# How does land conservation impact mill rates and town budgets in Maine? A mixed methods study

This project was co-created by the University of Maine School of Forest Resources and the <u>Municipal</u> <u>Budgets and Conservation Working Group</u>, a diverse group of conservation professionals, municipal leadership, selectboard members, town managers, and others who want to understand the impacts of conservation on their communities.

This summary is derived from Abby Bennett's master's thesis, which can be downloaded here.

Please see the <u>Tableau worksheet</u> for interactive town and county level data on conservation, mill rates, and other variables.

# **Overview and Background**

Conserved land in Maine has increased significantly over the last thirty years. Conservation in Maine has increased from 5% of the state's land area in the 1980s to more than 20% today (Maine Conservation Task Force 2019) including in the Unincorporated Townships (Figure 1). In organized towns, conservation makes up 10-11% of land area. This varies significantly by county (Figure 2).

Figure 1: Land conservation in Maine (Maine GeoLibrary Data Catalog).



Figure 2: Percentage of conserved land and mill rate by county.



When land is conserved in Maine, it is often granted tax exempt status or taxed at the Current Use rate (Maine Land Trust Network 2019) which theoretically reduces the tax base of the town (Schwartz 2021). Using simple accounting, the town would need to cover the budget deficit by increasing the mill rate. However, the impacts of conservation on communities are complicated in the long run.

Conservation can benefit community health and education, provide ecosystem services and amenity effects on surrounding properties, attract tourism, and limit development, all of which could impact a town budget.

Using a mixed methods approach, we measured the impact of conservation on property tax rates (referred to in this study as the "mill rate") and municipal budgets in Maine. We ran analysis on available data, controlling for confounding variables, conducted a public perceptions survey, and engaged with 20 professionals through interviews. From our findings, we provide recommendations for municipal and conservation decision makers.

**Figure 3**: Conservation land as a percentage of town land area and mill rate (equalized and nominal) across Maine from 2001-2022 (Maine Revenue Service, Maine GeoLibrary Data Catalog).



### Methods

**Data analysis** – We used regression analysis to quantify the relationship between conservation and mill rates in Maine using a panel dataset from 2001-2022, controlling for confounding factors including economic conditions, state revenue sharing, and the value of other tax-exempt real estate. We looked at the relationship on average and across different municipal and conservation characteristics. We borrow methods used by Kalinin et al. (2023) who studied the relationship across New England.

**Survey** – To gather public perceptions on conservation, municipal challenges, property taxes, and the combination of all three, we conducted a statewide survey returning 600+ responses to gain an understanding of how Mainers think about conservation and municipal challenges.

**Interviews** – Finally, to collect anecdotes and insights of professionals in the spaces of conservation and municipal governance, we conducted 20 interviews with practitioners.

## **Results – Data Analysis**

Across the state, we found that a 1% increase in acres conserved had a very small impact on an average annual tax bill, resulting in less than a \$1 increase (Table 1). In 2022, the average town had 1,923 acres in conservation (9.2% of total acres), so a 1% increase is a 19-acre increase.

**Table 1**: Elasticities for the average effects of the impact increases in conserved land area using. The increase in an average tax bill calculations assume a \$300,000 home value and the mean mill rate of 15.87.

	1-year lag	3-year lag	6-year lag
% Change in Nominal Mill Rate	-0.00	0.007.	0.017***
\$ Increase in Avg. Tax Bill	\$0.00	\$0.33	\$0.81
*** = 0.001, ** = 0.01, * = 0.05, . = 0.1			

In looking across types of conservation in towns with different characteristics, we found more interesting results (Table 2).

**Table 2**: Conservation effects on mill rate across different characteristics for statistically significant results. Categories not listed in Table 1 were not statistically significant.

Shift in Mills from a 1%			
<b>Increase in Conserved Acres</b>			
0.01 .			
-0.23**			
0.01*			
0.05***			
0.10*			
0.10***			
0.02***			
0.04**			
0.14***			
0.03***			
0.26***			
0.16***			
-0.01 .			
-0.08 .			
0.04***			
0.01**			
0.02**			
-0.48***			
0.11 .			
0.10*			
0.01***			
-0.03**			
0.05***			
0.02***			
0.03***			
-0.02**			
0.02***			

\*\*\* = 0.001, \*\* = 0.01, \* = 0.05, . = 0.1

We found evidence that federal and state conservation may be associated with decreases in mill rate (Table 2). We theorize that consistent PILOTs made by the U.S. Forest Service and the National Park

Service (The Trust for Public Land 1999) mitigate tax losses. Federally protected land is also typically multi-use and is focused on preserving scenic beauty, which may have an amenity effect on nearby property values (Fausold & Lilieholm 1999).

On the other hand, municipally owned conservation land was associated with substantial increases in mill rates. This may be because municipalities cannot make PILOTs to themselves. Also, they may use the municipal budget to fund acquisitions, so in such cases this is a direct expense to the town.

We also see that easements were associated with larger increases in mill rates than fee acquisition lands (Table 1). Most NGO conservation projects are easements. It makes sense that we see a larger increase in mill rates from easements as this is highly correlated with private conservation and private conservation was associated with increases in mill rates.

We found that conservation in towns with healthier economic indicators (unemployment rate and median household income) was associated with greater increases in mill rates compared to conservation in towns that were worse off. Towns with low median household incomes experienced decreases in mill rates from conservation while towns with the highest median household income levels saw increases in mill rates (Table 1). Likewise, conservation in towns with low unemployment rates was associated with increases in mill rates, while conservation in towns with high unemployment rates was associated with decreases in mill rates. Perhaps we are seeing these results because towns that are better off economically may be more likely to be growing and developing and have higher raw land values.

Conservation in towns with greater percentages of land area in protection already (20%+) was associated with increases in mill rates whereas conservation in towns with low amounts of protected land (0-3%) was associated with decreases in mill rates. We theorize that towns with lots of conservation have smaller tax bases and are therefore less able to absorb additional losses in tax revenues from conservation.

Similarly, towns with higher amounts of value in Current Use see greater mill rate increases from conservation than towns with less value enrolled in these programs. These towns may have smaller tax bases, like we assume towns with greater percentages of conservation do and are therefore less able to absorb any further reductions in revenue.

# **Results – Survey**

There was widespread support for conservation among the public. Almost three-quarters of respondents supported expansion of conservation in their communities, and 70% felt that it improves the ecological and human health of their communities.

Almost half of respondents felt that their town is experiencing budget challenges, and more than half agreed that the state should provide more support to their town.

We asked people if they believed their property tax rates were impacted by conservation land, Current Use land, or other tax-exempt real estate. Results were not striking with medians close to the midpoint of the scale, suggesting a lack of knowledge or strong opinion on the issue.

Rural respondents were economically pessimistic compared to their urban and exurban counterparts, feeling more strongly that their towns were experiencing budget challenges and that their property taxes were too high. Rural towns on average have lower mill rates (13.8) than urban (18.0) and exurban towns (14.4), so the perception of high taxes is not simply correlated with a high mill rate.

We were surprised to find that respondents who live in towns with high mill rates do **not** feel more strongly that their property taxes were too high compared to respondents with lower mill rates.

#### **Results – Interviews**

Interview discussions were diverse and far-reaching. We coded perspectives into several themes which are summarized in Table 2. These should not be interpreted as facts, but rather individual viewpoints stemming from a spectrum of backgrounds and contexts.

Theme	Perspectives and Opinions
Community impacts of conservation	<ul> <li>Conservation results in short term revenue loss and long-term development opportunity cost.</li> <li>Long-term community benefits from conservation, such as ecosystem services, may negate tax losses, but this is hard to quantify.</li> <li>The amenity effect of conservation can increase neighboring property values, which is good for property-owners from an equity perspective but may increase tax bills.</li> <li>Conservation and easements provide clarity around a land parcel's use in perpetuity. This can provide certainty to natural-resource dependent local business which can provide stability to local economies.</li> <li>Maine's historically open property border culture, which provided access to outdoor recreationists – particularly hunters – is disappearing. Conservation is now filling that need.</li> <li>Conservation groups are shifting their approach from a narrower focus on protecting land to a holistic, whole-community approach.</li> </ul>
Conservation across different types of towns	<ul> <li>Rural towns with small tax bases may be affected more negatively by conservation than towns with more resources.</li> <li>There is a greater need to conserve land in exurban towns that have had rapid, poorly planned development.</li> <li>Smart Growth strategies should be put into place in places facing development pressure.</li> </ul>

Table 2	Summary o	of persi	pectives/o	onin	ions	from	inter	views
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Payments in Lieu of Taxes (PILOTs)	<ul> <li>Land trusts use a variety of tax strategies across properties. Most properties are taxed under the Tree Growth program. PILOTs may or may not be made on properties given fully tax-exempt status.</li> <li>There is a lack of communication between towns and conservation groups about PILOTs.</li> <li>Conservation groups should not make PILOTs. Instead, they should focus on articulating the benefits of conservation and ensuring there is community benefit.</li> <li>Conservation groups should make PILOTs as a symbol of collaboration.</li> <li>It is challenging for land trusts to start making PILOTs if they have not historically been built into the budget.</li> </ul>
Tree Growth program	<ul> <li>The Tree Growth program is not fairly administered, and the state should provide better reimbursements to towns.</li> <li>It can be abused; some landowners use it to retain large parcels.</li> <li>Highly valued land, such as parcels bordering the ocean or lakes, should not be allowed in Tree Growth because the reimbursement does not come close to the lost revenue.</li> <li>Despite its flaws, the program should not be amended. Because so many properties are enrolled in it, costs would be too high.</li> <li>New categories should be added to the Open Space program to better incentivize landowners.</li> </ul>

#### **Summary**

On average, conservation has a very small impact on mill rates. This is not surprising, as the effects of conservation on a community, land values, and town budget is complex.

However, conservation had meaningful impacts on mill rates in certain types of communities and across conservation types.

In some cases, conservation was associated with decreases in mill rates, including federally owned conservation land, conservation in towns with less protected land (0-3% of town land area), and conservation in towns with low median household incomes (< \$20,000).

In other cases, conservation was associated with standout increases in mill rates, including conservation in coastal regions, municipally owned conservation, and conservation in towns with high median household income (\$80,000+), low unemployment rates (0-2%), and in towns with a lot of protected land (20%+ of town land area).

The survey results revealed public support for conservation and a lack of knowledge/opinions around conservation's impact on property taxes. It is a complicated issue, and the public may not be aware of how the town budget works and how conservation might affect it.

The lack of public understanding, however, does not reduce the issue's importance to communities, and interviews revealed that practitioners are thinking deliberately about the municipal economic impacts of conservation. Practitioners from the municipal and conservation spaces shared insights, anecdotes, and context around the issue in their communities. Participants from all backgrounds showed an eagerness to work together and this was reflected in their anecdotes of collaboration. Generally coming from a place of understanding and respect, participants discussed complex-and potentially tense-relationships between conservation groups and municipalities.

# Recommendations

Based on interview conversations, we provide the following list of suggestions to further develop and improve relationships between town and conservation decision makers:

- Build trust; spend time together socially outside of a task-oriented setting.
- Acknowledge power asymmetries.
- Define a project to collaborate on and specify roles and timelines (but leave room for flexibility).
- Establish a shared mission.
- Approach the relationship with openness, understanding, and a willingness to collaborate.

Increased consideration should be given to conservation in towns that may experience greater tax impacts from it, such as coastal towns and towns with significant amounts of conservation already. Our findings can help inform conversations about conservation in these types of towns. Extra consideration to the purpose of conservation and its potential long-term impacts should be given in these situations. Conservation groups should engage highly with the community and town to ensure that all voices are heard and considered.

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