

KLAMATH PROJECT DROUGHT RESPONSE AGENCY

5-Year Assistance Program – Demand Reduction Policy

Program Years: 2026-2030

Adoption Date: May 14, 2026

Purpose. This Policy establishes requirements and procedures for the Klamath Project Drought Response Agency’s (KPDRA) Five-Year Assistance Program – Demand Reduction Program (the “Five-Year Program”). The Five-Year Program is intended to reduce demand for irrigation water by providing financial assistance to eligible agricultural producers who agree to refrain from applying irrigation water to designated parcels during each Program Year, as described in this Policy. Additional payments may be available for the planting of cover crops and certain ecosystem improvement practices on parcels to which no water is applied. Furthermore, eligible producers may apply to participate in the distinct Water Conservation Innovation Practices Program which will provide discretionary funding for approved proposals.

A. Program Summary

The following summary is provided for informational purposes. Program specific details are included below.

KPDRA will administer the Five-Year Program for Program Years 2026-2030. Eligible agricultural producers (Producer) may apply to enroll parcels of land for potential participation during the five-year period of the Five-Year Program. Enrollment and annual payments are subject to annual funding/budget decisions by the KPDRA Board of Directors (the “Board”) and verification of compliance with this Policy.

The Board will identify an annual budget for the Five-Year Program and will identify eligible acreage until available funds, as determined by the Board, are fully committed for that Program Year. The minimum parcel size for enrollment and annual designation is 25 contiguous acres of irrigable land, with clear boundaries permitting independent verification. The Board may approve less than the full amount of eligible acres identified by an applicant.

Base No-Irrigation Payments will be made for unirrigated acreage that was enrolled in the Five-Year Program and verified by the KPDRA. Additional payments will be made for the planting of cover crops, and for the implementation of practices that create an eco-system benefit without the harvest of the crop prior to October 15 of each irrigation season.

Applicants enrolled in the Five-Year Program may also seek funding through the Water Conservation Innovation Practices Program by submitting an application for funding to be evaluated by the Board to encourage water conservation practices.

Program payments are contingent upon compliance with program requirements and the availability of funding.

There is no partial-season option under the Five-Year Program, except to a limited extent for 2026 only. For 2026, parcels that were irrigated between November 1, 2025 and February 28, 2026 may be eligible for the Cover Crop and Ecosystem Improvement Practices Payment, but not the Base No Irrigation Payment. For all subsequent years, designated acreage must remain Unirrigated for the entire applicable Irrigation Season (as defined in this Policy) to receive any payment for that Program Year.

B. Definitions

- Applicant. A Producer submitting an application for enrollment in the Five-Year Program.
- Annual Designation. The annual designation submitted by an enrolled Producer identifying the specific Parcel(s) (and acreage) to remain Unirrigated for a given Program Year.
- Annual Rate. The full amount determined by the KPDRA Board to be payable, per acre, for verified, eligible acreage designated by an eligible Applicant, requiring fulfillment of the No Irrigation, Cover Crop and Ecosystem Improvement Practices for a given Irrigation Season.
- Board. The KPDRA Board of Directors.
- Cover Crop. A crop planted primarily to provide ground cover, protect or improve soil, and/or support habitat.
- C-Lands. Lands commonly referred to as “C-Lands” in Klamath Project records or district records, as designated by the Bureau of Reclamation and/or the applicable district as those that receive only water identified as surplus through a contractual arrangement.
- Improved Practices. Practices implemented on designated Unirrigated acreage that are intended to improve wildlife habitat, soil quality, or similar conditions, including, but not limited to, silage, grazing, and wildlife/pollinator habitat, subject to the limitations in this Policy.
- Irrigation Season. For each Program Year, the period from November 1 of the preceding calendar year through October 31 of the Program Year, unless the Board adopts a different season definition by written resolution consistent with applicable Bureau of Reclamation operations guidance.
- Five-Year Program. The KPDRA Five-Year Assistance Program - No Irrigation described in this Policy for Program Years 2026-2030.
- Water Conservation Innovation Practices Program. A separate annual program component available to Producers enrolled in the Five-Year Program that provides additional payment for preapproved practices that produce substantial evidence of actual water savings, as described in Section G of this Policy.

- Parcel. A discrete area of irrigable land with clear boundaries separating it from adjoining and adjacent irrigated land, allowing verification that irrigation water was not applied during the Irrigation Season.
- Partial Season Unirrigated Parcel. A parcel that is irrigated between November 1, 2025, and February 28, 2026, but receives no water from any source, except natural precipitation from March 1, 2026, through October 31, 2026.
- Producer. An FSA-recognized “producer” meeting the criteria in Section C.2 of this Policy.
- Program Unit. Twenty-five (25) acres of eligible land approved for enrollment and annual designation under the Five-Year Program.
- Program Year. Each irrigation year 2026, 2027, 2028, 2029, and 2030 of the Five-Year Program.
- Unirrigated / No Irrigation. No water from any source, except natural precipitation, is applied to any portion of the Annual Designation enrolled in the Five-Year Program by a Producer during the applicable Irrigation Season.
- Verification. The process used by KPDRA (including but not limited to district/entity confirmation, record review, remote sensing, and/or field inspection) to confirm that eligibility requirements and annual non-irrigation, cover crops and improved practices commitments were met.

C. Eligibility

In order to receive payment under the program, the subject parcel(s) for each Annual Designation must meet all eligibility requirements, the Applicant must be eligible as set forth in Section C.2, below, and compliance with the policy requirements regarding No Irrigation, Cover Crops and/or Improved Practices must be verified.

C.1 Parcel Eligibility Criteria

1. Minimum size. Each Parcel (and each annually designated area within the Parcel) must consist of at least 25 contiguous acres of irrigable land, with clearly observable boundaries separating it from adjoining and adjacent irrigated land so the designated area can be independently confirmed.
2. Crop history. The parcel must have produced an irrigated agricultural crop within one of the last three (3) years immediately preceding the Program Year for which the parcel is included in the Applicant’s Annual Designation. Applicant shall warrant and provide evidence, upon demand, regarding past production of a parcel.
3. Assessments/charges. The Applicant must have paid all applicable annual charges, assessments, or other similar fees levied by the irrigation district, drainage district, ditch company, improvement district, or other similar entity (as defined by applicable Oregon or California law) in which the land is located, and must remain current on such charges for each Program Year in which payment is sought.
4. Authorization. The Applicant must warrant to KPDRA that the Applicant is legally authorized to apply for and receive funds under the Five-Year Program in relation to the Parcel(s) for which an application is submitted.

5. Water right/Klamath Project identification. The Parcel must be identified as having a water right in the Klamath Project according to the Klamath River Adjudication Amended and Corrected Findings of Fact and Final Order of Determination for Claim Numbers 321-6, 321-17, 293, or 323-3, as set forth on the official maps generated by the Oregon Water Resources Department identifying those lands, or an exception filed thereto.
6. Rotation limit. No Parcel included in an Annual Designation may participate in the Program for more than three (3) of the five (5) Program Years (2026-2030).
7. Annual Program Participation. Acreage within an Unirrigated Parcel enrolled in the Five-Year Program is not eligible for compensation under any other KPDRRA offered programs for the same year, unless the Program specifically permits.

Eligible acreage will be determined by KPDRRA using Geographic Information Systems mapping of the area actually irrigated in the recent past. County tax map records, district assessment records and farm agency mapping acreages often include non-crop acreage (roadways, farm building, canals, and drains) and will not be used to determine the actual area of the parcel included in the Program. Any challenge to a qualified acreage determination must be made within 14 days of written notice to the Applicant of the determination.

C.2 Producer Eligibility Criteria

The Five-Year Program is open only to FSA-recognized Producers. For purposes of this Policy, an eligible Producer must satisfy both subsections (a), (b) and (c) below:

- a. The Producer must be one of the following:
 - a citizen of the United States;
 - a resident alien; for purposes of this part, resident alien means “lawful alien” as defined in 7 CFR part 1400;
 - a general partnership or joint venture consisting solely of citizens or resident aliens of the United States; or
 - a corporation, limited liability company, limited partnership or other farm organizational structure organized under State law which is owned solely by citizens or resident aliens of the United States.
- b. The Producer must share in the risk of producing a crop and must be entitled to share in the crop available for marketing from the farming operation, or would have shared had the crop been produced, for. Applicant must submit sufficient evidence of Producer status, such as an FSA Form 578 (Crop Acres Report), FSA Producer Subsidiary Print, or other similar documentation showing Producer activity in Klamath, Modoc or Siskiyou County for each year for the period 2025 through 2030.
- c. The Producer must submit an application with a total of at least 50 acres in their Annual Designation to participate in the Five-Year Program. The Producer shall be obligated to designate the same number of acres approved for participation on the first year for each year of the program.

C.3 Ineligible Lands and Disqualifying Conditions

- C-Lands are ineligible.
- Federally owned lands are ineligible.
- Lands in or receiving water from Klamath Hills District Improvement Company are ineligible.
- Any designated acreage to which water from any source (including groundwater, surface water, tailwater, or other applied water) except natural precipitation is applied during the Irrigation Season is not eligible for payment for that Program Year and may trigger additional penalties under Section H of this Policy.
- Parcels irrigated using only groundwater in a year of normal Project water supply are ineligible.
- Land in walking wetlands or other similar programs where water was applied and no irrigated agricultural crop was produced in the applicable crop history period is ineligible.

D. Application and Enrollment Process

D.1 Application Window and One-Time Enrollment

Each Producer may apply only once for the Five-Year Program.

Application forms may be obtained in person from the offices of the Klamath Irrigation District, the Tulelake Irrigation District, Parks and Ratliff, or the Klamath Water Users Association; downloaded from the KPDRA website: klamathwaterbank.com; or by calling 541-630-0752; or by emailing info@klamathwaterbank.com. All information requested on the Application form must be completed and all documentation required by the Application form must be provided with the Application. Incomplete Applications may be rejected.

The Application must be received by KPDRA on or before 5 p.m., June 15, 2026. Applications may be submitted:

1. In person to the office of Parks and Ratliff, PC., 620 Main Street, Klamath Falls, Oregon;
2. By emailing the application to info@klamathwaterbank.com; or
3. By mailing the application to KPDRA, PO Box 1944, Klamath Falls, OR 97601 (Must be received by the deadline).

By submitting the application, the Applicant agrees to be bound to comply with the terms of the Five-Year Program for the approved program acreage, and as to the subject parcels, identified in the Annual Designation for each program year for the entirety of the Program Period, which runs through the irrigation season ending November 1, 2030.

In the event that the Applicant fulfills the No Irrigation component for acres composing a portion of the Annual Designation parcel(s), but the total acreage unirrigated is greater than the number of acres contained in the Annual Designation, the Applicant may apply for participation of those excess acres in the annual No Irrigation Program, if available, and subject to the compliance with the applicable No Irrigation Program Policy

D.2 Application Contents

A complete application must include:

1. A fully completed Five-Year Program application form (as approved by KPDRA).
2. Sufficient evidence of FSA Producer status and identity/organizational eligibility for 2025 such as a submitted FSA Form 578 (Crop Acres Report), FSA Producer Subsidiary Print, or other acceptable documentation showing Producer activity in Klamath, Modoc or Siskiyou County
3. A completed and signed IRS Form W-9 for the person or entity to whom payments will be made.
4. A certification of the ability to provide documentation of irrigation/crop history within the period of 2023 through 2025 and proof of paid water assessments/charges (if requested by KPDRA).

D.3 Review, Approval, and Funding Allocation

KPDRA will review applications for completeness and reasonableness and may request additional information. The Applicant will have ten (10) calendar days to respond to an information request unless KPDRA provides a different deadline in writing. Incomplete applications may be rejected.

The Board will determine the Annual Rate for the Five-Year Program based upon available funding. The Board will determine the maximum number of acres per applicant to be approved based upon available funding. Eligible applications shall be funded for the acreage requested by the applicant up to the number determined to be the maximum eligible acreage cap. Under no circumstances shall total approvals exceed the available program budget.

E. Annual Designation and Rotation

E.1 2026 Designation (Included with Initial Application)

The 2026 Program Year Parcel Annual Designation must be returned to the KPDRA within 14 days of notification of the approved program acreage. The Applicant must specify the exact Parcel(s) (and acreage) that will be Unirrigated during the 2026 Irrigation Season. The Applicant will consent to comply with all Program requirements as to the total number of acres identified for each year of the Program.

The Applicant must also indicate the program components for which the Applicant intends to seek payment, the Ecosystem Improvement Practices to be implemented and whether the Parcels are submitted as Full Season Unirrigated Parcels, or, for 2026 only, Partial Season Unirrigated Parcels.

E.2 Subsequent Program Years (Annual Designations)

By 5 p.m. on the second Friday of June of each subsequent Program Year (2027-2030), an enrolled Producer must submit an Annual Designation identifying the specific Parcel(s) (and acreage) to remain Unirrigated for that Program Year and the other program components for which the Applicant intends to seek payment, including the Ecosystem Improvement Practices to be implemented. A Producer may designate different Parcel(s), Ecosystem Improvement Practices from year to year among the enrolled acreage, provided the Producer complies with the rotation limit in Section C.1(6), the 25-acre minimum Program Unit requirement, and all other eligibility criteria of this Policy.

Failure to submit a timely Annual Designation will result in no payment eligibility for that Program Year, unless the Board grants an exception in writing for good cause shown.

E.3 Partial Season

For 2026, a Partial Season Unirrigated Parcel may be designated, and may be eligible for payment for the Cover Crop Payment and the Ecosystem Improvement Practices Payment, but not the Base No Irrigation Payment, provided that no water from any source, except natural precipitation, is applied to the parcel from March 1, 2026 through October 31, 2026, and all other applicable requirements are fulfilled and verified.

For 2027 through 2030, there is no partial-season option available under the Five-Year Program. Designated acreage must remain Unirrigated for the entire Irrigation Season to receive payment for that Program Year.

F. Payment Structure and Disbursement

F.1 Annual Per-Acre Rate

The Board will adopt an annual per-acre payment rate for the Five-Year Program (the “Annual Rate”).

All payments are subject to Verification and to the availability of appropriated or otherwise available funds. If available funds are insufficient to pay all approved amounts in a Program Year, the Board may proportionately reduce payments for that year to remain within the approved annual budget.

F.2 Payment Components

For each Program Year, an enrolled Producer may be eligible to receive some percentage of the Annual Rate for Verified Designated Acreage, allocated as follows:

- TIERED PAYMENTS FOR ANNUAL CROP PARCEL
- Base No-Irrigation Payment (40%). Designated Acreage without standing perennial crops will receive Forty percent (40%) of the Annual Rate after Verification that the Designated Acreage remained Unirrigated during the Irrigation Season. 2026 Partial Seasonal Unirrigated Parcels will not be eligible to receive this payment.

- **Cover Crop Payment (30%).** Thirty percent (30%) of the Annual Rate will be paid if a Cover Crop is planted and maintained on the designated acreage in accordance with this Policy and any additional Board-adopted guidance for that Program Year. Acceptable cover crops must consist primarily of cold-tolerant cereal grains, brassicas and/or other crops generally recognized as capable of establishment under dryland conditions, including but not limited to: winter rye, winter triticale, winter wheat, barley, oats, mustard, radish, turnip, Austrian winter pea, and hairy vetch. Cover crops must be planted for the purpose of providing adequate, bona fide soil protection to minimize soil erosion to parcels identified as Designated Acreage.
- **Ecosystem Improvement Practices Payment (30%).** Thirty percent (30%) of the Annual Rate will be paid if Ecosystem Improvement Practices occur on the designated acreage that measurably improve, increase or create wildlife habitat or feed, soil quality, air quality or similar conditions (including, but not limited to, silage, tillage and the creation of wildlife/pollinator habitat). The Ecosystem Improvement Practice(s) will only entitle an Applicant to payment if identified as an acceptable practice by the Board. The Ecosystem Improvement Practice(s) will not be eligible for payment if the Cover Crop is harvested prior to October 15 of the irrigation season. For the purposes of this Payment, harvesting includes grazing.
- **PAYMENTS FOR PERENNIAL CROP PARCELS.** Designated Acreage parcels with standing perennial crops, such as pasture or alfalfa, will be paid 60% of the Annual Rate after Verification that the designated acreage remained Unirrigated during the Irrigation Season *and* Verification that the standing perennial crop provides adequate soil protection to minimize soil erosion. Designated Acreage parcels with a standing perennial crop at the time of Program Year deadline for identification of Designated Acreage will be considered for eligibility under this paragraph, and not as Annual Crop parcels. Designated Acreage upon which a standing perennial crops has been plowed under on or before Program Year deadline for identification of Designated Acreage may be eligible as an Annual Crop parcel, provided all other eligibility and payment criteria are met.

F.3 Timing; Payment Mechanics

KPDRA will determine the annual payment schedule by Board action. Payments are anticipated to occur after the close of the Irrigation Season and after Verification is complete. Any payment issued by KPDRA must be deposited or cashed within 180 days of issuance. Producers are responsible for all taxes, assessments, district charges, and other obligations related to participation in the Five-Year Program.

Payments will be made only after, and subject to, verification of the parcel's compliance with the requirements for Program Year Payment Components

If KPDRA discovers that any information provided by an Applicant or enrolled Producer was materially inaccurate, or that a Producer failed to comply with this Policy, the affected acreage may be disqualified and no payment will be made for the applicable Program Year, and additional remedies may apply under Section H of this Policy.

Payment by the KPDRA is contingent upon KPDRA receiving funding from the Bureau of Reclamation. In the event that funding is compromised, KPDRA reserves the right to suspend and/or cancel any payments provided for herein. In that event, the KPDRA will endeavor to provide notice to Applicants soon as is reasonably possible.

G. Water Conservation Innovation Practices Program

G.1 Program Availability; Annual Budget; Payment Level

Enrolled Producers with an accepted Five-Year Program application are eligible to apply annually to participate in the Water Conservation Innovation Practices Program on a form approved by the KPDRA. The Board will determine each year whether to offer the Water Conservation Innovation Practices Program, applicable program deadlines, the annual program budget. Full development and policy details will be made public through a Supplemental Policy adopted by the KPDRA Board. Unused funds under the Water Conservation Innovation Practices Program may be reallocated to other KPDRA programs.

G.2 Application Deadlines and Procedure

The Board will review and approve, approve in part or disapprove applications and provide notice to applicants in regard to the results of that review. The preparation of this application and the following review of received applications by the Board will be conducted by the Board separate from the principal Five-Year Program, and is subject to the implementation of guidelines and policy requirements to be developed by the Board.

G.3 Eligibility Standards and Exclusions

To be eligible to receive payment for Water Conservation Innovation Practices, the applicant must provide substantial evidence of actual water savings attributable to the proposed practice(s) for the applicable Program Year. The Board will develop evaluation criteria for the review and approval of an application, to be included in the Supplemental Program Policy Costs sharing by the Applicant may be incorporated into the evaluation process.

All Water Conservation Innovation Practices must receive preapproval by the Board for each Program Year to be eligible for payment. Payment will be made only after the pre-approved Water Conservation Innovation Practices have been verified to the satisfaction of the Board. Examples of potentially eligible Water Conservation Innovation Practices (subject to Board preapproval and Verification) include, but are not limited to: (1) alternative crop planting using crops not historically used in the Klamath Project that consume less water; (2) regenerative agricultural practices that demonstrate actual water savings; 3) adjustments to planting or cropping timing that will result in water savings, such as fall or winter planting; and 4) deficit irrigation techniques.

G.4 Documentation and Verification

KPDRA may require, and applicants must provide, documentation sufficient to support water-savings claims, which may include water delivery records, metering data (where available), pumping/power records, field notes, planting records, and other evidence deemed appropriate by KPDRA or its consultants. KPDRA may deny payment if evidence of actual water savings is not substantial or is not verifiable. Payment will be made only after verification.

G.5 Unused Water Conservation Innovation Practices Funding

If, after payment of all approved and Verified Water Conservation Innovation Practices claims for a Program Year, there remains unused Water Conservation Innovation Practices Program funding, KPDRA may (by Board action) carry such funds forward within the program period or reserve them for distribution at the close of the Five-Year Program.

H. Verification, Compliance, and Enforcement

H.1 Verification Methods; Access

For Parcels served by an irrigation district or similar entity, KPDRA will provide a map or parcel list to the relevant entity for verification of: (1) service/delivery relationship; (2) paid assessments/charges; and (3) boundaries sufficient to verify non-irrigation. For qualified Parcels not served by such an entity, KPDRA consultants or others designated by the Board will perform verification. The KPDRA will verify compliance with program requirements and eligibility criteria by any means deemed appropriate by the Board.

KPDRA will verify compliance using district/entity confirmation, record review, remote sensing (including aerial imagery), field inspection, the review of images or other information requested from an Applicant and/or any other method deemed to demonstrate compliance or non-compliance with the No Irrigation, Cover Crop and Improved Practices criteria for subject parcels for a given year.

All Applicants must maintain sufficient evidence of compliance with program requirements and provide information to the KPDRA on demand, including, but not limited to, receipts, invoices, photographs/images and/or other documentation probative of Non-irrigation, Cover Crop and Ecosystem Improvement activities. Enrolled Producers must allow reasonable access to designated Parcels for inspection and Verification upon request, subject to reasonable notice and safety requirements.

Payments will be made only for the number of identified acres deemed compliant. Failure to meet the Unirrigated requirement for any portion of designated acreage will result in no payment for the noncompliant acreage for that Program Year.

H.2 Compliance Threshold

If an enrolled Producer fails to fulfill the No Irrigation program component as to more than 10 percent (10%) of the total approved program acreage for that Producer for each Program Year, the Producer will be ineligible for any payment under this Program for that Program Year, and any KPDRA programs for the remainder of the five-year program period (through 2030), including any continued participation in the Five-Year Program, in addition to any other remedies in this Section H of the Policy.

For purposes of this Policy, the 90% threshold is calculated as: (Verified Unirrigated Acres) divided by (Approved Program Acres).

H.3 Payment Forfeiture; Disqualification

Material noncompliance, including failure to meet the 90% compliance threshold, failure to comply with payment component requirements, or material misrepresentation, will result in disqualification of the Producer and/or Parcel(s) for the remainder of the Five-Year Program.

H.4 No Waiver; Board Discretion

Failure by KPDRA to enforce or require compliance with any provision of this Policy in any instance does not constitute a waiver in any other instance. The Board retains discretion to adopt reasonable administrative guidance and Verification protocols consistent with this Policy and applicable funding requirements.

I. Appeals

An Applicant or enrolled Producer may appeal (for reconsideration) an adverse eligibility determination, acreage approval decision, payment determination, or enforcement decision under this Policy by written notice delivered to KPDRA within fourteen (14) calendar days after the date of written notice of the decision being appealed, unless a different deadline is stated in the notice by the KPDRA.

The Board will hear appeals after due notice at a public meeting. The appellant may submit written materials and may be allowed to present a brief oral statement at the discretion of the Board. The Board's decision on appeal is final.

A. Miscellaneous

- Amendments. The Board may amend this Policy by motion at a public meeting, subject to applicable funding requirements and law.
- No guarantee of funding. Nothing in this Policy creates a guarantee of funding or payment beyond amounts approved by the Board for a given Program Year.
- Severability. If any provision of this Policy is determined to be invalid or unenforceable, the remaining provisions will continue in effect.

- Non-Transfer/Assignment. An application, and/or any right to payment arising under this Program may not be transferred or assigned.
- Governing law. This Policy will be interpreted under applicable federal law governing the funding source and, where not preempted, applicable Oregon Law
- Venue. Any dispute or claim arising under or relating to this Policy shall be litigated in the Circuit Court of Klamath County, Oregon.