

For: State and County Offices

County Office Preparation for Issuing CRP Annual Rental Payments

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

For FY 2011, the following are scheduled to be processed through the web-based Conservation Payments system:

- CRP annual rental payments, including State Acres for Wildlife Enhancement (SAFE)
- EFCRP annual rental payments
- CRP Signup Incentive Payments (SIP's) and Practice Incentive Payments (PIP's).

CRP cost-share payments will continue to be issued through System 36.

Kansas City is scheduled to initiate a batch payment process for CRP annual rental payments in early October. Emergency Forestry CRP (EFCRP) contracts that are due an annual rental payment in October will be included in this batch payment process. Beginning in November, this batch process will be executed monthly.

Web-based conservation payment processing will be shut down on **September 17, 2010**, and will **not** be available until after the batch annual payment process is completed. No CRP contract maintenance activity will occur during this time. CRP offers may still be entered in the Conservation Online System (COLS) and new contract approvals may still be recorded.

B Purpose

Before September 17, 2010, County Offices must:

- update applicable producer eligibility files
- perform all needed contract maintenance.

Disposal Date	Distribution
January 1, 2011 7-30-10	State Offices; State Offices relay to County Offices

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1 Overview (Continued)

B Purpose (Continued)

This notice provides State and County Offices with the following:

- an overview of the upcoming FY 2011 annual rental payment process
- instructions to prepare for FY 2011 payments
- notification of available supporting materials
- questions and answers about CRP annual rental payments. See Exhibit 1.

Note: Authority to issue payments will be announced in a separate notice.

2 CRP Payment Processing Overview

A CRP Payment Process

In October 2010, annual CRP rental payments will be initiated as a web-based batch process from Kansas City. County Offices **must** complete multiple steps **before** the batch process. If the steps are **not** completed, producers may **not** be paid during the batch process. Before **September 17, 2010**, County Offices **must**:

- update applicable producer eligibility files
- perform all needed contract maintenance.

The batch process initiated by Kansas City in early October will send payment information to NPS. County Offices must review CRP annual rental payments in NPS and perform the normal certifying and signing process for payments **before** the payments will be released to Treasury and sent to the producers. The batch payment process will automatically run each month.

B CRP-SIP and PIP

Since December 2008, CRP-SIP and PIP payments have been issued using Online Payments. Beginning **October 1, 2010**, all CRP-SIP and PIP payments **must** be issued through web-based Conservation Payments software. By accessing the Conservation Payments software, County Offices will have the option of choosing to make CRP-SIP or PIP payments.

Note: CRP Riparian Buffer Incentives for the Oregon CREP will continue to be issued using Online Payments.

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2 CRP Payment Processing Overview (Continued)

C Conservation Payments User Guide

The Conservation Payments User Guide posted on the CEPD State and County Office Information Center web site is available to provide detailed instructions for payment reports, making and canceling payments, and blocking and unblocking payments. The Conservation Payments User Guide will be used to process individual payments that fail the batch process.

D Transaction Statements

Transaction statements will be mailed by Kansas City to the CRP participants receiving payments processed through the Conservation Payments system. Only payments that are processed successfully by NPS will receive a transaction statement. Producers will **not** be notified if the payment was manually blocked by the County Office or was not included in a batch process because of producer ineligibility. County Offices will **not** receive copies of transaction statements.

E Payment Corrections or Cancellations

System 36 functionality will still be available for issuing certain prior year payments previously issued through System 36, unless the payments have been canceled.

Example: If a portion of a producer's prior year payment (2008 and before) was issued from System 36, the remaining portion of the payment will be issued from System 36 special payments. Any prior year payment being made in its entirety will be issued from the web-based Conservation Payments system. Payments issued from System 36 special payments do not go to Conservation Payments system. The payment goes to AS/400 and then through the message function to NPS.

Cancelling payments issued through the web-based Conservation Payments system will be performed in the Conservation Payments system.

3 Preparing for FY 2010 CRP Annual Rental Payments

A Reports Review

County Offices must review all reports listed in this subparagraph to prepare for CRP annual rental payments. Available reports include acreage, crop, producer eligibility, and prepayment reports. County Offices must run the following Farm, Tract, and Crop Reports according to 3-CM, Part 10 and resolve any outstanding issues **before September 17, 2010**:

- CRP Cropland Out-of-Balance Report
- CRP Pending Acres Out-of-Balance Report
- CRP Pending Report
- CRP Reduction Acres Out-of-Balance Report.

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3 Preparing for FY 2010 CRP Annual Rental Payments (Continued)

A Reports Review (Continued)

County Offices should run System 36 prepayment reports after June 1 each year to prepare for making annual rental payments in October according to 1-CRP, paragraph 354. Prepayment reports assist County Offices with identifying and correcting potential issues that will prevent timely payment of annual CRP rental payments to producers. System 36 prepayment reports do **not** include data for the web-based SAFE and EFCRP contracts.

Notes: System 36 prepayment Exception Report – EPCK50 may not always reflect the correct information about AGI. System 36 Preliminary Payment Limitation Report - EPCK52 is no longer necessary because the web-based payment limitation system now controls payment limitation.

The List of Producers Under Paid Report in 1-CRP, paragraph 391, and the CRP Overpayment Report for all producers in 1-CRP, paragraph 394, will **no longer be available** for payments issued through the Conservation Payments software. SAFE and EFCRP payment information is **not** included in the prepayment reports listing in 1-CRP, paragraph 354.

For payment year 2010, web-based prepayment and nonpayment reports in the Conservation Payments system are available. In early August 2010, an enhancement to these reports will include exceptions because of FSA-578 noncompliance. The Conservation Payments User Guide posted on the CEPD State Office information web site will provide detailed information about prepayment and nonpayment reports.

Note: Prepayment reports for payment year 2011 EFCRP contracts will not be available until October 1, 2010.

Subsidiary web-based reports are also available for County Offices to use to identify CRP producer eligibility determinations and certifications that may need to be updated to prepare for CRP annual rental payments. Subsidiary web-based reports are described in detail in 3-PL, Part 8. County Offices may print the Subsidiary Print Report to show the status of all eligibility determinations and certifications for a customer. The County Eligibility Reports option is available for County Offices to display selected eligibility criteria for all producers.

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3 Preparing for FY 2010 CRP Annual Rental Payments (Continued)

B Contract Maintenance

County Offices must:

- complete **all** contract maintenance activities for web-based EFCRP and SAFE offers and System 36 contracts **before the September 17, 2010, shutdown**

Note: Any contract maintenance activity **not** completed by September 17, 2010, **cannot** be recorded until **after** the initial batch payment process is completed in October 2010.

- resolve any outstanding CRP contract payment and refund issues.

Note: The web-based payment functionality will **not** be available from September 17, 2010, until the batch payment process has been completed in October 2010.

CRP offers may still be entered in COLS after the September 17, 2010, shutdown and new CRP contracts may still be approved.

C Eligibility

In FY 2011, the Conservation Payments System will read 2010 determinations and certification information to determine producer eligibility for the CRP annual rental payments. The rules in effect at contract approval will determine which determinations and certification information apply to the contract. The applicable determinations and certification information **must** be updated for 2010 for a producer to receive the CRP annual rental payment.

Important: Failure to ensure eligibility is correctly recorded may result in improper payments or payment failure.

Note: Determinations and certification information may only be updated if documentation is filed and determinations are made.

The following determinations and certification information in the web-based Subsidiary Eligibility System apply to **all** CRP contracts:

- conservation compliance
- controlled substance
- fraud-including FCIC fraud
- Federal crop insurance.

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3 Preparing for FY 2010 CRP Annual Rental Payments (Continued)

C Eligibility (Continued)

The following determinations and certification information in the web-based Subsidiary Eligibility System apply to CRP contracts approved **before October 1, 2008**. These determinations and certification information do **not** apply to CRP contracts approved on or **after October 1, 2008**, and will **not** apply to the extension period approved for 2009 extensions:

- actively engaged - 2002 Farm Bill
- cash rent tenant (cropland factor)
- permitted entity - 2002 Farm Bill
- person eligibility - 2002 Farm Bill.

AGI provisions are effective at contract approval and remain in effect for the life of the CRP contract as follows:

- 2002 Farm Bill:
 - applies to CRP contracts approved **before October 1, 2008**, but **after May 14, 2002**
 - applies to the extension period approved during the Re-Enrollment and Extension option (REX) regardless of the original contract approval date
 - does **not** apply to CRP contracts approved on or **after October 1, 2008**
- Conservation Program Certification:
 - applies to contracts approved on or **after October 1, 2008**
 - applies to the extension period for contracts recently extended through 2009 extensions
 - does **not** apply to CRP contracts approved **before October 1, 2008**.

Note: For contracts other than contracts extended through the REX process, with an effective date **before October 1, 2002**, AGI provisions do **not** apply.

The Update AGI option is available in the web-based Conservation Payments system for use by State Office Specialists. This will be used to update AGI in cases when the producer's AGI information was not updated timely in the subsidiary, but the proper paperwork was filed timely showing the participant's AGI compliance.

3 Preparing for FY 2010 CRP Annual Rental Payments (Continued)

D Haying/Grazing and Unauthorized Use Reductions

Haying/grazing and unauthorized use reductions will continue to be recorded in System 36 according to 1-CRP, paragraphs 355 and 355.3. This will allow County Offices to keep a record of the reductions to create the receivables using the Producers Selected for Special Payment and/or Reductions Report according to 1-CRP, paragraph 386.

To ensure that haying/grazing and unauthorized use reductions are deducted from the annual rental payment, County Offices **must** create receivables for haying/grazing and unauthorized use reductions that have **not** been paid by the producers. **The receivables need to be in place in the National Receipts and Receivables System (NRRS) before the initial batch payment process is run by Kansas City.** The receivable creation timing will be **important** for the receivable to be paid by the CRP annual rental payment and **not** through another program payment to the producer.

Note: The NPS system currently **cannot** accommodate a CRP payment reduction and reflect the reduction as reported income on the producer's 1099 form. Therefore, receivables must be created for CRP payment reductions.

Normally, the initial notification letter is generated by Kansas City 3 calendar days after the receivable is created. The first demand letter is generated by Kansas City **30 calendar days after** the receivable is created. The second demand letter is generated by Kansas City **60 calendar days after** the receivable is created and interest begins to accrue.

FMD has agreed to hold the initial notification letters for CRP receivables created for payment reductions when the Basis Reason Code, "Due Process Suspended" is used when creating a new receivable in NRRS. The "Due Process Suspended" code:

- is currently not available
- will be added by FMD and should be available mid to late September.

For receivables that are created using the Basis Reason Code, "Due Process Suspended", that are satisfied by a payment issued from the initial CRP batch payment process, those producers will not receive the initial notification letter.

Note: If a receivable **cannot** be created before the initial batch process is run, these payments **must** be flagged with a "Y" in System 36, Special Payments Screen EPCJ7301, "Zero Valued Original CRP-1" field. Contract participants flagged with "Y" in the "Zero Valued Original CRP-1" field will be blocked by Kansas City. No other information will need to be entered on Special Payments Screen EPCJ7301. To block System 36 contracts, **all** participants on CRP-1 **must** be updated with "Y" in the "Zero Valued Original CRP-1" field. **Once the receivable is established, the County Office may access the Conservation Payments system to unblock the payment and issue the payment using the "Make NPS payment" option.**

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3 Preparing for FY 2010 CRP Annual Rental Payments (Continued)

D Haying/Grazing and Unauthorized Use Reductions (Continued)

Program codes for establishing receivables for CRP are in 67-FI, Exhibit 4. Use program code:

- “XXHAYGRZ” to create receivables for haying/grazing reductions and emergency haying and grazing reductions
- “XXMANHAYGRZ” to create receivables for CRP managed haying and grazing reductions
- “XXCRPRED” to create receivables for unauthorized use and noncompliance.

Basis Reason Code, “Due Process Suspended” will be used when creating these receivables.

E Blocking Payments

CRP payments that have been entered in special payment processing will be batched blocked by Kansas City. After the initial batch payment process has been executed in October 2010, County Offices may then:

- unblock the payments that were blocked by Kansas City so payment can be made through the next batch payment process
- make payments using the “Make NPS Payment” option, if the batch process is **not** executed again in time to make payments to prevent prompt payment interest.

Payments that need to be blocked for various reasons, including incomplete reconstitutions and recently deceased producers, **must** be flagged with a “Y” in the System 36, Special Payments Screen EPCJ7301, “Zero Valued Original CRP-1” field. Contract participants flagged with “Y” in the “Zero Valued Original CRP-1” field will be blocked by Kansas City. No other information will need to be entered on Special Payments Screen EPCJ7301. To block System 36 contracts, **all** participants on CRP-1 **must** be updated with “Y” in the “Zero Valued Original CRP-1” field.

Notes: County Offices **must** have all data entered on System 36, Special Payments Screen EPCJ7301 no later than **September 17, 2010**. Any data entered in Special Payments **after September 17, 2010**, may not be included in the batch payment process.

If a receivable has been created by the County Office and the receivable has been uploaded to NRRS before the initial batch payment process is run by Kansas City, the County Office does not need to enter any information on System 36, Screen EPCJ7301 because the payment does not need to be blocked.

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3 Preparing for FY 2010 CRP Annual Rental Payments (Continued)

F Prorated Payments

Prorated reduction amounts for **CRP contracts residing on System 36** will be recorded in System 36 according to 1-CRP, paragraph 355.3. The prorated reduction amount will upload to Kansas City. The Conservation Payments system will process the uploaded prorated reduction amount during payment processes. No user intervention is necessary for SAFE and EFCRP contracts.

Notes: All contracts due payment for a portion of the year must have their prorated amounts entered in special payments on System 36, Screen EPCJ7301.

If the contract with a prorated payment is revised, prorate the first contract and flag with 'Y' in the 'Miscellaneous' field. The "Miscellaneous" flag, **must** be updated to "Y" for the parent contract to be paid. Then prorate the second contract.

If a System 36 contract is **not** paid in the October batch payment process and is revised on or **after October 1, 2010**, the 'Miscellaneous' flag **must** still be updated to "Y" although there is no prorated reduction amount. This is regardless of the date entered as the Effective Date of Revision on Screen EPCD0501.

4 Action

A State Office Action

State Offices shall ensure that County Offices follow instructions in this notice.

B County Office Action

County Offices shall read and follow the provisions of this notice.

C Contact

For questions about this notice:

- County Offices shall contact the State Office
- State Offices shall contact Bryan Rogers, CEPD at 202-720-6825.

Questions and Answers

- Q1.** Some contracts were flagged on the CRP contract Special Payment Reductions Screen EPCJ7301 on System 36 with a “Y” in the zero value field for 2009 annual payments. Do these flags need to be removed for 2010 payments? Counties have reported System 36 prepayment reports are showing the flag is still there for 2010.
- A1.** According to 1-CRP, subparagraph 355.3 D, **all data** entered for reduced value reduction, inherited CRP-1 over PL, and zero valued original CRP-1's **will remain selected** year to year until either changed or CRP-1 expires.
- Q2.** Do miscellaneous flags that were updated to ‘Y’ on System 36 Special Payment Reductions Screen EPCJ7301 for 2009 payments need to be removed to process 2010 payments?
- A2.** The miscellaneous flag entered on System 36 Screen EPCJ7301 is year specific. 2009 miscellaneous flags will have no effect on 2010 payments.
- Q3.** Will flagging the inherited CRP-1 over PL field, located on System 36 Special Payment Reductions Screen EPCJ730, have any effect on payments?
- A3.** Updating the inherited CRP-1 over PL field with a “Y” on System 36 Special Payment Reductions Screen EPCJ730 will have no effect on the web-based Conservation Payments system. County Offices may update this flag for their own use to serve as a reminder that they may need to adjust the payment limitation amount in the Payment Limitation system if necessary.
- Q4.** The System 36 Name and Address File Maintenance Screen MACI2501 has a “Refuse Payment” field. If the County Office flags this “Refuse Payment” field with a “Y”, will this prevent the CRP rental payment from being issued?
- A4.** No, flagging this “Refuse Payment” flag will not block a payment from being issued through the Conservation Payments system.