness to farmers. The most significant change was the elimination of the 20% penalty (of the assessed value of the land) for withdrawal from the program prior to 5 full years. The revised statute leaves the penalty for withdrawal at the value of the taxes which would have been assessed upon the land if it had not been classified under this program, less any taxes paid during those five years, plus interest.

The approach to determining current use values for farmland was also revised. The current use values used by municipal assessors must now be guided by the Department of Agriculture, Food and Rural Resources working with the Bureau of Revenue Services, municipal assessors and farmers. Guidelines must be delivered biennially, beginning December 31, 2000, to the joint standing committee of the Legislature having jurisdiction over taxation matters.

These guidelines must include recommended values for cropland, orchard land, pastureland, horticultural land and blueberry land, differentiated by region where justified. The local assessor must substantiate any variation in assessment of farmland from the recommended values. DAFRR staff is left with the task of developing good base line information and collecting these data on an ongoing basis if current use values are going to be determined on a biennial basis.

However, a major obstacle to widespread use of the program remains the current lack of reimbursement to municipalities for tax revenues lost from lands enrolled in the program. Without such a reimbursement, there is little incentive for towns to encourage participation in the program.

3. Purchase of Development Rights

Type of Incentive: Public Investment

The Land for Maine's Future (LMF) Program is the state's primary vehicle for the purchase of lands and conservation easements to protect areas of statewide significance. Since the program was established in 1987, nearly 65,000 acres have been acquired entirely from willing sellers, including about 3,800 acres in conservation easements. Although important farmland is one of the areas eligible for LMF consideration, to date a relatively small amount of farmland has been protected under the program.

In the fall of 1999, the program received a $50 million bond. The goal is to spend up to $1 million on farmland conservation each year for the next five years. The main mechanism that will be used for farmland preservation is the purchase of development rights using conservation easements.

In the past, funding of farmland protection projects has been hampered by several constraints. First, while it is recognized that the purchase of development rights using the conservation easements is probably the most effective way to protect farmland, this mechanism has its shortcomings in many parts of the state. The value of development rights is directly related to the economic activity/development pressures present today in the area where a farm is being considered. Providing the farm has good soils/productive assets, the next hurdle it must pass in order for the sale of development rights to be financially feasible for the farmer, is for those development rights to appraise at a high enough level. If development pressures are not present, as is the case in many parts of agricultural Maine, there simply is not enough value to make the sale feasible. This renders this particular farmland protection mechanism being unusable in these regions. On the other hand, such as in York County, development pressures are intense and development values likewise make up a significant percentage of the land's total value. In these situations, this mechanism works well.

Also, the Land for Maine's Future Program, with its limited staffing, is essentially a foundation. As an LMF outreach arm, the Department of Agriculture, also with limited staffing, is constrained in its ability to conduct the necessary landowner interactions to develop and bring conservation transactions to closure. Particularly with farmland, where negotiations are with entire families and their family businesses, it can take several years of such interactions to reach agreement on the structure of the deal. These interactions range from education about the purchase of development rights program to negotiations about how to structure the deal. They take place within the context of intergenerational transfers of the most significant family asset, the land base, and the family business. The LMF staff is able to order appraisals, prepare for the real estate closing and complete the description of the resource that is protected. **But additional capacity is needed to meet with and build relationships with farmers and provide assistance with financial, estate, land management and limited development planning, if necessary, in order to bring the deals before the LMF Board. This gap must be addressed in order for Maine's significant public investment in farmland protection to come to fruition.**

Finally, The Land for Maine's Future Program is required by statute to leverage a 1/3 match of any funds it spends. Farmers often have their life's equity tied up in their farm and as a result are often not in a position to donate value as match. There are few land trusts that specialize in farmland protection, though the Maine Farmland Trust has recently formed and holds great promise to provide leadership in brokering private/public partnerships. There are few foundations that support farmland protection (this is beginning to change) and federal dollars, at least in the short term, appear to be drying up. **The conclusion here is that there needs to be more action/encouragement/focus on creating more of a private support system for this type of work.** *In Department of Agriculture, with support of Smart Growth Initiative funds appropriated in FY01 to the State Planning Office, is contracting with the American Farmland Trust to assist the state in developing a comprehensive strategic plan for agricultural preservation in 2001.*

4. Right to Farm Law

<u>Type of Incentive</u>: Business Support (Anti-Nuisance Provision)

The Right to Farm Law is intended to protect farmers from nuisance complaints or local restrictions that could hamper their operations. Specifically the law is aimed at strengthening the legal position of farmers when neighbors sue them for private nuisance, and to protect farmers from anti-nuisance ordinances and unreasonable controls placed on farming operations. The law allows the Department of Agriculture to intervene in complaint situations against farmers, and sets forth criteria by which a nuisance is determined.

The law is considered to be an effective means of discouraging nuisance lawsuits, helping farmers who use good management practices to prevail in nuisance complaint situations and informing non-farm rural residents that well-run agricultural activities are reasonable activities.

While there may be a need to adjust provisions of the law in the future, the law seems to be working reasonably well at this time. More immediate efforts should concentrate on improving education and outreach to communities where development is encroaching on farms.

5. Farmland Registration Act

<u>Type of Incentive</u>: Business Support

The Farmland Registration (a.k.a. Adjacency) Act (7 MRSA §52-59) was intended help protect existing farms from encroaching residential and other possibly incompatible uses. Changes in the law since its initial adoption have rendered it virtually defunct, but an effort was made to revive the law in the 119th Legislature.

State agencies, Maine Farm Bureau, Maine Municipal Association, Maine Association of Realtors and Maine Association of Assessing Officers worked hard to develop a viable disclosure provision that would alert residential buyers to the existence of an adjacent farming operation. They were unable, however, to craft a provision that avoided placing an unreasonable administrative burden on municipalities, landowners, real estate agents or the state. Members of the Committee on Agriculture, Conservation and Forestry very much wished for this effort to succeed and extended many extra work sessions on the bill in hopes that a solution would be found, but the bill was ultimately defeated for lack of an acceptable administrative mechanism. **A working Geographical Information System such as proposed for this session would enable such a policy to be implemented as affected areas could be readily identified and tracked.**

6. Farms for the Future Program

<u>Type of Incentive</u>: Business Support

This is a new program (not to be confused with a federal program with the same name), passed into law in the spring of 2000, and modeled after a successful program in Massachussetts Although it is too early to evaluate its effectiveness, it represents a significant business support initiative aimed at improving and protecting the viability of farms.

The program offers financial assistance to farmers for the writing of a business plan and for receiving classroom instruction in economics and the business operations of the farm. Once the farm has completed a business plan, it is eligible to apply for funding to implement the plan. As a condition of participation in this program the farmer must enter into to a farmland protection agreement with the Department assuring that no non-agricultural development will take place on the land until the agreement expires or the farmer repays the loan. The total funds for this program are $200,000. This money is anticipated to be quickly distributed and may only partially meet demand. If the program is successful, additional funds will be sought in future years.

7. LURC Law

<u>Type of Incentive</u>: Land Use Policy

The Land Use Regulatory Commission (LURC) does not administer any direct financial incentive programs. However, its regulatory structure affects 50% of the area of the state, much of which is in active productive forestry or agricultural use, and some of its regulations provide indirect incentives and disincentives.

The principal incentive is the "General Management" zone, which covers 80% of the Commission's jurisdiction. Under this zone, agricultural and forest management activities, construction of buildings related to these uses, and, mineral extraction up to five acres are allowed without a permit.

In addition, the General Management zone prohibits residential and commercial subdivisions. Requests for subdivision in the General Management zone require the area to first be rezoned to a development subdistrict. This requires a finding that there is an existing area of development within one road mile of the area proposed to be rezoned. This review standard is termed the "adjacency" standard and it seeks to control sprawling or leapfrog development in the Management zone.

LURC also has a "Maritime Development" zoning subdistrict that seeks to protect the working waterfront by either prohibiting residential uses or making them a special exception. This zone has been applied only twice in the Commission's jurisdiction at the request of local landowners who wished to prevent incompatible development.

LURC's current regulatory authority also contains a disincentive to maintaining forest land in productive use. While subdivision is prohibited in the General Management zone, a statutory exemption exists for the creation of up to ten 40-acre lots in any 5 year period beyond 1/4 mile of a great pond or river. This loophole encourages the creation of large lots in agriculture and forestry areas that are generally used principally for seasonal recreation or permanent year-round residences, and acts as a disincentive to maintaining forest land in productive forest use. As a result of this loophole over 217,000 acres has been subdivided into large-lots in the Commission's jurisdiction since 1971. Only 7,400 acres were in subdivisions reviewed and approved by the Commission. A 1994 analysis[1] done for the Commission – and reviewed by Lloyd Irland, Robert Seymour, and Charlie Colgan -- estimated that between 56,000 and 105,000 acres of forest land has been removed from commercial forest management as a result of large lot exemptions.

In 1994 numbers, had this acreage been kept in long-term forest management it would directly and indirectly support 200 jobs and $7.7 million dollars in total personal income. LURC's Comprehensive Land Use Plan recommends eliminating this exemption, but past efforts to do so have been unsuccessful in the legislature. The Department is again proposing this change in the current legislative session.

[1] Land & Water Associates. 1994. "Impacts of Development in the LURC Jurisdiction on Timber Production and the State's Forest Manufacturing Economy." (Hallowell, Me)

8. Growth Management Act

Type of Incentive: Land Use Policy

The Growth Management Act, administered under the State Planning Office's Community Planning and Investment Program, provides communities with funds and technical assistance to develop comprehensive plans and implementation programs pursuant to these plans. Among the topics plans are required to address are agriculture, forestry, commercial fishing and wildlife habitat/open space.

While comprehensive planning provides an excellent tool for communities to address the issue of keeping rural lands productive, many of the plans that have been reviewed by SPO have fallen short in providing an accurate inventory of the town's rural resources and effective strategies for enhancing these resources. The problem is partially the result of limited resources: town-by-town information on rural-based enterprises is often not readily available. In addition, municipalities have few tools available to them beyond land use regulation to support natural resource based industries, and landowners are often resistant to having restrictions placed on their land. For strict regulatory schemes to work, measures to address equity issues must become more available such as transfer of development rights.

B. INVENTORY OF SIGNIFICANT INCENTIVES

Incentive	Description	Lead Agency	Applicability: Farming	Fishing	Forestry	Open Space	Evaluation
I. TAXATION POLICIES							
A. Tree Growth Law	Provides a tax reduction for owners of forestlands that meet criteria set in law. Land valuation based on current use rather than fair market value.	MFS			x		Judged to be a very effective program in keeping forest lands undeveloped and in productive management. (see narrative)
B. Farm and Open Space Law	Provides a tax reduction for owners of farmlands and open space that meet criteria set in law. Land valuation based on current use rather than fair market value.	DAFRR	x			x	Not used extensively. Lack of reimbursement to towns give them little incentive to encourage use of the program, and existing law lacks clear guidelines on use. (See narrative)
C. Forest Management Planning Tax Credit (52 MRSA 5219-C)	Up to $200 tax credit every 10 years to offset cost of forest management plan for small woodlot owners	MFS			x		Used by a relatively small number of landowners (<250), but has been effective in making forest management plan more affordable for small woodlot owners (and cost to state is small).
D. Sales tax exemptions for recognition as wholesale businesses	Recognition inputs to businesses should not be subject to retail sales tax	MRS	x	x	x		Recent addition of electricity for farming and aquaculture helpful
E. Boat Excise tax	Valuation policy	MRS		x			Current policy regarding length factor favors fishing boats
II. BUSINESS SUPPORT							
A. Right to Farm Law	Establishes presumption of agricultural activities not being a nuisance if conducted according to best management practices.	DAFRR	x				Right to Farm Law revised in 119th, working well. BMP rules being drafted by Dept. (see narrative)
B. Farmland Registration Law	Provides real estate disclosure and adjacency setback protection around registered farms but registration is closed and records are lost.	DAFRR	x				Virtually defunct. Attempt to revise in 119th unsuccessful. (see narrative)
C. Farms for the Future Program	Financial assistance offered for farms to write business plans and receiving academic training in farm operation and economics.	DAFRR	x				Promising pilot program just beginning (see narrative)
D. Agricultural Marketing Loan Fund	This loan program provides funds to construct or improve agricultural facilities and to provide grants for market research.	DAFRR	x				Program has generally been successful. Total program activity from 1997-1999 included 18 projects totally $1,384,383 in financing.
E. Agricultural Development Grant Program	This competitive grant program is aimed at encouraging innovative efforts by farmers, aquaculturists and food processors to expand their markets, promote their products and test new innovative equipment and processes.	DAFRR	x				Program has generally been successful. To date, the program has funded 63 projects totalling $500,000.

F. Agricultural Vitality Task Force Recommendations re in-state purchasing of food products	Plan for increasing consumption of locally grown products, providing baseline data, supporting farmer's markets & strengthening existing programs.	DAFRR	x				Implementation of some recommendations in progress; others require additional study and research.
G. Economic Action Program (USDA)	Matching grants to forestry related businesses, organizations & individuals	MFS			x		Progam has generally been successful, but state discretionary funding available has decreased in recent years.
H. Green Certification	This private and non-profit sector program allows landowners and forest product dealers to communicate to consumers that their products originate from well-managed lands.	Private sector			x		Expensive; few clear rewards as yet (private sector initiative)
III. TECHNICAL ASSISTANCE							
A. Maine Forest Stewardship Program	Cost-share for developing natural resource management plans, conducting non-commercial stand improvements & ice storm related woodlot improvements	MFS			x		Programs appear effective. Based on future federal funding.
B. Service Forestry Program	9 MFS field foresters provide educational and technical assistance to forest landowners, loggers and the general public to help them make informed decisions about Maine's forest	MFS			x		Good service delivered within resources available
IV. PUBLIC INVESTMENT POLICIES							
A. Coastal access infrastructure	Public purchase of piers, wharves, loading areas and parking	MDOT DOC		x			Through MDOT's Small Harbor Improvement Program and DOC's boat access programs, access has been improved, but new and improved access is needed. (see narrative)
B. Purchase of Development Rights	Primary mechanism for protecting farmland.	LMF	x				Use constrained by lack of matching funds, staff outreach and market forces. (see narrative)
V. LAND USE POLICIES							
A. LURC Subdivision Law	40 acre exemption of LURC review (see narrative)	LURC	x		x	x	Certain exemptions in LURC law allow the creation of lots that evolve into residential subdivisions. (see narrative)
B. LURC General Management District	Agriculture and forestry are supported uses.	LURC	x	x	x	x	Works well except for exemption above. (see narrative)
C. LURC Maritime District	Maritime Development Zone available for working waterfront protection	LURC		x			Applied only twice at request of island landowners. (see narrative)
D. Growth Management Program	Municipalities must address agriculture, forestry, commercial fishing and wildlife habitat/open space	SPO	x	x	x	x	Technical assistance should be strengthened during municipal planning process; limited by insufficient state resources. (see narrative)
E. State agency review of local forest and agricultural management ordinances	Mandates dialogue between municipality and state agency responsible for resource; reduces burdensome local regulations on farming and forestry. (see narrative)	MFS & DAFRR	x		x		Generally improves dialogue; can create state/local authority conflicts. More technical assistance needed.

C. Other Identified Needs

Beside some of the needs highlighted in the evaluation of existing programs, the Council identified a number of other needs that, if addressed, could promote the health of rural-based enterprises. These include:

- The need for a program that provides incentives for landowners and towns who work with the Department of Inland Fisheries and Wildlife on cooperative wildlife management agreements.
- The need for an ongoing program or incentives focused on facilitating the development and improvement of the infrastructure and facilities that serve the commercial fishing industry;
- The need for more resources and improved strategies for addressing some of the land use conflicts that exist between commercial fishing uses and other adjacent waterfront uses;
- The need for a current use program for properties used for commercial fishing similar to the other current use laws;
- The need for more technical assistance to communities on farmland protection techniques, and business support for farmers;
- The need for improved product marketing, and for more value to be added to products before they leave the state; and
- The need for an alternative to the General Fund for the funding of programs that enhance rural resources and rural-based industries.

IV. COUNCIL RECOMMENDATIONS

The Council's recommendations regarding incentives involve both the adoption of new incentives and the strengthening of existing ones. The new and revised incentives that the Council feels are most promising are listed first under the subheading of *Strengthening Existing Recommendations*. Other incentives that the Council believes have substantial merit are listed next as *New Incentives Considered to be Highly Effective and Readily Achievable.* The Council discussed several ideas for incentives that it feels are not ready for implementation but which deserve additional study. These were placed under the subheading of *Promising Ideas Requiring Further Study*. Finally, the last section identifies several possible incentives that were considered, but ultimately rejected as viable incentives.

A. Strengthening Existing Recommendations

A.1. Reimburse Current Use Programs

New or Existing Program: New

Incentive Type: Tax Policy

Lead Agency: Maine Revenue Services

Description: Of the state's current use tax programs designed to promote conservation of forestlands, farmlands, wildlife habitat and open space, only the Tree Growth Program provides a reimbursement to municipalities for tax revenues lost as landowners enrolling in the program. Not surprisingly, this is the only program that has been widely used. By ensuring reimbursement for all current use tax programs, the state could promote the use of these programs and ensure that municipalities do not have to bear the cost of land conservation efforts.

Projected Cost: Annual cost of reimbursing current land in farmland category would be approximately $250,000. Cost of reimbursing current land in open space category would be under $50,000.

Possible Funding Source: See potential funding sources listed in Section V.

Implementation Step: Appropriate funds to allow for municipal reimbursements for these programs.

Time Frame: 2002 session.

A.2. Stabilize Terms of Tree Growth Program

New or Existing Program: Existing

Incentive Type: Taxation Policy

Lead Agency: Maine Forest Service

Description: Although this program is considered to very effective in keeping forestland undeveloped and in productive use, proposed changes in the law -- whether from legislative proposals or referendum -- have the effect of undermining landowner confidence in the program, and may have the unintended consequence of discouraging new enrollments. The state could improve program stability by fixing the terms under which newly enrolled lands are to be managed at the time of enrollment, essentially creating a binding contract between the state and enrolled landowners.

Projected Cost: Minor costs absorbed.

Implementation Step: Enact legislative changes to Tree Growth law that would fix terms of new enrollees to requirements in place at the time of enrollment.

Time Frame: Submit legislation for 2002 session.

A.3. Close LURC Subdivision Loophole

New or Existing Program: New

Incentive Type: Land Use Policy (removal of disincentive)

Lead Agency: Land Use Regulation Commission (LURC)

Description: The LURC law currently contains a provision that allows 10 lots to be created every 5 years if these lots are 40 acres or more in size and located outside at least ¼ mile from a shoreland area. This loophole creates a disincentive to maintaining forest land in productive forest use. It has been used primarily to create lots in forestry and agricultural areas that are used for seasonal or year-round home development.

Projected Cost: Minor costs absorbed.

Implementation Step: Enact amendment to LURC law as proposed in Department bill.

Time Frame: 2001 session.

A.4. Improve Outreach for Land for Maine's Future Program

New or Existing Program: New

Incentive Type: Technical Assistance

Lead Agency: SPO, DAFRR, DMR

Description: LMF has identified a need for more outreach to help solicit and assist in the development of proposals related to farmland and coastal access sites designed to serve the needs of commercial fishermen. There are several possible solutions to this problem.

- Fund at least 1 outreach position each at DAFRR (could use 2 for next 5 years) and DMR;
- Explore whether USDA and/or University (e.g. Extension) employee time might be able to be deployed in this area;
- Contract with another organization (e.g. the Maine Farmland Trust) to provide this service;
- Establish a program that would provide small grants to improve the staff capacity of local and regional land trusts and other nonprofits, which rely heavily on volunteer labor.

Projected Cost: Assuming two full-time positions (or a grant program that might fund a number of part-time positions) the annual program cost would be in $200,000 range.

Possible Funding Source: See potential funding sources listed in Section V.

Implementation Step: Develop strategic plan for agricultural protection (underway). Examine all options and report back to 2nd session of 120th Legislature.

Time Frame: 2001 - 2002 session.

A.5. Support Refunding of Small Harbor Improvement Program (SHIP)

New or Existing Program: Refunding of established grant program

Incentive Type: Public Investment

Lead Agency: Maine Department of Transportation. The Department of Marine Resources (DMR) and the State Planning Office (SPO) would provide support

Description: The Small Harbor Improvement Program (SHIP), administered by the Maine Department of Transportation, is a municipal matching grant program that has funded a variety of public infrastructure improvement projects along the Maine coast – mostly piers, floats, boat ramps and shore stabilization projects. The program, funded through transportation bonds, awarded grants to over 40 projects in 1995 and 1998, totaling nearly $3 million. Most of these projects have resulted in improved public access to coastal areas, and many have enhanced opportunities for those engaged in commercial fishing activities. As part of a new transportation bond that is being proposed for 2001, MDOT is seeking additional funding to fund another round of the SHIP program.

Projected Cost/Funding Source: Variable. The Department of Transportation is proposing $1.5 million for the SHIP program as part of a transportation bond.

Implementation Step/Time Frame: Obtain approval for transportation bond in first session of 120th. Support approval of this bond issue by voters in November 2001.

A.6. Adjust Forest Management Tax Credit

New or Existing Program: Existing

Incentive Type: Tax Policy

Lead Agency: Maine Forest Service

Description: This existing program allows forest landowners to take a modest tax credit of up to $200 every 10 years to offset the cost of forest management plans. The relative share of this credit against the cost of a forest management plan has decreased over the years with inflation, the program would be improved by recalculating the credit every 5-10 years based on inflation rates.

Projected Cost: Assuming an initial 20% adjustment in the credit, it would cost an additional $10,000 annually for first 5-10 year period.

Possible Funding Source: See potential funding sources listed in Section V.

Implementation Step: Amend the law to reflect this change.

Time Frame: As soon as budget can absorb.

A.7. Improve Linkage of Comprehensive Planning with Farming, Forestry and Fishing Issues

New or Existing Program: Existing

Incentive Type: Land Use Policy and Technical Assistance

Lead Agency: State Planning Office with assistance from DAFRR, DOC and DMR.

Description: The link between comprehensive planning and farming, forestry and fishing issues could be strengthened in several ways. As part of its Growth Management Program, the State Planning Office (SPO), with the assistance of other agencies, could provide communities with better information regarding local resource-based activities, including GIS mapping resources. SPO and the other agencies should improve the front-end technical assistance conversations that occur at local planning committees. And SPO could provide communities with more information about strategies to promote the health of rural based industries and encourage open space protection.

Projected Cost: Additional agency time for providing additional information would be absorbed. GIS-related expenses would be funded as described under recommendation #4.

Implementation Steps: Have natural resource agencies include added resources for comprehensive planning in respective workplans. Have SPO focus on strategies for promoting rural-based industries in land use "tool box," and develop ways of promulgating information to regional councils and communities.

B. New Incentives: Highly Effective and Readily Achievable

B.1. Create Farm Link Program

New or Existing Program: New

Incentive Type: Technical Assistance

Lead Agency: Department of Agricultural, Food and Rural Resources (DAFRR)

Description: This program would match retiring Maine farmers who want to sell their farms with young farmers who want to buy one. It would facilitate the transition of farms into the hands of farmers rather than others who might not maintain the agricultural activities on the properties. This program is needed now due to the high number of retirement-aged farmers. This program would be an important companion piece to a farmland protection program.

Projected Cost: Assuming one new staff member and other expenses to run the program, the program would cost approximately $100,000 per year.

Possible Funding Source: See potential funding sources listed in Section V.

Implementation Step/Time Frame: Seek funding of new position, develop and implement program in 2002 session.

B.2. Inventory Rural Resources and Monitor Impacts of Development

New or Existing Program: New

Incentive Type: Better Information for decision-making

Lead Agency: The State Planning Office (SPO) and Office of Geographic Information Systems (OGIS)

Description: SPO, working with the Office of Geographic Information Systems, has proposed the development of a regionally based coordinated geographic information system.

The development of such a system was recommended by the Sprawl Task Force in LD 2600 in spring of 2000 (passed but not funded) and is currently being proposed both by the Growth Management Task Force that convened in the fall of 2000 and the governor. A primary purpose of this project is to track patterns of development, but the coordinated system would also provide a variety of information regarding productive rural lands, including mapping of high-priority areas for protection, site selection for rural industries and technical assistance. Such as system would also enable the use of land use tools such as real estate disclosure and adjacency protection.

Projected Cost: A one-time investment of $2,200,000 and $500,000 - $900,000 annually for establishment and maintenance of coordinated system. Hiring of GIS Coordinator would facilitate use of federal resources such as U.S.D.A. to get active farmland mapped.

Possible Funding Source: The governor proposes to capitalize the system with a $2 million bond issue that would, if approved by the Legislature, go to the voters in November 2001. For a system maintenance funding source, the governor has proposed $15 surcharge on the recording of deeds subject to the real estate transfer tax, modeled on the highly successful Wisconsin Land Management Information System. The Growth Management Task Force proposes use of the General Fund.

Implementation Step: Adoption of GIS bill – LD 578 (or commitment of General Fund resources) and advocating voter approval of $2 million bond issue.

Time Frame: GIS bill (LD 578) and bond package under consideration this session. GIS Coordinator could be hired during summer of 2001 if funding source were approved. Bond issue goes to voters in November 2001. System established in 2002.

B.3. Enact Wildlife Habitat Tax Incentive

New or Existing Program: New

Incentive Type: Taxation Policy

Lead Agency: Department of Inland Fisheries and Wildlife (IF&W)

Description: This new program would provide a financial incentive to landowners to work with IF&W in protecting significant wildlife habitat areas, with the goal of preservation of large contiguous blocks of land adequate to provide habitat for species with larger spatial needs. It would involve the adoption of legislation that would provide a tax reduction to landowners who own important wildlife habitat areas as identified by IF&W and who agree to enter into a management agreement with that agency. IF&W is now working in partnership with a number of other entities in producing a series of maps using GIS to identify riparian areas, habitats of management concern, and large undeveloped blocks of land. The recommended tax incentive program would provide an important non-regulatory approach for protecting these areas. The program would be run similar to the Tree Growth Tax program, and would provide for a reimbursement to municipalities that lose tax revenues as a result of the law. The program could be fit within the existing Farmland and Open Space law, or be set up as a new program.

Projected Cost: Would depend on levels of enrollment, which would determine the amount of municipal reimbursement. Once the program is enacted, it would probably take some time to reach a significant level of enrollment. At modest enrollment levels, the program might cost $1 million annually. Eventually, with higher enrollment levels, it could cost up to $4.5 million annually. The amount of reimbursements could also be capped, with monies distributed according to the level of funding available. Some funds might also be allocated to the ongoing inventory/mapping process.

Possible Funding Source: See potential funding sources listed in Section V.

Implementation Step/Time Frame: Submit legislation for 2001 legislative session.

B.4. Support Current Use Program for Commercial Fishing Property

New or Existing Program: New

Incentive Type: Taxation Policy

Lead Agency: Department of Marine Resources (DMR)

Description: Coastal properties used for commercial fishing activities are currently taxed at their "best and highest use," putting them in the same category as multi-million dollar waterfront homes in the same area. As a result, high real estate taxes can create a significant disincentive for such properties to be retained for commercial fishing uses.

A referendum question to amend the Maine Constitution to allow for current use taxation on properties used for commercial fishing failed in November 2000 by .09% of the vote. An analysis of the vote suggests that people, particularly in inland areas, were not aware of the issue and voted against the referendum.

Several steps are planned. A group called "Citizens to Preserve" will test the fishing industry's willingness to support a new referendum campaign. If industry is willing to give its financial support, a new referendum question could be in front of the voters in the fall of 2002.

Projected Cost: Minor costs absorbed.

Possible Funding Source: Private sector funds. Minor agency costs absorbed.

Implementation Step: Provide support if another referendum is likely to go forward.

Time Frame: 2002.

B.5. Enact Freedom to Fish Law

New or Existing Program: New

Incentive Type: Business Support Program

Lead Agency: Department of Marine Resources (DMR)

Description: Maine currently has a Right to Farm law that strengthens the position of farms when faced with nuisance complaints and ordinances that unreasonably restrict farming operations. A Freedom to Fish Law could help to address use conflicts between fishing/aquaculture operations and other uses, and notify new or prospective landowners about existing commercial fishing operations in an area.

Projected Cost: Minor costs absorbed.

Implementation Step: Enact a new law. It is likely that some sort of freedom to fish law may be independently submitted in the 2001 session. DMR will need to study the bill to determine whether it merits its support.

Time Frame: 2001 or 2002 session.

B.6. Address Aquaculture Application Review Issues

New or Existing Program: New

Incentive Type: Land Use (removal of disincentive)

Lead Agency: Department of Marine Resources (DMR)

Description: DMR's process for reviewing aquaculture leases is identified by the aquaculture industry as one of the disincentives for aquaculture development in Maine. The ability of DMR to process applications in a timely matter is a function both of available staffing and the nature of the application and review process. DMR is in the process of submitting a report to the legislature that will offer some possible solutions to the staffing and administrative constraints that affect aquaculture.

Projected Cost: $100,000 annually to fund additional staff to assist in administration of aquaculture licensing program.

Possible Funding Source: Increase in license fee or use of review escrow account

Implementation Step: Secure funding source, hire additional staff, enhance program administration.

B.7. Adopt Overall Policy Statement

New or Existing Program: New

Incentive Type: General Policy Statement

Lead Agency: State Planning Office (SPO), with Maine Rural Development Council (MRDC)

Description: Currently, the state has no official statement of support for resource-based enterprises, and their importance not only to the state's economy but the crucial role they provide in sustaining rural communities and helping to keep rural lands rural. Such a statement would provide support and momentum for efforts by the state and other entities.

Projected Cost: Absorbed by participating state and federal agencies and MRDC staff

Implementation Step: Direct that policy statement and implementation measures be developed and report back to Legislature and governor.

Time Frame: FY 2002

B.8. Enact Transferable State Income Tax Credit for Conservation

New or Existing Program: New

Incentive Type: Tax Policy

Lead Agency: None currently. Bill likely to be submitted by Conservation Organizations.

Description: This credit would provide an additional incentive beyond the current federal income tax deduction available for charitable gifts. The credit would be available to individuals and corporate landowners for donate land or easements to public agencies or qualified charitable organizations with the purpose of protecting prime coastal or agricultural lands, important forest areas, historic sites, and critical open spaces, watersheds and wildlife habitats. The credit could be capped a specific percentage of the fair market value of the gift (typically 50%) up to a maximum amount ($100,000 in a number of state). **The credits could be carried over a number of years (5-20), which would benefit individuals who are land rich but do not have large income tax bills, and would be transferable.**

Projected Cost: $150,000 annually to start

Possible Funding Source: See potential funding sources listed in Section V.

Implementation Step: Enact change in tax law allowing this mechanism.

Time Frame: Bill likely to be submitted in 2001 Session. LWRC should assess its support.

C. Promising Ideas Requiring Further Study

C.1. Cooperative Health Care and Retirement Plans

Two of the modern day benefits provided by successful employers are health insurance and retirement benefits. Aside from those employed by the paper industry, most of Maine's employees employed in natural resource based industries are self-employed or in small businesses that are unable to offer these critical benefits. Farmers, wood harvesters and fishermen unable to set a price for their products cannot pass along the true costs of production to the marketplace and often survive on subsistence wages. Often through inheritance, they have their land as their only asset and are extremely reliant on liquidating that asset in order to retire on other than the lowest levels of social security. The State should seriously explore options such as trading pensions for development rights and providing a cooperative option for more affordable health insurance plans than are currently available through organizations such as Maine Farm Bureau.

C.2. Sprawl Offset / Environmental Impact Fee or Tax

The Legislature, with support from the Administration, could best advance exploration of fiscal disincentives by authorizing a study of mechanisms that warrant serious consideration between the first and second sessions. Members of the Committees on Natural Resources, Taxation, Appropriations and Agriculture, Conservation and Forestry would be critical participants to such a study panel. The Maine Coastal Program will seek authorization from NOAA to dedicate a portion of Maine's FY02 program funding to support consultant services for the study.

C.3. Review State purchasing policies

Although perhaps unsuccessful in the past, it may be worth again reviewing the State's purchasing policies to determine the extent to which the state and related public and quasi-public institutions support Maine made products, particularly those related to fishing, farming and forestry. Arguments can be made in favor of energy savings and freshness of food in addition to supporting local industries, rural communities and quality of life.

C.4. Create a Maine-oriented Transfer of Development Rights Model

Transfer of Development Rights programs (TDRs) provide for a system of compensation to address the potential loss of land value that occurs when one area is zoned for no or limited development in order to preserve farmland or other rural values. Under the system, owners of restricted lands are able to "sell" development rights to allow higher density development in areas deemed more appropriate for growth.

Although this concept is used successfully in other parts of the country, there are a number of serious constraints to its use in Maine that need to be satisfactorily addressed before it can be feasibly administered. Maine's local government system, as well land market and population base, all differ from where TDR's have been typically utilized. A concentrated analysis of how TDRs might be adapted for use in Maine would help move this concept from idea to reality.

C.5. Develop incentives for Agriculture Zoning

Zoning that creates agriculture-only zones has the potential to protect active farms from new incompatible land uses. However, agricultural zones can also be opposed by farmers and other landowners in the area proposed for such zones who do not want to give up the option of developing their land in the future, especially when the future viability of farming is uncertain. Agricultural zoning has been used effectively in other parts of the country, typically used in conjunction with other pro-active strategies such as adjacency protection, purchase or transfer of development rights, business support programs, etc. Unlike some other states, Maine's agriculture is prevalent across much of the state, rendering Agricultural District models such as New York's inappropriate. Maine's home rule system requires unique treatment in each municipality, based on the comprehensive planning process. DAFRR, SPO and regional council staff should bolster technical assistance in this area.

C.6. Explore incentives for commercial fishing

Many of the current state program incentives that apply to natural resource based enterprises are focused on the farming and forestry. There are relatively few state programs that target the commercial fishing industry. The existing incentives for farming and forestry should be studied to see if there are opportunities for applying some of them to the commercial fishing industry.

C.7. Research incentives used in other places

This report did not explore incentives used in many places in and out of the United States. For example, Canada and several European countries assign social values to natural resource based industries and recognize their value for tourism.

D. Incentive Ideas Rejected

The following ideas for incentives were discussed by the Council, but were ultimately rejected for various reasons.

D.1. **Reducing Tree Growth Penalty**. There was a discussion of whether a reduction in the penalty for withdrawing from the Tree Growth Program might encourage further participation. In light of the current high enrollment in the program, it was decided that such a change might actually encourage withdrawals from the program.

D.2. **Funding Assistance for Green Certification Program.** With the costs of obtaining a green certification relatively high, the idea of providing some financial support to assist in the certification process was forwarded. It was decided that at least for the time being, this private, non-profit initiative should remain just that. However, the State as a purchaser could give preference to Green Certified Products.

D.3. **Changing to Current Use Property Taxation Basis.** The idea of amending the Constitution to direct that Maine's system of property taxation be based on current use (rather than best and highest use) was determined to be unworkable.

D.4. **Changing to Social Value Property Taxation Basis.** The concept of moving to establishing social values for property, which may or not be related to fair market value, was considered beyond the likelihood of implementation.

D.5. **Modifying Estate Tax Provisions**. It was felt that most farming operations in Maine are exempt from federal estate tax provisions because they fall under the net worth threshold.

V. POTENTIAL FUNDING SOURCE

Given the structural budget deficit, it is the presumption of this report that recommended incentives that involve additional expenditures should not compete with existing programs dependent upon current General Fund resources. Therefore, an effort has been made to identify potential alternative sources of funding for the Legislature to consider if desired. Except for the GIS and SHIP bond issues, and the Surcharge on Real Estate Transfers to support the GIS system, recommendations with a fiscal note are not current Administration proposals put before the Legislature.

V.1. Conservation and Reinvestment Act (CARA)

This federal legislation resulted in significant increases for key conservation programs for FY 2001 and beyond. Because the Act that was eventually passed was far less sweeping than the comprehensive bill originally proposed and supported by a coalition of environmental organizations, the legislation has been dubbed *CARA-Lite.*

CARA-Lite provides increased funding for a number of programs including the Forestry Legacy Program, the Land and Water Conservation Fund, and grants for wetland protection and restoration. It also provides $160 million per year for the next five years for a wide array of conservation programs, which will have to compete against each other for these extra funds.

V.2. Surcharge on Recording Fee

This source of revenue, which is proposed as a funding source for the GIS Tracking proposal, would involve a $15 surcharge on deeds subject to the real estate transfer tax. It would provide an estimated annual revenue of $450,000 annually.

V.3. Coastal Zone Management Funds

Much of the Coastal Zone Management money that the state receives for FY2002 and beyond will be used to support ongoing programs. However, at least some increase upcoming fiscal year is anticipated. The Coastal Program will be developing its work plan in the early spring, and the Council should investigate whether any coastal funds might be available to fund some of the recommendations of this report.

V.6. Second Home Tax

A luxury tax might be considered for second homes. This might be especially appropriate as a source of funding in coastal areas for support of working waterfronts.

V.4. Sprawl Offset Tax

There has been at least preliminary discussion of proposing a "sprawl offset tax" which would be aimed at making those who develop or buy new homes in outlying areas help pay for some of the costs that such locational decisions incur on the community and society as a whole. One way of instituting such a fee would be to place a surcharge on permits for the siting of new septic systems. New septic systems located within designated growth areas would be exempt from this tax. No calculations have been conducted to date on how much revenue such a tax would generate. It is appropriately targeted at the point of development (better than the transfer tax in this regard) and can be easily administered once a GIS is in place as a piggy-back to the existing subsurface wastewater disposal system inspection fee.

V.5. Shore and Harbor Management Fund

Starting in calendar year 2002, the Bureau of Parks and Land's Submerged Lands Program may have limited funding available for waterfront planning and improvement projects as part of its Shore and Harbor Management Program. The program is still in the process of being developed, but under a permanent trust fund arrangement, roughly $80,000 per year may be available for such projects.

V.6. Second Home Tax

A luxury tax might be considered for second homes. This might be especially appropriate as a source of funding in coastal areas for support of working waterfronts.

V.7. Speculation/Capital Gains Tax

A speculation tax, such as Vermont's declining capital gains taxes on land and timber, could be considered. Such a tax is paid when land or timber held for less than 7 years is sold at a profit. It declines in rate each year for 7 years. Proceeds could be applied to strategies in this report.

V.8. Food Security Tax

Though Maine has consciously left food as non-taxable and is still recovering from the unpopular snack tax, it is not illogical for each morsel of food to contribute in a small way towards future food security in the state in the form of a viable agricultural industry. A wholesale tax on food retailers related to volume could be substituted for a retail sales tax on food. Exempting Maine products would likely violate interstate commerce law but might be explored.

V.9. Broadening Sales Tax Base

In general, an obvious and not new idea is to broaden the applicability of the sales tax to services, etc. There is no special nexus here to this set of public interest programming.

V.10 Bond Issues

For capital costs such as public access and the GIS system infrastructure, bonding is an appropriate mechanism. It does not address ongoing maintenance costs.

APPENDIX A

LEGISLATIVE CHARGE

Exerpted from LD 2600, "An Act to Implement the Land Use Recommendations of The Task Force on State Office Building Location, Other State Growth-related Capital Investments and Patterns of Development."

Sec. 17. Report on productive farming, fishing and forestry. The Land and Water Resources Council shall submit a report to the joint standing committees of the Legislature having jurisdiction over natural resources matters, agriculture, conservation and forestry matters and taxation matters by January 15, 2001 with an evaluation of and recommendations on the use of incentives to keep land in productive farming, fishing and forestry use.

APPENDIX B

MEMBERS OF RURAL LANDS WORKING GROUP

Appointed by the Land and Water Resources Council on September 14, 2000

Department of Agriculture, Food and Rural Resources	Mary Ellen Johnston
Department of Conservation	Tom Doak
	Don Mansius
Department of Marine Resources	Sue Inches
Department of Inland Fisheries and Wildlife	Ken Elowe
Department of Economic and Community Development	Peggy Schaffer
Department of Administrative and Financial Services	David Ledew
Department of Environmental Protection	David Van Wie
Maine Department of Transportation	Kathy Fuller
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	Judy Cooper
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	Mark Des Meules

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