

For: State and County Offices

**Handling FY 2002 PFC/DCP Transition Receivables
That Are Not Fully Satisfied by the 2002 DCP Direct Payment**

Approved by: Deputy Administrator, Farm Programs



1 Overview

A

Background

2-DCP, Amend. 3 provided policy and procedure for handling FY 2002 PFC overpayments that result because:

- the calculated 2002 DCP final direct payment is less than the FY 2002 PFC payment issued for the farm, producer, and crop
- an FY 2002 payment was issued for a crop; however, that crop is not enrolled under 2002 DCP because of the base option that was elected by the owner or owners of the farm.

FY 2002 PFC/DCP receivables are established with a 10-315 debt basis code if the 2002 DCP final direct payment has not been issued to any producer on the farm. These receivables are actually considered payment reductions that shall be reduced from the producer's payment on the applicable farm.

In some cases, the total amount of the 2002 DCP final direct payment will not fully satisfy the receivables with a 10-315 debt basis code for the producer and farm.

B

Purpose

This notice advises State and County Offices:

- that balances on receivables with a 10-315 debt basis code shall be considered debts to CCC after all 2002 DCP direct payments have been issued to the producer **on the applicable farm**
- of the procedure for changing the 10-315 debt basis code to a 10-428 debt basis code and generating initial notification letters.

Disposal Date	Distribution
June 1, 2003	State Offices; State Offices relay to County Offices

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2 General Provisions

A

Introduction

The Farm Security and Rural Investment Act of 2002 (the Act), Section 1107, specifies that the 2002 DCP direct payments shall be reduced by the amount of the FY 2002 PFC payment issued to the producer.

If a farm is enrolled in 2002 DCP, then the calculated 2002 DCP direct payment will be compared to the FY 2002 PFC payment issued on the farm and crop. In most cases, the 2002 DCP final direct payment for a specific crop will be reduced by the amount of the FY 2002 PFC payment issued to the producer for that crop.

However, FY 2002 PFC/DCP transition overpayments may result because:

- the calculated 2002 DCP final direct payment is less than the FY 2002 PFC payment issued for the farm, producer, and crop
 - an FY 2002 payment was issued for a crop; however, that crop is not enrolled under 2002 DCP because of the base option that was elected by the owner or owners of the farm.
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B

PFC/DCP Transition Overpayments

2-DCP, Part 12 advises County Offices that PFC/DCP overpayments will be sent to CRS with the following debt basis codes.

IF a 2002 DCP final direct payment has...	THEN the debt basis code will be defaulted to...	AND the receivable should be treated as...
not been issued on the farm	10-315	a payment reduction from the 2002 DCP direct final payment that will be issued to the producer on the farm.
been issued on the farm	10-428	a debt to CCC and the County Office should initiate debt collection procedures.

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3 Handling Outstanding Balances on Receivables With a 10-315 Debt Basis Code

**A
Receivables That
Are Not Fully
Satisfied**

Depending on the base option elected by the owner(s) of the farm, there may be instances where the **total** 2002 DCP final direct payment for the producer **on a specific farm** will not fully satisfy receivables established with a 10-315 debt basis code. In these cases, the balance of the 10-315 receivable(s) shall become a debt to CCC.

Generally, these cases will result when the owner has elected to update bases using planting history.

**B
Example**

Producer A and Owner B share in FSN 100. For FY 2002 PFC, the contract shares were divided as follows.

Producer	Crop	Share	Contract Acreage	Yield	FY 2002 PFC Payment Received
Producer A	Wheat	.7500	50	36	\$529
Owner B	Wheat	.2500	50	36	\$176
	Upland Cotton	1.0000	100	600	\$2,917

For DCP, Owner B elects to update the bases and yield as follows.

- 30 acres of wheat with an increased yield
- 150 acres of upland cotton with an increased yield
- 20 acres of soybeans.

This table shows the DCP contract shares and computed 2002 DCP final direct payments **before** the FY 2002 PFC payment reductions are applied.

Producer	Crop	Share	Base Acreage	Yield	2002 DCP Final Direct Calculated Payment
Producer A	Wheat	.7500	30	40	\$398
	Soybeans		20	18	\$10
Owner B	Wheat	.2500	30	40	\$133
	Soybeans		20	18	\$3
	Upland Cotton	1.0000	150	625	\$5,315

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3 Handling Outstanding Balances on Receivables With a 10-315 Debt Basis Code (Continued)

B

Example (Continued)

COC determines that the division of payment rules have been met and approves the contract for payment.

Owner B has a \$43 (\$176 minus \$133) transition overpayment for the unearned PFC wheat payment. When the 2002 DCP final direct payment is processed for Owner B, the following occurs:

- wheat will be entirely reduced to zero
- upland cotton will automatically be reduced by \$2,917, leaving a balance of \$2,398
- the soybean payment is \$3
- the County Office shall reduce the combined upland cotton and soybean DCP payment of \$2,401 by the \$43 receivable on wheat leaving a \$2,358 payment for Owner B.

Producer A has a \$131 (\$529 minus \$398) transition overpayment for the unearned PFC wheat payment. When the 2002 DCP final direct payment is processed for Producer A, the following occurs:

- wheat will be entirely reduced to zero
 - the soybean payment is \$10
 - the County Office shall apply the \$10 soybean payment to the wheat receivable on FSN 100, leaving a balance on the wheat receivable of \$121 for Producer A
 - Producer A will not receive a 2002 DCP final direct payment on FSN 100
 - Producer A shall be notified that \$121 is owed to CCC for the unearned FY 2002 PFC payment.
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4 County Office Action

A

**Notifying
Producers of
Outstanding
Debts**

Because receivables established with a 10-315 debt basis code are considered payment reductions instead of debts to CCC, an initial notification letter was not generated when the transition overpayment was transferred to CRS. County Offices shall take the following action for those cases where receivables with a 10-315 debt basis code are not fully satisfied after the 2002 DCP payment has been issued on the specific farm.

Note: Once this action is taken, the debt basis code cannot be changed back to 10-315 if an error is made. County Offices shall take extra caution **before** changing any debt basis codes to ensure:

- the receivable should be considered a debt to CCC
- division of payment rules have been met according to 1-DCP.

Step	Menu or Screen	Action
1	FAX250	ENTER "3" or "4", "Application Processing", as applicable.
2	FAX09002	Select the appropriate county on the Office Selection Menu, if applicable.
3	FAX07001	Enter "1", "Accounting".
4	AAA000	Enter "8", "Common Receivable Function".
5	AQK000	Enter "8", "Correct A Receivable".
6	AQK700	Enter "1", "Correct A Receivable Establishment"
7	AQK01101	Enter the producer's ID number and ID type or last name.
8	AQK01104	Verify the correct producer has been selected, and PRESS "Enter".
9	AQK71201	Place an "X" next to the applicable receivable, and PRESS "Enter". Note: The debt basis code is not displayed on this screen.
10	AQK71401	<ul style="list-style-type: none"> • Change the "Basis Of Debt Code" from "10-315" to "10-428". • Change the "Initial Notification Date" to the date the manual notification letter is mailed.
11		Initiate the debt collection process by sending a manual initial notification letter according to 67-FI, Exhibit 15 to the producer advising him or her of the outstanding debt. Note: Once the producer has been properly notified of the debt, follow normal administrative offset provisions according to 58-FI and 67-FI.

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4 County Office Action (Continued)

B

Transferring 10-315 Receivables to Claims

County Offices **shall not** transfer any receivables with a 10-315 debt basis code to claims. These receivables are considered payment reductions and are not debts to CCC. If the 10-315 receivable is not fully satisfied, the receivable shall be transferred to claims **only after** both of the following apply:

- the debt basis code is changed to 10-428 as specified in subparagraph A
 - the provisions of 67-FI have been met.
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