Photo: USFWS

In 2005, multiple organizations in Texas set up a recovery crediting system to allow private landowners in Central Texas to earn economic incentives for managing habitat for the endangered golden-checked warbler.

East FOUNDATION

Management BULLETIN NO. 13

We promote the advancement of land stewardship through ranching, science, and education.

Economic Incentives for At-risk Species Management on Private Lands

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Note for readers: This Management Bulletin is part four of a series of six bulletins intended to share East Foundation's research and its experiences as a private landowner interacting with the challenges and opportunities of managing threatened, endangered, and other at-risk species on private working lands. This series is meant to provide information relevant to decision making by land stewards. Each bulletin in the series will be released in sequence and is available through East Foundation's website at www.eastfoundation.net/media.

From the perspective of private working landowners, a criticism of the Endangered Species Act (ESA) is that the law is strictly a command-and-control policy; the ESA has regulations prohibiting the take of threatened and endangered species, but no incentives for sustaining or recovering those species. Thus, for a private landowner like East Foundation who sustains threatened and endangered species on its working ranches as a result of successful land stewardship, the presence of protected species can be seen as a risk with no reward (Brown and Shogren 1998). **With this, while landowners may have intrinsic motivation to steward wildlife on their lands, they may require two things to openly and intentionally engage in sustaining and recovering ESA-listed species: (1) removal of regulatory burdens/disincentives and (2) positive economic incentives** (Wilcove and Lee 2004; Langpap 2006; Sorice et al. 2011).

Landowner assurance programs, including both permitting and non-permitting approaches, allow working landowners to obtain ESA regulatory relief in exchange for conservation efforts. These approaches have been described in other bulletins here.

However, removal of regulatory disincentives alone may be insufficient to encourage landowner engagement with ESA-listed or other at-risk species. Financial assistance or incentives may also be needed to help landowners pay the costs of conservation activities and to reward them for their efforts.

As a private landowner operating a ranching enterprise, we understand firsthand the economic implications of managing for threatened and endangered species. In this Bulletin, we provide information on currently available programs that provide financial assistance and/or incentives for conservation of threatened, endangered, or other at-risk species on private lands. Some programs can be layered with landowner assurance programs and can be leveraged with one another to finance endangered species management.

INCENTIVES FOR CONSERVATION

State and federal natural resource agencies provide financial assistance for private lands conservation. For example, the Texas Parks and Wildlife Department's (TPWD) landowner incentive program funds 50 to 75 percent of costs for selected private lands conservation projects. The agency prefers to fund land management projects that benefit threatened and endangered species in identified priority areas. The department also offers periodic nongame and rare species grants that can support private land conservation.

"Payment for ecosystem services" programs may also be created by state agencies (or other governments

Government and private incentive programs can provide financial assistance for private lands conservation practices - like prescribed burning or other habitat management, monitoring, or species reintroductions - that benefit threatened, endangered, or other listed but at-risk species.

or non-government organizations) to compensate landowners for providing habitat for listed species or for harboring individuals on their properties. As an example, a pilot program administered by the Florida Fish and Wildlife Commission provides per-acre payments to landowners in a selected area who maintain endangered Florida panther habitat. Landowners can earn bonus payments if they take photos of panthers utilizing their properties (Florida Fish and Wildlife Conservation Commission, 2024).

Next, the U.S. Fish and Wildlife Service (USFWS) has project-specific grant programs for private lands conservation. One program is Partners for Fish and Wildlife, which can also deliver ESA assurances, as explained in the third bulletin in our series here. Recovery Challenge Grants are another opportunity for landowners to receive cost sharing from USFWS when implementing actions identified in a USFWS recovery plan for an ESA-listed species.

Landowners who manage habitat for threatened, endangered, or other at-risk species may also apply for Natural Resource Conservation Service (NRCS) Farm Bill programs that provide annual payments for conservation practices on a per-acre or per-unit rate. A landowner could engage in either the Environmental Quality Incentives Program (EQIP) or the Conservation Stewardship Program (CSP) when working on threatened, endangered, or other at-risk species. Under EQIP, landowners implement conservation practices for the first time on their properties. Landowners already implementing conservation practices and wanting to maintain or enhance those practices can participate in CSP. Precise NRCS payment rates for EQIP and CSP vary based on the type of practice, and they are state- and year-specific. Limitations of the NRCS programs are that eligibility is limited by income and the programs only pay for select habitat management practices; landowners seeking to implement projects outside of habitat management – such as reintroducing species to a property or supporting research about a species – must utilize other incentive programs.

In the above government programs, an application or proposal for funding with the administering agency is required. Landowners can make applications themselves, or, in some cases, conservation partners may apply for agency funding with the intent of distributing funds to private landowners. Because NRCS, USFWS, and state agencies have only limited funds to put into a program each year, funding is competitive. As such, **landowner applicants should consider working with local agency personnel to develop applications that best address current agency priorities.**

TAX DESIGNATIONS - CONSERVATION EASEMENTS AND AGRICULTURAL RESEARCH ORGANIZATIONS

Conservation easements permanently protect cultural or natural resources, including ESA-listed or other at-risk species and their habitats, on private lands. Under an easement, a private landowner agrees to restrict development activities or other practices on all or part of their property but still owns the land and has authority over it. Landowners can donate or sell a conservation easement to a government agency or private land trust and can receive tax benefits from the easement designation. **Incentives from conservation easements can help landowners realize the conservation value of the land, offset the financial impacts of not developing, and help pay for long-term habitat management** within the easement (Rissman et al. 2007).

Conservation easements are typically permanent, with some property rights permanently divested to the easement holder. But permanent land protection can be a barrier for landowners who do not wish to restrict future owners of the land. As an alternative, some land trusts offer short-term habitat lease agreements. These finite arrangements allow landowners to earn incentives for land conservation and test the concept before deciding on permanent easement designation (Camacho et al. 2021).

East Foundation has no conservation easements on its properties, but our IRS designation as an Agricultural Research Organization (ARO) does provide an avenue for conserving working lands that might otherwise be subdivided upon estate transfer. As AROs provide a public benefit through continuously conducting agricultural research in conjunction with land grant universities or colleges of agriculture, they are treated the same as public charities and have some IRS tax exemptions (Campbell et al. 2025). ARO designation may be of interest to landowners who are exploring estate planning tools to keep their properties intact and producing and who are willing to contribute to research related to agriculture and conservation. Much of East Foundation's science program directly supports species conservation planning.

MITIGATION AND CREDIT EXCHANGES

Private land – and therefore private landowners – can also provide marketable mitigation services for ESA-listed or other at-risk species on their properties, though mitigation properties cannot also obtain ESA regulatory assurances. Demand for mitigation services can come from private or public projects operating under Habitat Conservation Plans that require mitigation for take of species covered in the plans. The project proponents may look externally for mitigation opportunities. Also, all federal agencies are required by the ESA to ensure

that their actions do not jeopardize any listed species' existence. In some cases, federal agencies may need to seek mitigation to offset the impacts of their land uses. In both cases, USFWS calculates the mitigation requirement for a certain land use project in terms of "credits" that reflect the number of listed animals or amount of their habitat impacted. **Private landowners, meanwhile, can generate mitigation credits for a species on their lands through efforts to establish, restore, or enhance habitat for the species or legally preserve existing habitat from development** (such as with an easement designation, U.S. Fish and Wildlife Service 2003). Landowners can sell species credits to those needing mitigation for that same species (with USFWS approval), with the price of a credit determined by the free market (Carreras Gamarra and Toombs 2017).

Privately owned mitigation sites with a permanent conservation easement can also, if approved by USFWS, create or join consolidated conservation banks for a listed species. The standards for creating conservation banks are high, with banks meant to enhance benefits to a species by incentivizing geographic coordination of high-quality mitigation efforts. Bank information is posted to the Regulatory In-lieu Fee and Bank Information Tracking System online so that credit buyers who need mitigation can easily browse available credits for their species.

Whether mitigation services are performed within a bank or not, there is no guarantee that any particular mitigation effort will become profitable or find buyers. In an alternative approach aimed at helping landowners sell their credits, multi-landowner mitigation crediting or habitat exchange systems can be set up by agencies, industry groups, universities, or conservation organizations (with USFWS guidance) in response to known mitigation demand for an ESA-listed or other unlisted but at-risk species (Kreuter et al. 2016). Private landowners who participate in these systems earn credits by implementing established habitat conservation actions for the covered species or achieving certain habitat or population standards. Credit buyers are pre-established so that landowners have a straightforward path to selling. In Texas, credit systems have been created for golden-cheeked warbler, black-capped vireo, and dunes sagebrush lizard (Wolfe et al. 2012).

PRIVATE INCENTIVE STRUCTURES

Finally, private organizations like the National Fish and Wildlife Foundation and Texan by Nature can connect private landowners with non-profit or corporate partners that fund private lands projects or otherwise aid landowners who support at-risk species or ecosystems. However, one-off private funding for individual projects may be minimally impactful. Conservation banks and credit exchange systems were created to coordinate and increase landowner participation in mitigation, and similar programmatic systems are needed for proactive private conservation investments (unrelated to required mitigation) to encourage more private land conservation efforts. Given our experiences with the suite of land stewardship efforts necessary for species conservation, **East Foundation believes that any private or public incentives should reward landowners who have at-risk species and their habitat on their lands and who currently implement or begin implementing different practices that sustain and benefit species.** These practices include habitat management, non-habitat practices (such as releasing animals), and research or monitoring to support conservation planning.

OTHER MANAGEMENT BULLETINS IN THIS SERIES:

- Endangered Species Act Information for Private Landowners – An Introduction
- Permitting Approaches for Establishing Endangered Species Act Assurances on Private Lands
- Non-permitting Approaches for Landowners to Obtain Endangered Species Act Assurances
- Confidentiality Matters for At-risk Species on Private Lands
- Endangered Plant Regulations and Opportunities for Private Landowners

KEY POINTS

Incentive programs can provide financial assistance or rewards for conservation of threatened, endangered, or other at-risk species on private lands. Landowners can apply for grants or participate in programs from state or federal natural resource agencies when implementing conservation practices on their lands. Non-profit or corporate partners may also financially support private lands conservation, though there is still a need to develop organized markets for private lands conservation investments.

Establishing a conservation easement to protect a species on one's land can help in realizing the conservation value of the land, offsetting the financial impacts of not developing, or paying for sustained habitat management practices. Private landowners can also perform marketable mitigation services for a selected species on their land, and they can participate in a conservation bank or credit exchange system when selling mitigation credits for a selected species to private developers or federal agencies.

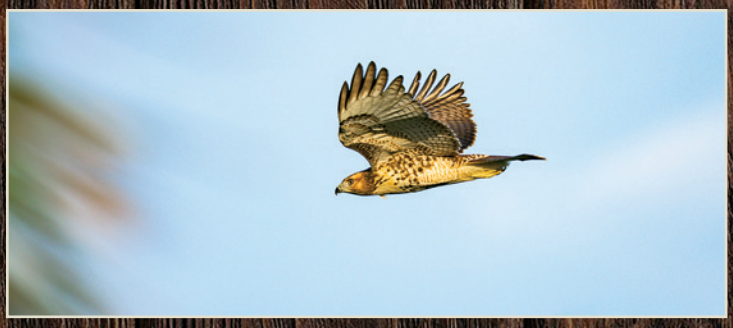

Photo: USFWS

Texas is one of the states with the most established conservation banks for threatened and endangered species. The Griffith League Ranch Conservation Bank for the Houston toad is one bank operating in Texas.

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