

INCENTIVE PAYMENT PROCEDURES FOR DEMAND REDUCTION PROJECTS AND MANAGEMENT ACTIONS

September 28, 2025

These Incentive Payment Procedures have been adopted by the East Turlock Subbasin Groundwater Sustainability Agency (ETSGSA) to promote the implementation of projects and management actions under the Turlock Subbasin Groundwater Sustainability Plan (Turlock GSP) and the ETSGSA Groundwater Demand Reduction Program, adopted by the ETSGSA Board of Directors on July 11, 2024. It describes the incentive payment types and amounts that the ETSGSA is offering to Owners or Operators of Irrigated Parcels to incentivize their voluntary implementation of various groundwater demand reduction actions and/or projects, and will be incorporated into Project Agreements with the Owners or Operators for those actions or projects. The applicable definitions and requirements of the most current version of the East Turlock Subbasin Groundwater Sustainability Agency Rules and Regulations are incorporated herein by reference. Additional requirements regarding the application and funding process for ETSGSA's Incentivized Fallowing Program (IFP), Multibenefit Land Repurposing Program (MLRP) and other projects or management actions implemented under ETSGSA's Demand Reduction Program, are discussed in their respective governing plans, policy documents, or agreements. ETSGSA reserves the right to update or revise these Incentive Payment Procedures as needed to reflect changes in its Rules and Regulations, plans or policies, the cost data and assumptions underlying the incentive payment rates in Tables 1 and 2, attached hereto, or to promote more effective implementation of its Demand Reduction Program.

OVERVIEW AND APPROACH

Two types of Incentive Payments have been developed by ETSGSA and are included in this Incentive Payment Framework and the attached rate schedules:

- **Type 1 Incentive Payments** are per-acre, per-year payments for implementation and maintenance of land use changes that transition agricultural field areas from irrigated use to non-irrigated status.
- **Type 2 Incentive Payments** are one-time payments for the initial construction or installation of infrastructure, earthwork and other improvements that are part of a groundwater demand reduction project.

Tables 1 and 2 below provide the Incentive Payment categories, descriptions, associated Implementation Standards, and current rates for the Type 1 and Type 2 Incentive Payments, respectively. These Incentive Payment rates were developed by ETSGSA with general consideration of the following:

- Rates (\$/unit) for similar agricultural/conservation practices offered through the United States Department of Agriculture (USDA) Natural Resources Conservation Service (NRCS) Environmental Quality Incentives Program (EQIP);
- ETSGSA and its member agencies' experience with implementation costs for similar work;
- Current industry-standard equipment and labor rates;
- Maintaining a balance between the Groundwater Use Fees that apply to the extraction of groundwater from irrigated parcels and the incentive payments offered for transitioning lands to non-irrigated use; and
- Consideration of the relative costs and benefits of different kinds of repurposing projects.

INCENTIVE PAYMENT FRAMEWORK

The process by which Incentive Payments will be calculated for demand reduction projects or management actions accepted by ETSGSA for inclusion in its incentive programs is described in the following sections.

Type 1 Incentive Payments

Type 1 Incentive Payments for demand reduction projects and management actions approved by ETSGSA, and for which Project Incentive Agreements are executed, will be made on a per-acre, per-year basis for implementation and maintenance of Incentivized Fallowing or MLRP repurposing on Irrigated Parcels. Type 1 Incentive Payment rates are derived from comparable NRCS EQIP rates as well as payments under fallowing incentive programs developed by other agencies in California. They are intended to help offset the costs of transitioning the land use from the cultivation of irrigated crops to non-irrigated use, and of establishing and maintaining non-irrigated vegetative cover, as well as foregone income. The following requirements shall apply.

Incentivized Fallowing Program

- 1. Land shall be fallowed and maintained in compliance with ETSGSA Rules and Regulations, and in accordance with ETSGSA's Implementation Standards for Vegetative Cover and Land Fallowing.*
- 2. Type 1 Incentive Payments will be made annually at a rate of \$730 per acre fallowed, per year.*
- 3. Payments will be made for each Reporting Period (November 1 through October 31) that the land is enrolled in, and maintained in compliance with, the Incentivized Fallowing Program.*
- 4. Payments will be made after the end of the Reporting Period, and credited against any Groundwater Use Fees due in the True Up Invoice issued to the Owner or Operator designated for the Groundwater Account in which the parcel is included. If the Incentive Payment exceeds the amount due, the Owner or Operator may choose whether to apply the credit to future Groundwater Use Fee invoices or receive payment for the remaining balance.*

Multibenefit Land Repurposing Program

1. MLRP repurposing shall be implemented and maintained in compliance with ETSGSA Rules and Regulations, the applicable MLRP Agreement between ETSGSA and the Owner or Operator, and in accordance with ETSGSA's Implementation Standards, as applicable, for:

- a. Vegetative Cover and Land Fallowing
- b. Rewilding
- c. Floodplain Reconnection and Flood Flow Spreading
- d. Basins
- e. Retention Ponds

2. Type 1 Incentive Payments will be calculated based on the number of repurposed acres multiplied by the applicable per-acre, per-year rate from Table 1.

3. Payments will be made in one lump sum for the full 10-year implementation period. Failure by the Owner or Operator to comply with the terms of the MLRP Agreement may result in ETSGSA requiring the project proponent to return the funds received.

4. Payments will be made by check within sixty (60) days after confirmed implementation and acceptance of the repurposing project by ETSGSA and DOC.

Type 2 Incentive Payments

Type 2 Incentive Payments are one-time payments for the construction of infrastructure, earthwork and improvements associated with demand reduction projects approved by ETSGSA, and for which a Project Incentive Agreement is executed. They are intended to help offset the cost of earthwork construction, drainage modification and infrastructure installation. Project components covered by Type 2 Incentive Payments may include, but are not necessarily limited to, construction of basins, ponds, drainage modifications, water diversion infrastructure, water conveyance and irrigation infrastructure, habitat enhancements, access roads, electrical service infrastructure, solar electrical equipment, and other constructed infrastructure. For Type 2 Incentive Payments, the maximum available incentive payment is calculated, and payments are made up to the maximum based on the actual cost incurred. The maximum Type 2 Incentive Payment is determined by one of the following two methods:

1. A list of maximum Type 2 Incentive Payment rates for several common project constructed project components is provided in Table 2. These rates were derived from comparable NRCS EQIP rates, and our experience with typical construction costs in this area. For the project types listed, the rates presented in Table 2 are multiplied by the number of units implemented (e.g., the linear feet of road or acres of ponds constructed).
2. For project components not listed in Table 2, the maximum Type 2 Incentive Payment will be the following:
 - 75% of the bid amount received from the selected contractor or an estimate provided for self-implemented work by the Owner or Operator for MLRP projects or non-MLRP projects requiring an equivalent duration or co-benefit; or

- 50% of the bid amount received from the selected contractor or the estimate provided for the work by the Owner or Operator for non-MLRP projects that are shorter in duration and do not require co-benefits.

Final Incentive Payment amounts will be made based on actual construction costs, not to exceed the maximum amounts derived using the approach described above (subject to the approval of ETSGSA). Payment will be made after final acceptance of the project by ETSGSA and DOC (if applicable) based on itemized contractor invoices or itemized statements provided by the Owner or Operator developed using the unit rates listed in Table 3 (if the work is self-implemented). A detailed summary of the approach is provided below.

Common Project Components (Table 2)

- 1. Work shall conform with all applicable ETSGSA Implementation Standards, including:*
 - a. Vegetative Cover and Land Fallowing*
 - b. Rewilding*
 - c. Floodplain Reconnection and Flood Flow Spreading*
 - d. Basins*
 - e. Retention Ponds*
 - f. General Earthwork*
- 2. The Owner or Operator shall provide at least two bids from qualified contractors and equipment/material vendors to estimate the total project costs. Alternatively, for work proposed to be implemented by the Owner or Operator, they shall provide a construction cost estimate based on a bottom-up approach using equipment and labor takeoffs for the rates included in Table 3.*
- 3. The maximum available Type 2 Incentive Payments for common project components will be calculated by multiplying the number of units to be implemented (e.g., acre-feet of basin capacity, acres of pond, linear feet of ranch road) by the applicable rates in Table 2.*
- 4. The maximum available Type 2 Incentive Payments for project components not listed in Table 2 will be at the following percentages of the quote or estimate submitted by the Owner or Operator:*

75% *of the selected contractor bid or Owner/Operator estimate for MLRP projects or non-MLRP projects with an equivalent duration and co-benefit maintenance requirement; or*

50% *of the selected contractor bid or Owner/Operator estimate for non-MLRP projects with a shorter maintenance duration and no co-benefit maintenance requirements.*
- 5. Actual Type 2 Incentive Payments will be based on submitted contractor invoices, invoices documenting the cost of equipment and materials procured for the project, and/or itemized statements prepared by the Owner or Operator for work that is self-implemented, based on the unit rates listed in Table 3.*
- 6. Payments made within 60 days after receiving acceptable expense documentation and project acceptance by ETSGSA and DOC. In no event will total Type 2 Incentive Payments exceed the maximum available amounts for each project component calculated under Items 3 and 4, above.*

Implementation and Documentation

Individual projects approved by ETSGSA may include only Type 1 components or include a combination of Type 1 and Type 2 components. In addition, Type 2 project components may or may not be the common components listed in Table 2, and may be implemented by contractors, by the Owner or Operator, or by a combination of the two. Each Incentive Payment type shall be subject to the requirements described in the preceding sections. For each project, additional requirements for construction documentation, expense documentation, project acceptance, and payment release may be specified in the Project Incentive Agreement.

Table 1. Type 1 Project Incentive Payment Rates

Name	Description	Associated Implementation Standard(s)	Annual Incentive Payment Rate
Incentivized Fallowing Program	Crop removal and irrigation cessation for at least three years; maintenance of vegetative cover (can be resident vegetation, non-irrigated crop, or conservation cover seed mix); and foregone groundwater allocations for the agreed implementation period.	Vegetated Cover for Fallowed Land – Incentivized Fallowing Program	\$730 per acre, per year, paid annually
MLRP Extended Fallowing	Crop removal and irrigation cessation for at least 10 years; establishment and maintenance of beneficial conservation cover using a commercially available seed mix (e.g., pollinator mix, native veg mix, etc.) for at least 10 years, establishment and maintenance of hedgerows around the perimeter of the fallowed field; and foregone groundwater allocations for the implementation period.	Vegetated Cover for Fallowed Land – MLRP Fallowing Program	\$890 per acre, per year, paid in lump sum
MLRP Rewilding	Crop removal and irrigation cessation for at least 10 years; establishment and maintenance of beneficial vegetation with wildlife habitat benefits using a commercially available seed mix (e.g., riparian herbaceous cover mix, pollinator mix, native veg mix, etc.) for at least 10 years; establishment and maintenance of hedgerows around the perimeter of the fallowed field; management of drainage to prevent erosion; and foregone groundwater allocations for the implementation period. May be combined with one-time (Type 2) incentive payment for construction of stormwater retention ponds in swales or topographic depressions.	Rewilding	\$1,300 per acre, per year, paid in lump sum

Table 1. Type 1 Project Incentive Payment Rates

Name	Description	Associated Implementation Standard(s)	Annual Incentive Payment Rate
MLRP Floodplain Reconnection and Related Spreading and Recharge	Crop removal and irrigation cessation for at least 10 years; establishment and maintenance of herbaceous riparian cover or grassed waterway for at least 10 years, and operation to facilitate the spreading and recharge of flood flows; and foregone groundwater allocations for the implementation period. May be combined with one-time (Type 2) incentive payment for construction of in-stream flow modifications (e.g. beaver dam analogs, woody revetments) and flow spreading and retention structures (berms, ditches and ponds).	Floodplain Reconnection	\$1,450 per acre, per year, paid in lump sum
MLRP Flood Flow Spreading	Crop removal and irrigation cessation for at least 10 years; establishment and maintenance of herbaceous riparian cover, grassed waterway, or other conservation cover; managed spreading of seasonally-available flood flows to promote recharge; Maintenance of erosion and sedimentation, periodic disking to maintain soil conditions suitable for recharge; and foregone groundwater allocations for the implementation period. May be combined with one-time (Type 2) incentive payment for construction of flood flow conveyance infrastructure (e.g. pipelines, pump stations, weirs, etc.) and flow spreading and retention structures (berms, ditches and ponds).	Floodflow Spreading	\$1,590 per acre, per year, paid in lump sum
MLRP Stormwater Pond	Crop removal and irrigation cessation for at least 10 years; establishment and maintenance of herbaceous riparian cover or grassed waterway, and maintenance of retention structures (berms, ditches, or ponds), allowing seasonal stormwater inundation for at least 10 years; and foregone groundwater allocations for the implementation period. May be combined with one-time (Type 2) incentive payment for construction of a stormwater pond.	Stormwater Ponds	\$970 per acre, per year, paid in lump sum

Table 1. Type 1 Project Incentive Payment Rates

Name	Description	Associated Implementation Standard(s)	Annual Incentive Payment Rate
MLRP Basins	Crop removal; Maintenance and operation of a recharge or regulating basin for at least 10 years, including vegetation and vector management, and periodic regrading/surface conditioning as needed to maintain recharge function. May be combined with one-time (Type 2) incentive payment for basin and conveyance infrastructure construction.	Basins	\$1,050 per acre, per year, paid in lump sum

Table 2. Maximum Type 2 Incentive Payment Amounts for Common Project Components

Name	Description	Associated Implementation Standard(s)	Amount
Basin or Reservoir Construction	All labor, equipment and materials to construct a basin for purposes of controlled direct recharge or regulation of irrigation water supplies brought to the basin as part of a demand reduction project.	Basins	\$5,400 per acre-foot of capacity
Stormwater Pond Construction	All labor, equipment and materials to construct ponds for purposes of detention/retention of local stormwater runoff.	Stormwater Ponds	\$3,700 per acre
Ranch Road Construction	All labor, equipment and materials to construct new earth surface ranch roads.	General Earthwork	\$6.50 per linear foot
General Earthwork	All labor, equipment and materials to construct miscellaneous general earthwork, excavation, grading and compaction that is not associated with one of the project components listed above.	General Earthwork	\$3.70 per cubic yard

**Table 3. Schedule of Rates for
Self-Implementation of Project Construction (Type 2 Costs)**

Equipment	Rate/ Hour
D6R Bulldozer	\$137
D7R Bulldozer	\$215
D8R Bulldozer	\$225
D9T Bulldozer	\$296
D10R Bulldozer	\$409
312C Track Excavator	\$64
330C Track Excavator	\$122
428D 4WD Backhoe	\$45
Light Truck - 1.5 Ton	\$58
Supervisor's Truck	\$34
Flatbed Truck	\$58
613E (5,000 gal) Water Wagon	\$105
Dump Truck (10-12 yd ³)	\$165

Notes:

Hourly equipment rates are derived from 2025 dry equipment cost data available from the Standardized Reclamation Cost Estimator Cost Data File developed by the Bureau of Land Management and the Nevada Department of Environmental Protection (SRK 2019).

Fuel costs are derived from the 2022 version of the Caterpillar Performance Handbook (Wheeler Cat 2022), assuming a delivered diesel fuel cost of \$4.00/gallon.

Labor Category	Rate/ Hour
Equipment Operator	\$94
Truck Driver	\$70
General Laborer	\$65
Project Manager	\$116

Notes:

Hourly labor rates are derived from labor cost data available from the Standardized Reclamation Cost Estimator Cost Data File developed by the Bureau of Land Management and the Nevada Department of Environmental Protection (SRK 2019).