

For: State Offices and Service Centers

Incentive Payments and \$50,000 Payment Limitation

Approved by: Deputy Administrator, Farm Programs



1 Overview

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Background

For payment limitation purposes only, all CRP payments are considered either annual rental payments or C/S payments. Any payment which is not a cost-share payment, such as incentive payments, are considered to be annual rental payments. The maximum annual rental payment that a “person” can receive under CRP is \$50,000 per FY.

A number of continuous signup environmental priority (EP) practice incentive payments have been authorized which are subject to the \$50,000 per “person” annual payment limitation.

Exception: Payments made by non-Federal agencies or organizations under a Conservation Reserve Enhancement Program (CREP) agreement are not subject to the \$50,000 payment limitation. These payments may be otherwise limited by the terms of the specific agreement or the participant’s out-of-pocket expense.

Some participants who received the one-time incentive payment for CP23, Wetland Restoration, may have received more than \$50,000 in the FY in which the incentive payment was made.

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Purpose

This notice provides:

- general information about continuous signup EP practice incentives
- guidance on calculating and issuing the one-time incentive payment for CP23, Wetland Restoration

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Disposal Date	Distribution
December 1, 1999	State Offices; State Offices relay to Service Centers and NRCS State Offices; FS, 80; CSREES, 5

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1 Overview (Continued)

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Purpose (Continued)

- general information about CREP incentive payments
 - guidance on tracking payment limitation and determining if participants have been overpaid
 - a report for Service Centers to complete of participants that exceeded the FY payment limitation. See Exhibit 1.
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2 Continuous Signup Environmental Priority (EP) Practice Incentives

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Guidelines

Various EP practice incentives are offered for certain continuous signup practices and are calculated and added to the weighted average SRR in the payment rate calculation. These EP practice incentives are **not** cost-share based incentives; they are included in the annual rental payment, subject to the \$50,000 payment limitation, and are tracked and accounted for in the CRP payment software.

Note: The CRP payment software neither tracks nor accounts for the Non-EP practice CP23. See paragraph 3.

3 CP23 One-Time Incentive Payment

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Guidelines

The CP23 one-time incentive payment is equal to 25 percent of the cost of restoring the **hydrology** of the site. This one-time incentive is to encourage the restoration of cropped wetlands.

The incentive payment shall be:

- considered part of the \$50,000 annual rental payment limitation
- a separate payment from any C/S practices
- issued according to 1-FI using program code “XXCRPWRI”
- issued upon certification of completion of practice
- equal to 25 percent of the cost of restoring the **hydrology** of the site.

Note: Do not include the cost associated with establishing any associated upland acreage when calculating the one-time incentive payment.

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3 CP23 One-Time Incentive Payment (Continued)

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**Guidelines
(Continued)**

Producers do not have to receive C/S to be eligible for the one-time 25 percent incentive payment.

However, if the hydrology of the site is restored by ceasing crop production, the cost of restoring the hydrology equals zero. Therefore, the one-time incentive payment equals zero.

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**Calculating and
Issuing CP23
One-Time
Incentive
Payments**

The CP23 one-time incentive payment is calculated and issued according to the following table.

Step	Action
1	<p>Determine the total eligible cost of restoring the hydrology of the site.</p> <p>Important: Do not include cost related to the associated upland acreage.</p> <p>Example: Jane Doe enrolled a 0.5 acre cropped wetland and 2.5 acres of associated uplands in CRP. Jane offered to restore the functions and value of the cropped wetland. Accordingly, the 3.0 acres were offered to be devoted to CP23. The total eligible cost to install the practice was \$3,000. The total eligible cost to restore the hydrology of the one-half acre cropped wetland was \$2,000. Jane received \$1,500 C/S assistance (\$3,000 x .50).</p>
2	<p>The one-time incentive payment is calculated by multiplying the total eligible cost of restoring the hydrology of the site times 25 percent.</p> <p>Example: The total eligible cost of restoring the hydrology of the site for Jane Doe's offer was \$2,000. The one-time incentive payment for Jane is \$500 (\$2000 x .25).</p>
3	<p>Provided the \$50,000 payment limitation will not be exceeded, issue the one-time wetland restoration incentive payment according to 1-FI, paragraph 161. The non-automated program codes for disbursements are listed in 1-FI, Exhibit 5. The program code for the CP23 one-time incentive payment is XXCRPWRI.</p> <p>Important: Follow 1-PL to control CRP payments for participants who have a farming interest in more than 1 county.</p>

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4 CREP Incentive Payments

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Guidelines

All incentive payments made by CCC under a CREP agreement, including one-time cumulative bonus payments, are considered annual rental payments and are subject to the \$50,000 payment limitation. However, the purpose, scope, and calculation of CREP incentive payments may be different for each CREP agreement.

Note: Payments made by non-federal agencies or organizations under a CREP agreement are not subject to the \$50,000 payment limitation. However, these payments may be limited by the specific agreement or the participant's out of pocket expense.

CREP incentive payments shall be:

- determined by the specific CREP agreement
 - included with all other CREP procedure in a State amendment to 2-CRP that must be approved by DAFP before issuance
 - a separate payment from any applicable C/S payment
 - issued according to 1-FI using the applicable program code for the specific practice for CREP payments if considered separate from the annual rental rate.
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5 Controlling the \$50,000 Payment Limitation

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Calculating and Tracking Incentive Payments

CRP payment software does **not** calculate or track the CP23 one-time incentive payment which is made through the accounting software. Service Centers shall track these payments manually to ensure that the \$50,000 payment limitation is not exceeded in the FY the incentive payment is made.

Example 1: Jane Doe received 3 annual rental payments on October 7, 1998, totaling \$49,600. On April 1, 1999, it was determined she was eligible to receive an incentive payment on 1 of her contracts in the amount of \$500. The rental payments plus the incentive payment total \$50,100. Because the total payments exceed the maximum payment limitation of \$50,000, the incentive payment shall be reduced by \$100 and the incentive payment to be issued shall be limited to \$400.

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5 Controlling the \$50,000 Payment Limitation (Continued)

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Calculating and Tracking Incentive Payments (Continued)

Example 2: Jane Doe received an incentive payment of \$500 on 1 of her contracts on October 2, 1998. On October 15, 1998, CRP annual rental payments were to be issued in the amount of \$49,600. The rental payments plus the incentive payment total \$50,100. Because the total payments exceed the maximum payment limitation of \$50,000, the last rental payment to be issued shall be reduced by \$100. The payments to be issued shall be limited to \$49,500 as annual rental payment and \$500 as an incentive payment.

Notes: Except for CP23, the EP practice incentives are calculated and tracked by the CRP payment software and subject to the \$50,000 payment limitation.

If the participant's annual rental payments total \$50,000 per "person" and are issued before any incentive payments that FY, no other incentive payment shall be issued.

CREP payments that are separate from the per acre annual rental rate, such as a one-time cumulative bonus payment, are not calculated or tracked by the CRP payment software. States with these CREP incentive payments shall develop a system to ensure that these payments are calculated correctly and participants do not exceed the \$50,000 per "person" payment limitation.

Important: A detailed State amendment to 2-CRP is required for all CREP agreements. The State amendment must provide procedure for calculating and tracking all incentive payments that are separate from the per acre annual rental rate.

6 Overpayments

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Determining Overpayments

Recent reports indicate that some participants that received the CP23 one-time incentive payment may have exceeded the \$50,000 per “person” payment limitation in the FY in which the incentive payment was made.

Service Centers shall review **all** CP23 one-time incentive payments made before the date of this notice to determine if producers have been overpaid. For every “person” that received a CP23 one-time incentive payment, the Service Center shall total all annual rental payments and incentive payments made in the FY. If the total payments made exceeds the maximum per “person” payment limitation, the Service Center shall request a refund of the amount overpaid.

Example: Mary Jones on October 2, 1998, received \$45,000 annual rental payments. On January 15, 1999, she received a 99CRPWRI payment in the amount of \$5500. The annual rental payments and the incentive payment total \$50,500. Mary Jones has been overpaid \$500. The Service Center shall request a partial refund of the incentive payment in the amount of \$500, the amount overpaid.

Note: Service Centers shall develop a method to track incentive payments to ensure the \$50,000 payment limitation is not exceeded.

For participants who have been overpaid, Service Centers shall process the overpayments according to:

- 3-FI for refunds
 - 1-FI and 6-FI for offsets
 - 67-FI for receivables
 - 58-FI and 64-FI for claims.
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7 Action

A State Office Action

State Offices shall:

- immediately provide Service Centers a copy of this notice
 - provide NRCS State Office a copy of this notice
 - ensure that Service Centers understand and follow the payment limitation policy concerning CP23 one-time incentive payment and CREP incentive payments
 - ensure that Service Centers review payments for all applicable participants according to paragraph 5 and request refund of overpayments, if applicable
 - complete Exhibit 1 and FAX to the Director, CEPD at 202-690-0691, by COB July 30, 1999, Attn: Merle Venezia.
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B Service Center Action

Service Centers shall:

- provide the NRCS Field Office a copy of this notice
 - follow provisions in paragraph 4 when issuing CP23 one-time incentive payments, to ensure that the \$50,000 FY payment limitation is not exceeded
 - determine if any participant exceeded the \$50,000 payment limitation according to paragraph 5, and request refund of overpayments if applicable
 - complete Exhibit 1 for all participants that were overpaid because of the CP23 one-time incentive payment and FAX to State Office by July 26, 1999.
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