

**Environment and Natural Resources Trust Fund  
2011-2012 Request for Proposals (RFP)**

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**LCCMR ID: 219-H**

**Project Title:** Conservation Marketplace of Minnesota

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**Category:** H. Other Ideas

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**Total Project Budget:** \$ \$670,392

**Proposed Project Time Period for the Funding Requested:** 3 yrs, July 2011 - June 2014

**Other Non-State Funds:** \$ 0

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**Summary:**

Conservation Marketplace of Minnesota uses a market-driven approach to advance conservation efforts and agriculture sustainability with a crediting system that provides multiple environmental benefits and measurable outcomes in participating watersheds.

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**Sponsoring Organization:** Minnesota River Board

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**Location**

**Region:** Central, Metro, SW, SE

**Ecological Section:** Minnesota and NE Iowa Morainal (222M), North Central Glaciated Plains (251B)

**County Name:** edwood, Renville, Rice, Scott, Sibley, Stearns, Steele, Stevens, Swift, Todd, Traverse, Waseca, Watonwan, Yellow Medicine

**City / Township:**

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_____ Funding Priorities	_____ Multiple Benefits	_____ Outcomes	_____ Knowledge Base
_____ Extent of Impact	_____ Innovation	_____ Scientific/Tech Basis	_____ Urgency
_____ Capacity	_____ Readiness	_____ Leverage	_____ Employment
			_____ TOTAL _____%

## 2011-2012 MAIN PROPOSAL

**PROJECT TITLE:** Conservation Marketplace of Minnesota

### I. PROJECT STATEMENT

Conservation Marketplace of Minnesota (CMM) is a collaboration of public and private sector conservation professionals providing technical and administrative services for ecosystem service market transactions in watersheds across the state. CMM connects and oversees voluntary ecosystem market transactions resulting in measurable environmental benefits. Credits are used as a measure of the environmental value gained from a change in land management. CMM will complete its first transactions for wellhead protection and habitat credits in 2010. CMM provides alternate conservation opportunities that allow productive lands to stay in production while also creating economic stability for BMPs implemented on the land. The long-term goal is to significantly increase the number of acres that provide multiple ecological values. Representatives from MPCA, BWSR, Minnesota universities, NRCS, MN Rural Water Association, MDA, NGOs, local governments, and private businesses serve in advisory roles to CMM. CMM is building a track record of integrity through repeatable metrics, consistency, and measurable outcomes. CMM will accomplish this by completing the following activities: 1) Training, Education, and Outreach; 2) Market Capacity Study; 3) Collaborative Policy Discussions; and 4) Implementation of 60 Credit Transactions. CMM will expand the roster of Certified Field Representatives (CFRs) by 30 more professionals, increase transactions by 60 projects, promote educational materials, provide six educational field days at working sites, and gain clear policy definitions.

### II. DESCRIPTION OF PROJECT ACTIVITIES

**Activity 1: Training, Education, and Outreach Budget: \$ 194,416**

Participants need to receive education about their potential to engage in ecosystem service markets. CMM core staff will train and test new CFRs, who will be responsible for finding optimal credit generating sites, assisting landowners with applications, promoting market opportunities, training other participants, and conducting annual performance monitoring.

Outcome	Completion Date
1. Develop core curriculum for training sessions to provide information to multiple implementers in project watersheds by benchmarking best available science and peer review from committees.	December 2011
2. Develop accurate up-to-date cost of BMP assessment tools to base economic assessments upon.	December 2012
3. Create 10 educational factsheets and pamphlets for target audiences.	December 2013
4. Train, test and certify 30 new CFRs (10 per year); convey CMM's fully transparent process.	June 2014
5. Host 6 community education events (field days at working credit sites in diverse watersheds).	June 2014
6. Maintain CMM's website with up-to-date technical resources for CFRs and provide educational materials for interested public, credit generators, and buyers.	June 2014
7. Participate and present at a minimum of two prominent state conferences per year.	June 2014

**Activity 2: Market Capacity Study Budget: \$165,314**

A market capacity study provides managers an understanding of the current and pending supply and demand for applicable ecosystem services. The study will define the potential service markets, potential volume of transactions, and geographic scope of future markets.

Outcome	Completion Date
1. Define national and statewide ecosystem services and MN applications.	July 2012
2. Quantify estimates of market demand for each service applicable to MN.	July 2012
3. Quantify estimates of ability for supply and the BMP cost expectation.	July 2012
4. Produce a final report of the ecosystems service market capacity study; available for statewide distribution to all interested parties.	October 2012
5. Use study results to provide CMM and other ecosystem service market facilitators a list of recommendations regarding optimal organizational structures, policies, and geographic niches.	December 2012

**Activity 3: Collaborate Policy Discussions Budget: \$ 68,314**

Explore policy needs to support organization and eligibility of private environmental markets by inviting partners to the discussion table. Foster collaborative discussions and support decisions by government entities regarding ecosystem service markets in MN. Answer the following questions: *How does CMM work cooperatively alongside traditional conservation programs? What are appropriate baselines? When and to what degree is stacking credits appropriate? What is an appropriate type of credit registry?*

Outcome	Completion Date
1. Facilitate a listening session to discuss policy issues with stakeholders in the MN River Basin.	July 2012
2. Engage in collaborative discussions with agencies and legislators regarding policies and rules for emerging ecosystem services markets.	December 2012
3. Identify barriers to success while furthering policy decisions solutions that support the use of CMM alongside existing programs.	December 2012
4. Determine tax implications/obligations and provide advice regarding ecosystem service commodity payments.	December 2012
5. Provide final report to public agency managers and other interested MN organizations.	December 2012
6. Develop a creditable registry with capacity to service and manage a high volume of transactions.	December 2012
7. Investigate new market opportunities (such as water quantity trading) and watersheds to transfer CMM framework in to. Develop new forms and templates for initial credit transactions.	June 2014

**Activity 4: Implementation of 60 Credit Transactions Budget: \$242,348**

Provide funding for design, project implementation, and oversight for 60 ecosystem service credit transactions. This funding will provide a match or additional incentive added to investments from other credit buyers, such as wellhead protection money to reduce nitrogen. The project leverages LCCMR funds with private and public money sources. LCCMR design requirements and eligible conclusions from Activity 3 will be mandatory for any project leveraged with LCCMR grant money. (Examples of possible leveraged projects include nitrogen wellhead protection credits, water quantity/storage credits, and pollinator credits.)

Outcome	Completion Date
1. Offer 4 rounds of ecosystem service market requests for applications (based on matching investor goals such as surface source water protection, wellhead protection, flow reduction, habitat, or carbon sequestration).	May 2014
2. Oversee construction and establishment of at least 60 ecosystem service contracts funded by external sources.	June 2014
3. Update forms and templates, provide market oversight, conduct performance monitoring, and audit 15% of transaction sites with third party inspections.	June 2014

### III. PROJECT STRATEGY

#### A. Project Team/Partners

CMM is made up of a blend of public conservation officials, private sector technical assistance providers, and academia. Multiple committees with diverse representation create and approve standardized templates and tools to assess environmental value and provide monitoring, inspection and reporting to buyers and regulatory overseers of ecosystem services. With this grant funding, CMM proposes to compensate five project contributors. The Minnesota River Board and Stearns County SWCD will provide education, policy advancement, and ecosystem service transaction implementation. Rural Advantage, Kieser and Associates, LLC, and American Farmland Trust will conduct the market capacity study in addition to providing expertise with marketplace direction, development of new framework, and the transfer of existing structure to new watersheds. Other CMM participants currently include members from MPCA, BWSR, MDA, NRCS, GBERBA, MN Association of SWCDs, MN Corn Growers Association, Sauk River Watershed District, AgFlex, University of Minnesota, MSU Mankato, Anez Consulting, North Dakota Farmers Union and MN Rural Water Association.

#### B. Timeline Requirements

1) Develop curriculum for educational outreach and CFR training (Year 1); 2) Educate at working field sites and at state gatherings (Year 1-3); 3) Complete the market study (Years 0-2); 4) Create open, inclusive policy discussions to recognize barriers and impediments, but testing the capability of each ecosystem service to benefit both the CMM network and other entities (Begin at 6 months); and 5) Adjust new templates; provide round of bids before and after growing seasons (Years 1-3).

#### C. Long-Term Strategy and Future Funding Needs

CMM intends to become self-sufficient by assigning reasonable service fees to each transaction and by expanding its transaction volume through program adoption in other watersheds. CMM seeks additional funding sources to foster its development until a significant volume of successful transactions support its core staff and institutional knowledge. CMM operates in an open and transparent manner, sharing lessons learned with periodic reporting and making protocols and templates available for review.

## 2011-2012 Detailed Project Budget

### IV. TOTAL TRUST FUND REQUEST BUDGET 3 years

<b>BUDGET ITEM</b>	<b>AMOUNT</b>
<b>Personnel:</b>	
Ecosystem Services Specialist: 100% full-time employment, 30 months, 40% fringe rate	\$ 138,356
Asst Project Coordinator: 75% full-time employment, 30 months, 40% fringe rate	\$ 87,256
<b>Contracts:</b>	
<b>Kieser &amp; Associates</b> - Market Capacity (define ecosystem service market applications, quantify estimates, produce final report, provide recommendations); BMP Assessment Tools; Policy Discussion; Program Growth; Adapt Forms, Templates and Tools; Provide Market Oversight	\$ 100,000
<b>Rural Advantage</b> - Market Capacity (define ecosystem service market applications, quantify estimates, produce final report, provide recommendations); Policy Discussion; Program Growth; Adapt Forms, Templates and Tools; Provide Market Oversight	\$ 40,000
<b>American Farmland Trust</b> - Market Capacity (define ecosystem service market applications, quantify estimates, produce final report, provide recommendations); Policy Listening Session; Program Growth; Adapt Forms, Templates and Tools; Provide Market Oversight	\$ 40,000
<b>Stearns SWCD</b> - Train, Test and Certify CFRs; Market Capacity Study; Policy Discussion; Program Growth; Adapt Forms, Templates and Tools; Provide Market Oversight	\$ 50,000
<b>Equipment/Tools/Supplies:</b>	
Photocopy Paper and Binding Material: training manuals, forms, reports, educational factsheets, presentations, pamphlets and meeting material as needed	\$ 10,000
General Office Supplies and Mailings	\$ 1,500
<b>Acquisition (Fee Title or Permanent Easements): N/A</b>	N/A
<b>Travel:</b>	
In-state travel to attend CFR trainings, education events, performance monitoring, inspections, committee meetings, and as needed for essential project activities (includes mileage, per diem, and infrequent lodging).	\$ 21,280
<b>Additional Budget Items:</b>	
Printing	\$ 2,000
Implementation of 60 Credit Transactions (4 rounds of ecosystem service market opportunities requests for applications, CFR compensation, BMP implementation, management of credit transactions)	\$ 180,000
<b>TOTAL ENVIRONMENT &amp; NATURAL RESOURCES TRUST FUND \$ REQUEST</b>	\$ 670,392

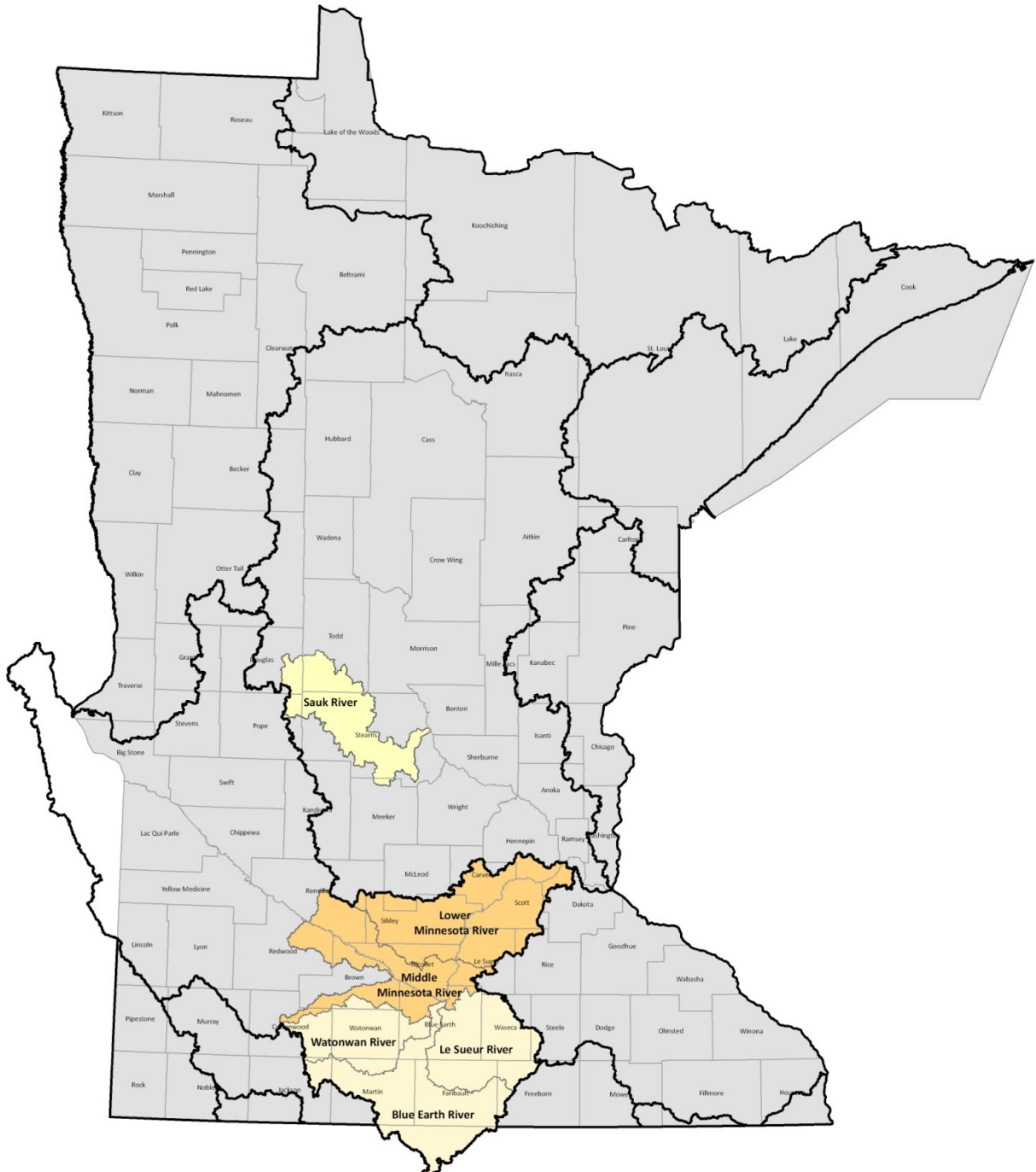
### V. OTHER FUNDS

<b>SOURCE OF FUNDS</b>	<b>AMOUNT</b>	<b>Status</b>
<b>Other Non-State \$ Being Applied to Project During Project Period:</b> 2011 CIG application to be submitted June, 2010	TBD	<i>Pending</i>
<b>Other State \$ Being Applied to Project During Project Period:</b>	\$ -	N/A
<b>In-kind Services During Project Period:</b> MRB Director for project management and oversight at .15 FTE (\$49,995); MRB Program Director for project coordination at .35 FTE (\$58,771); Ecosystem Services Specialist 100% for 6 months (\$27,671); Asst Project Coordinator 75% for 6 months (\$17,451); printing expenses (\$667); travel (\$6,552)	\$ 161,107	
<b>Remaining \$ from Current ENRTF Appropriation (if applicable): N/A</b>	N/A	N/A
<b>Funding History:</b>		
Conservation Innovation Grant (CIG)	\$ 999,994	
Bush Foundation Grant	\$ 270,000	
Xcel Energy Renewable Development Fund (RDF)	\$ 100,000	
CIG Productive Conservation on Working Lands	\$ 53,500	
Minnesota River Board	\$ 265,874	
Additional Match provided by following partners: Kieser & Associates, Sauk River Watershed Dist., Stearns SWCD, American Farmland Trust, AgFlex	\$ 310,620	



## Existing Project Watersheds

Sauk River Watershed, Lower Minnesota River Watershed, Middle Minnesota River Watershed, Greater Blue Earth River Watershed



## Project Manager Qualifications and Organization Description

### PROJECT MANAGER SHANNON J. FISHER

#### MINNESOTA RIVER BOARD EXECUTIVE DIRECTOR; MSU-MANKATO WATER RESOURCE CENTER DIRECTOR; ASSOCIATE PROFESSOR OF BIOLOGY

Dr. Fisher received his B.S. (1994) from Northland College and his M.S. (1996) and Ph.D. (1999) from South Dakota State University. He was an Environmental Review Ecologist and Fisheries Biologist for the MN DNR for 5 years before becoming the Executive Director for the Minnesota River Board (MRB) in April 2005. In addition to his MRB duties, he serves as the Executive Director of the MSU-Mankato Water Resources Center (WRC) and as an Associate Professor of Biology at MSU-Mankato, teaching Lake Ecology, Fisheries Biology, Research Methods, and Fisheries Assessment and Ecology.

In his collective capacity, Dr. Fisher provides administrative support to the WRC/MRB staff, leads a delegation of local officials working to improve water quality in the Minnesota River Basin, advises student researchers, maintains stakeholder relations, instructs courses, coordinates conferences, and lobbies policymakers. These activities focus on the MRB/WRC mission to collect and disseminate water quality, watershed, and aquatic ecology information – with an emphasis on engaging students and educating our regional community. Dr. Fisher's research interests include water quality impacts on stream and lake biota, riverine and fisheries ecology, impaired waters restoration, agricultural drainage, and shallow lakes management. Dr. Fisher is pleased to be involved with undergraduate and graduate students to prepare them for future positions in watershed, fisheries, and water quality work – in collaboration with the Departments of Biology, Chemistry, Geology, Geography, and Civil Engineering.

The Minnesota River Board, under the direction of Dr. Fisher, serves as the fiscal and coordinating agent on an existing Conservation Innovation Grant valued at \$1 million (federal cash) with an additional \$1 million in local cash and in-kind services to establish the Conservation Marketplace of Minnesota (CMM). CMM is an innovative approach to addressing water quality challenges by using market-drive alternatives of ecosystem services and credit trading to support conservation. This effort works with productive lands initiatives and targets best management practices that have faced limited adoption traditional delivery methods. Director Fisher is also responsible for Section 319 projects entitled "Evaluation of Nutrient and Bacterial Transport from Manure Applied Lands" and "Evaluation of Artificial Drainage Roles in Altering Hydrology."

**MRB Mission and Overview:** The Minnesota River Board is a joint powers organization comprised of counties within the Minnesota River Basin and was created in 1995. The MRB mission is to provide leadership, build partnerships and support efforts to improve and protect water quality in the Minnesota River Basin. It accomplishes this mission with the belief that preservation and restoration of the Minnesota River can only be achieved by a cooperative effort between citizens and all levels of government and businesses. The goal is to bring to fruition substantive restoration and preservation of the Minnesota river's recreation, habitat and scenic beauty by leveraging existing resources at the local, state and federal levels. The MRB works in close collaboration with the Water Resources Center at Minnesota State University, Mankato. The MRB has been active in the development of market-driven alternatives and innovative options for increasing the implementation rates of BMPs.

