

Executive summary

# Public returns to private lands conservation in Colorado: The Conservation Easement Tax Credit Program

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Photo by Michael Menefee



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Colorado is famous for its iconic landscapes. These diverse lands constitute the natural and agricultural heritage of the state and fuel the economy through the sale of farm and ranch products, outdoor recreation, and tourism. Given the role these landscapes play in shaping the identity of the state, it is not surprising that Colorado has repeatedly identified conservation of the state's natural and agricultural resources as sound public policy and invested significant resources in conservation efforts to maintain these lands into the future. Conservation easements are among the primary tools to achieve this goal. Conservation easements are voluntary agreements that are legally enforceable. They are made between private landowners and either nonprofit land trusts or government bodies. The purpose of these agreements is to safeguard certain conservation values of a property. This includes protecting habitat for fish and wildlife, maintaining working farms and ranches, preserving scenic views, and ensuring spaces for outdoor education and recreational activities.

The state of Colorado has invested substantial financial resources assisting state agencies, local governments, and private nonprofit land trusts in the voluntary adoption of conservation easements from willing landowners. One of the state's principal efforts to incentivize the conveyance of conservation easements is the Conservation Easement Tax Credit program. This study examines the ecological and economic benefits to the public from the Conservation Easement Tax Credit program.

We used data on about 2.3 million acres of Colorado's lands with conservation easements that have received a state tax credit. To assess the ecological benefits, we calculated the acreage or miles of conserved lands that overlapped with mapped conservation values of priority to the State of Colorado. To assess the public economic benefits, we adopted a benefits transfer approach across 13 ecosystem types. The cost of the conservation easement was assumed to be captured in its entirety in the year the easement was conveyed and the benefits from the conservation easement were calculated to begin the year following the year of conveyance. We have included all easements for which complete data are available through 2022, have corrected dollars to 2022 values, and have used an annuity valuation to capture the flow of future benefits due to the permanence of all conservation easements. An important adjustment in the methodology is the treatment of recreation and tourism values. Recreation and tourism values may depend upon access. It was not immediately evident which easements provide recreational access. As a result, we chose to provide our public returns estimates with and without recreation and tourism values.

We estimate total cumulative public benefits of conservation easement credits to Colorado taxpayers is between \$35 and \$57 billion, or about \$20 thousand per acre conserved. We find the value of public benefits between \$31 and \$49 associated with every dollar invested in the tax credit program using these conservative



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assumptions. For perspective, this is about 9–15% of state GDP. The public value of conservation easements in Colorado is driven by the protection and stewardship of our forests, wetlands, and grasslands. Using a 2% discount rate and our average benefit estimation yields a present value of some \$217 billion of extending benefits for an additional 5 years and \$2.3 trillion in perpetuity. These estimates may appear large, but due to the cumulative effects of investments made over two decades and the extension into perpetuity of these benefits, the estimates are appropriately scaled.

Conservation efforts on private and working lands target ecologically important areas, provide a significant economic stimulus to the Colorado economy, and tangible benefits to its residents. We find the public benefits of the tax credit program exceed the costs to Colorado taxpayers by good measure and is therefore a good investment of taxpayer dollars. The cost of making such investments is lower now than it will be in the future.



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