

For: Tobacco State and County Offices

**Instructions for Subsidiary Eligibility for Payment of
Tobacco Transition Payment Program (TTPP) Producer Contracts**

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A Background

Notice PL-146 mandates that FSA take action to identify and reduce improper payments. To ensure proper payments, the TTPP payment process has been modified to apply the controlled substance violation validation to all producer contract payments. The TTPP payment process will also be modified to review eligibility in cases when there has been an increase in the base quota level (BQL) of a producer contract.

B Purpose

This notice provides an understanding of how TTPP will evaluate subsidiary eligibility when processing payments on producer contracts.

2 Action

A County Office Action

County Offices shall become familiar with TTPP software that determines subsidiary eligibility for payments on producer contracts that resulted from:

- transferring or dividing a producer contract using CCC-971
- a BQL change on a producer contract.

Disposal Date	Distribution
July 1, 2007	Tobacco State Offices; State Offices relay to County Offices

Notice TB-1222

2 Action (Continued)

B State Office Action

State Offices shall:

- become familiar with the new TTPP software
- ensure County Offices follow the provisions in this notice.

3 System Functionality

A TTPP CCC-971 Automated Subsidiary Eligibility Validations

During payment processing, TTPP will ensure that all producer contract payments have cleared subsidiary eligibility validations. TTPP will perform these validations using the following criteria.

IF the original producer contract was...	THEN TTPP will...
paid in full in a prior year (2005 or 2006)	not validate any subsidiary flags except for the “controlled substance violation” flag on the existing producer contract holder or the new producer contract holder as a result of a CCC-971 transfer. Note: CCC-971 resulting producer contracts are only validated for “controlled substance violations” before payment.
not paid in full in a prior year or first payment year	perform a full subsidiary eligibility validation on the original producer contract holder, however, only “controlled substance violation” validations are made to new producer contract holders as a result of the CCC-971 transfer. Note: If the transferring producer contract holder was partially paid or not eligible for payment at the time of transfer, then the CCC-971 transfer would have been denied. For example, partial payments can occur when 1 of the members of a general partnership has an ineligible subsidiary flag. The system would have deducted the ineligible member’s share of the payment.

3 System Functionality (Continued)

B TTPP BQL Increase Automated Subsidiary Eligibility Validations

During payment processing, TTPP will ensure all producers have passed the following subsidiary eligibility validations.

- Before sending a producer their first contract payment TTPP will validate the following:
 - a completed AD-1026 is on file with USDA
 - the producer is in compliance with conservation rules
 - the producer does not have a controlled substance violation.
- When processing any CCC-971-generated producer contract payments, TTPP will only validate that the producer is not flagged as a controlled substance producer for the payment year being paid at the time of payment. This validation will be completed every payment year.
- When processing any producer contract not created by CCC-971, once the producer contract has been paid in full for a year, TTPP will only validate that the producer is not flagged as a controlled substance producer for the payment being paid at the time of payment.
- When processing a producer contract payment for a new producer contract created from an increase of BQL on a producer contract, TTPP will validate that the:
 - new producer contract is 100 percent paid in the previous year
 - old producer contract is 100 percent paid in the current year.
- If either the old producer contract is 100 percent paid in the current year or the new producer contract is 100 percent paid in the previous year, TTPP will pay the current year payment for the increase of BQL for the current year if the producer is not flagged as a controlled substance producer for the payment being paid at the time of payment.
- If neither the old producer contract is 100 percent paid in the current year or the new producer contract is 100 percent paid in the previous year, TTPP will validate all subsidiary eligibility requirements for the payment being paid at the time of payment.
- If the contract is a quota holder contract, then no eligibility validations will be done and the contract will be processed for payment.
- No additional validation is required for a producer contract to be transferred with CCC-962.