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AGRICULTURE, CONSERVATION, AND RURAL ENHANCEMENT ACT OF 2001

R E P O R T

OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY U.S. SENATE

TO ACCOMPANY

S. 1731

DECEMBER 7, 2001.—Ordered to be printed

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Mr. HARKIN, from the Committee on Agriculture, Nutrition, and Forestry, submitted the following

R E P O R T

[To accompany S. 1731]

The Committee on Agriculture, Nutrition, and Forestry, reports an original bill (S. 1731) to strengthen the safety net for agricultural producers, to enhance resource conservation and rural development, to provide for farm credit, agricultural research, nutrition, and related programs, to ensure consumers abundant food and fiber, and for other purposes, and having considered the same and recommends that the bill do pass.

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I. INTRODUCTION

The Agriculture, Conservation and Rural Enhancement (ACRE) Act of 2001, is a comprehensive and balanced farm bill. This legislation is, of course, critically important to farm and ranch families, but also to the well-being of all Americans, whether they live in rural or urban areas. Within the funding provided by the budget resolution, the Committee has sought to ensure a safe, abundant and affordable food and fiber supply for the people of the United States and other nations, while promoting fair returns and oppor-

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tunities for agricultural producers and the conservation of natural resources. The bill is also designed to promote new and expanded markets at home and abroad for U.S. agricultural products while complying with international trade agreements. The legislation reflects a deep appreciation of the value of farms, ranches and rural communities—and the critical need to promote their survival and prosperity. It will help rural communities and their citizens share in the economic growth, job creation and prosperity that the nation, in general, has enjoyed over the years.

OVERVIEW

The bill will assist the nation's farmers and ranchers, many of whom are in economic distress, meet their need for income protection by providing a new and improved safety net. The safety net provided by the bill consists of four separate elements, including marketing assistance loans (and loan deficiency payments), direct fixed payments, counter-cyclical payments, and a new conservation payment program for working farms and ranches. The Committee recognizes the need to protect and enhance the long-term health and vitality of agricultural lands and thus the bill improves and significantly increases funding for the existing USDA conservation programs and creates new ones. The legislation also expands support to farm-based renewable energy and promotes new economic opportunities and improved quality of life in rural communities. In addition, the Committee increases nutrition assistance for Americans and in developing countries and strengthens agricultural trade, farm credit, research and forestry programs.

FARM INCOME PROTECTION

This legislation responds to the need heard by the Committee to revise and extend the farm bill nearly a full year before the current authorization expires. It is widely recognized that the current program is not providing the type of flexible and market-responsive income protection that is needed by farmers and ranchers in the current economic environment. When the existing farm legislation, the Federal Agriculture Improvement and Reform (FAIR) Act, was considered and enacted in 1996, the U.S. farm sector enjoyed high prices and a robust expansion of exports. With commodity prices at record high levels in 1995–96 and projected to remain high, many did not expect the marketing assistance loan program and the related loan deficiency payments to trigger significant outlays. Unfortunately, this prediction proved wrong. With falling exports due to the financial crisis in Asia in late 1997, and a series of good growing seasons in major producing regions without significant weather disruptions, commodity prices fell by 50 percent or more from their 1996 peaks. Less than two years after enactment of the FAIR Act, the dramatic decline in commodity prices created serious cash flow problems for farmers and producer incomes fell sharply.

The income protection features of the farm program were limited by the provisions of the FAIR Act that provided farmers with fixed and declining "transitional" payments during this period. The objective of these transitional payments, which replaced production-based deficiency payments, is now a subject of considerable debate. Some argue the declining fixed payments were intended to be a transition to less government support for farmers. Others maintain

that the fixed payment approach is an appropriate farm policy tool for delivering farm income assistance into the future. On the other hand, there seems to be near universal agreement that the planting flexibility provisions of the FAIR Act were well received by farmers. That policy has given farmers greater choice and freedom in making planting and other decisions on the farm.

The combination of lower prices and lower Federal support payments for farmers in the late 1990's created significant problems for farmers all across the country. Congress responded by providing emergency supplemental farm assistance totaling more than $30 billion over four consecutive years. While these payments helped alleviate farmers' cash flow problems, the payments did not address whether the underlying agriculture policies were performing adequately. Today, the farm income data shows that the economic situation in the farm sector has only improved slightly since the late 1990's. Commodity prices remain quite low and national farm policy must be amended to address the need for a more market-sensitive, counter-cyclical approach that will respond adequately to periods of low prices.

CONSERVATION OF NATURAL RESOURCES

To preserve the health and productivity of agricultural lands, the new bill also makes very substantial new investments in conservation. This investment recognizes that while agriculture is primarily about the production of food and fiber, there is a strong link between a productive agriculture and the conservation of soils, the abundance of wildlife and the quality of water supplies. America's farmers and ranchers play a critical role as stewards of natural resources for future generations. While most farmers do maintain practices to enhance natural resources on and off their farms, periods of low prices and high costs too often make it difficult for farmers to spend time and resources on conservation practices. Resources are needed to help farmers and ranchers maintain and adopt needed conservation practices on land in agricultural production.

USDA programs have helped farmers make great strides in working toward land stewardship goals. The Conservation Reserve Program protects some 34 million acres of the nation's land, including an increasing acreage in conservation buffers, waterways, and filter strips. The Wetlands Reserve Program has supported the restoration of over a million acres of wetlands, which provide critical wildlife habitat and improve water quality. The Farmland Protection Program has helped ease development pressures on agricultural land. However, USDA's critical conservation programs are oversubscribed and underfunded. This bill responds to this need. The bill also recognizes that conservation must mean something more than land retirement. There is a link between conservation and a profitable agriculture. A wholly voluntary new program is established, the Conservation Security Program, which will provide payments to farmers who practice sound conservation on working farmland, and funding is dramatically increased for the Environmental Quality Incentives Program. The legislation also includes new programs and enhanced funding for conserving and improving private forest lands.

RURAL COMMUNITY DEVELOPMENT

The Committee is also well aware that rural America involves much in addition to agricultural production. Only six percent of rural Americans live on farms, and less than two percent of the U.S. rural population is engaged in farming as a primary occupation. Fewer than one in four farm families receive the majority of their income from farming, and so are dependent upon the rural economies around their farms. Seven out of eight rural counties are dominated by varying mixes of manufacturing, services and other non-farming activities. While rural development has traditionally focused much attention on providing physical infrastructure to rural areas, this bill, in addition to supporting infrastructure, includes a number of innovative and creative new approaches to rural revitalization. For instance, the bill authorizes the National Rural Cooperative and Business Equity Fund to spur rural economic growth by generating the investment capital critical to rural business development.

FARM-BASED RENEWABLE ENERGY

While U.S. agriculture has been a long-time world leader in food and fiber production, the Committee recognizes that American farms can also generate abundant renewable energy. Indeed, much of the nation's renewable energy potential is found on agricultural lands and in rural areas. Ethanol, biodiesel, wind, biomass and hydrogen energy could become a major cash crop for farmers and ranchers, helping to increase and diversify income, and counteract swings in commodity prices. Ethanol and biodiesel hold great potential for increased farm commodity and by-products demand. According to the Department of Energy, tripling the use of biomass energy, such as fast-growing energy crops like switchgrass, could provide as much as $20 billion in new income for farmers and rural communities. Increasing the diversity and supply of renewable energy and improving energy efficiency will reduce the nation's dependence on imported oil, thereby reducing its vulnerability to supply and price disruptions and adding to overall national security. Accordingly, the Committee has provided a major new boost to farm-based renewable energy development and production.

In sum, the Committee has developed a comprehensive new farm bill responding to the broad and numerous challenges in food, agriculture, conservation and rural policy. It is designed to protect farm income while laying a foundation for future opportunities for America's farm families, rural communities and consumers.

II. SUMMARY

TITLE I—COMMODITY PROGRAMS

Subtitle A—Direct and Counter-Cyclical Payments

The bill authorizes the Secretary to enter into contracts with producers of wheat, corn, grain sorghum, barley, oats, upland cotton, rice, soybeans and minor oilseeds that will entitle the producers to receive both direct payments and counter-cyclical payments on eligible cropland for the 2002 through 2006 crop years. Producers will have the option of updating acres and payment yields for all cov-

ered commodities on the farm or retaining existing base acres and program yields and adding oilseeds acres using the recent oilseed yield experience.

Contract Acreage Calculation

(A) the four-year average (1998, 1999, 2000, 2001) of acreage actually planted on the farm to a covered commodity for harvest, grazing, haying, silage, or other similar purposes during the base period and any acreage on the farm that the producers were prevented from planting during such crop years to the covered commodity because of drought, flood, or other natural disaster; or (B) the current contract acreage plus the four-year average of oilseeds acreage to a maximum of 100 percent of actual cropland on the farm.

Payment Yield

(A) the greater of: (1) the average of the yield per harvested acre for the crop of the covered commodity for the farm for the 1998 through 2001 crop years excluding: (a) any crop year for which the producers on the farm did not plant the covered commodity; and (b) at the option of the producers on the farm, one additional crop year; or (2) the existing program payment yield; or (B) existing program payment yield.

Producers electing to retain current contract acreage will also retain current program payment yields, but will use recent production experience to determine any oilseeds payment yields. The election will apply to all crops on the farm.

Direct Payments

For each contract commodity, producers will receive direct payments equal to the product of the contract acres times the payment yield times the direct payment rate for the current fiscal year, as specified below. Direct payments shall be paid not later than September 30 of each of the fiscal years 2002 through 2006. At the option of the producer, 50 percent of the direct payment will be paid on or after December 1 of the fiscal year.

	Unit	Income protection price	Loan rate	Direct payment rate—		
				2002/2003	2004/2005	2006
Wheat	bu	$3.45	$3.00	$0.450	$0.225	$0.113
Corn	bu	2.35	2.08	0.270	0.135	0.068
Grain sorghum	bu	2.35	2.08	0.31/0.27	0.135	0.068
Barley	bu	2.20	2.00	0.200	0.100	0.050
Oats	bu	1.55	1.50	0.050	0.025	0.013
Upland cotton	lb	0.68	0.55	0.13	0.065	0.0325
Rice	cwt	9.30	6.85	2.45	1.225	0.6125
Soybeans	bu	5.75	5.20	0.550	0.275	0.138
Minor oilseeds	lb	0.105	0.095	0.010	0.005	0.0025

Counter-Cyclical Payments

The payment rate for counter-cyclical payments equals the difference between the income protection price and the sum of the direct payment rate plus the higher of the 5-month average price or the loan rate for the crop. For the 2002 and 2003 crop years, the higher direct payments will preclude any counter-cyclical payments. Producers receive counter-cyclical payments equal to the

product of the contract acres times the payment yield times the counter-cyclical payment rate. The counter-cyclical payment is made after the 5-month price is established, but no later than 190 days after the beginning of the marketing year.

Contract Requirements

Producers must meet conservation compliance, wetland protection, flexibility restrictions and required agricultural use.

Flexibility

Producers may plant any commodity or crop except fruits, vegetables (other than lentils, mung beans, dry peas and chickpeas), and wild rice. The bill establishes a penalty for first time violations of planting flexibility restrictions equal to twice the amount otherwise payable under the contract for the applicable crop year on each acre that is inadvertently planted to a restricted crop.

Subtitle B—Loan and Loan Deficiency Payments

For each of the 2002 through 2006 crops the Secretary shall make available nonrecourse marketing assistance loans for producers of wheat, corn, grain sorghum, barley, oats, upland cotton, extra long staple cotton, rice, soybeans, minor oilseeds, wool, mohair, honey, dry peas, lentils, and chickpeas who comply with applicable conservation requirements and wetland protection.

Loan rates for marketing assistance loans:

Wheat—$3.00 per bushel
Corn—$2.08 per bushel
Grain sorghum—$2.08 per bushel
Barley—$2.00 per bushel
Oats—$1.50 per bushel
Upland cotton—$0.55 per pound
Extra long staple cotton—$0.7965 per pound
Rice—$6.85 per hundredweight
Soybeans—$5.20 per bushel
Minor oilseeds—$0.095 per pound
Graded wool—$1.00 per pound
Nongraded wool—$0.40 per pound
Mohair—$2.00 per pound
Honey—$0.60 per pound
Dry peas—$6.78 per hundredweight
Lentils $12.79 per hundredweight
Large chickpeas $17.44 per hundredweight
Small chickpeas—$8.10 per hundredweight

Adjustments of Loans

The Secretary may make appropriate adjustments in the loan rates for any commodity for differences in grade, type, quality, location, and other factors.

Term of Loans

In the case of each loan commodity, a marketing assistance loan shall have a term of nine months beginning on the first day of the first month after the month in which the loan is made.

Repayment Rate for Loans

(1) The local loan rate for the commodity plus interest; or (2) (a) for wheat, feed grains, oilseeds, wool, mohair, honey and pulses—a rate determined by the Secretary that will minimize potential loan forfeitures; minimize the accumulation of stocks of the commodity by the Federal Government; minimize the cost incurred by the Federal Government in storing the commodity; allow the commodity produced in the United States to be marketed freely and competitively, both domestically and internationally; and minimize discrepancies in marketing assistance loan benefits across county and State boundaries; (b) for rice and upland cotton—the prevailing world market price for the commodity (adjusted to United States quality and location), as determined by the Secretary.

Loan deficiency payments

The Secretary may make loan deficiency payments available to producers of all loan commodities except extra long staple cotton. The loan deficiency payment rate will equal the difference between the loan rate and the loan repayment rate. Special marketing loan provisions for upland cotton and the special competitive provisions for extra long staple cotton are continued.

Recourse loans for high moisture feed grains and seed cotton are continued.

Subtitle C—Other Commodities

CHAPTER 1—DAIRY

Extends the milk price support program at $9.90 per hundredweight through 2006.

Establishes a national dairy policy that provides a counter-cyclical income support program for dairy farmers across the country. Its purpose is to stabilize the production, price, and marketing of milk and other dairy products in the United States.

The Secretary is required to amend Federal milk marketing orders to establish a minimum price for Class I, or fluid milk that is not less than the sum of the adjusted Class I milk differential and at least $14.25 per hundredweight.

The Secretary must provide for uniform national pooling of Class I milk among producers of milk under all Federal milk marketing orders of all funds equal to the difference between the price of Class I milk and the price of Class I milk without the national dairy program. After first paying administrative costs, any increased costs of State and Federal nutrition programs, and additional Commodity Credit Corporation (CCC) expense, the Secretary must distribute amounts in the national pool to all producers covered by Federal milk marketing orders, based on eligible production of up to 500,000 pounds per month.

During each month when the average Class III price falls below $14.25 per hundredweight, the Secretary shall use funds of the CCC to make a payment to each producer for eligible production of Class II, III and IV milk. The payment rate equals 25 percent of the difference between $14.25 per hundredweight and the average price for Class III milk during the month. Total payments under this provision are limited to $300,000,000 per fiscal year.

CHAPTER 2—SUGAR

Reauthorizes the sugar program with amendments to require the Secretary to implement the program, to the greatest extent possible, at no net cost. Terminates the marketing assessment on sugar and eliminates the loan forfeiture penalty. Authorizes payment-in-kind to processors in exchange for reduced production. Authorizes the Secretary to establish allotments on domestic sugar production. Reduces the CCC interest rate on price support loans.

CHAPTER 3—PEANUTS

Reforms the quota-based peanut program by establishing a new peanut program that establishes payment acres for historical peanut producers, payment yields, and marketing assistance loans and loan deficiency payments. Provides direct payments of $0.018 per pound. Establishes an income protection price for peanuts of $520 per ton (on 85 percent of base acres) and a loan rate of $400 per ton. Terminates the marketing quota program and compensates quota holders for the loss of the quota asset value at $.10 per pound per year for five years.

Subtitle D—Administration

Authorizes the Secretary to make adjustments in domestic support levels to assure compliance with U.S. commitments under the Uruguay Round Agreement.

Suspends permanent price support authority.

Requires the Secretary to purchase $130 million of commodities in fiscal years 2002 and 2003, $150 million in fiscal year 2004, $170 million in fiscal year 2005, and $200 million in fiscal year 2006. Specifies the amount that must be used to purchase specialty crops each year, that not less than $50 million must be used to supplement funds already provided by USDA to the Department of Defense for the purchase of fresh fruits and vegetables for the National School Lunch Program, and that not less than $40 million of commodities are to be provided to The Emergency Food Assistance Program.

Designates $40 million of CCC funds to provide an incentive payment for production of Hard White Wheat (HWW). The incentive will assure sufficient production of HWW to enable the United States to establish domestic and overseas markets for this specialty wheat.

Establishes payment limitations for direct and counter-cyclical payments of not more than $100,000 per year and for marketing loan gains and loan deficiency payments of $150,000 per year.

TITLE II—CONSERVATION

Conservation Security Program

This legislation establishes a conservation incentive program that provides payments to producers who adopt or maintain conservation practices on lands in production. The practices are aimed at improving and protecting natural resources, including soil, water, air and wildlife habitat. Additional goals include sound management of invasive species, enhancement of carbon sequestration, and wetland enhancement or restoration.

The program is open to all agricultural producers, including producers of livestock, speciality crops and program crops, and of private agricultural lands. Producers are encouraged to adopt comprehensive conservation plans, but have the flexibility to choose which practices to adopt or maintain. In addition, local and State groups provide guidance on implementation of the program, including establishing local conservation priorities.

Producers work with the Natural Resource Conservation Service (NRCS), or eligible third party providers, to create and implement conservation security plans that outline the practices, including the schedule of implementation, the producer agrees to maintain or implement. The program establishes three tiers of participation in the program. Tier I covers the basic level of practices, including nutrient, pest, and air quality management, water conservation and wildlife habitat management that may apply to all or part of an operation. Tier II includes practices focusing on systems-based approaches to land management, including partial field practices, wetlands, grass and prairie restoration and protection. Tier II practices must cumulatively address at least one local resource of concern across the entire operation. To qualify for Tier III a producer must adopt practices that address all resources of concern on the entire operation. Tier I contracts last five years and Tier II and III contracts last from five to ten years, at the option of the producer.

Annual payment levels may reach $20,000 for Tier I, $35,000 for Tier II, and $50,000 for Tier III. Payments are based on a combination of factors, including a percentage of average county rental rate or appropriate rate to ensure regional equity (6 percent for Tier I, 11 percent for Tier II or 20 percent for Tier III), bonus payments for increased environmental benefits and the cost of practices. Bonus payments may also be provided for beginning farmers and ranchers, for participation in research or demonstration projects or pilot programs, and for cumulative participation on a watershed basis. The producer receives 100 percent of the costs of adopting or maintaining management practices, 100 percent of the costs of maintaining land-based structural practices and 75 percent of the costs of adopting new land-based structural practices. Payments are not provided for the cost of purchasing equipment or for waste storage or treatment facilities. An advance payment of the greater of $1,000 or 20% under Tier I, $2,000 or 20% under Tier II, or $3,000 or 20% under Tier III.

The Secretary may allow one State to run the Conservation Security Program in that State.

USDA shall begin working on implementation of the Conservation Security Program immediately, but contracts will not be entered until fiscal year 2003.

Partnerships and cooperation

The legislation allows USDA to designate special projects under all conservation programs to address local needs. The Secretary may provide incentives to producers to encourage participation in established special projects.

Administrative requirements for conservation programs

The legislation requires USDA to provide relief, including retention of payments, continued participation in programs and other re-

lief to producers who in good faith entered contracts with the USDA under a conservation program under this title and were misled by USDA employees. The legislation allows operators and owners to request mediation services or informal hearings in the case of adverse decisions relating to an agriculture conservation program.

The legislation requires USDA to coordinate administration of the conservation programs to carry out education, outreach, monitoring and evaluation under all conservation programs, including for socially disadvantaged and limited resource owners and operators. The legislation further requires USDA to ensure that conservation programs are fully accessible to limited resource producers, beginning farmers and ranchers, and Indian tribes.

In order to expand implementation of conservation programs, the legislation requires USDA to establish a criteria for third party certification and allows USDA to contract with eligible third parties to provide education, outreach, monitoring, evaluation and technical assistance.

The legislation prohibits USDA (and other Federal agencies) from releasing information gathered from producers through participation in conservation programs, including information from conservation plans, unless the information is provided in an aggregate form that does not provide information specific to individual producers.

Reform and assessment of conservation programs

The legislation requires USDA to provide Congress with a plan for coordinating conservation programs for better implementation and for delivering conservation programs for Indian tribes, including plans to coordinate with the Secretary of the Interior. USDA must also prepare a plan and budget for implementing the appraisal of soil, water and related resources contained in the National Conservation Program.

Comprehensive Conservation Enhancement Program

The legislation reauthorizes and renames (formerly ECARP) an umbrella program that covers the Conservation Reserve Program, the Wetlands Reserve Program, and the Environmental Quality Incentives Program through fiscal year 2006.

Conservation Reserve Program (CRP)

The legislation reauthorizes the CRP through fiscal 2006 and increases the acreage limit to 40 million acres from 36.4 million acres. It prohibits enrollment of lands that do not have a cropping history during the last three of six years and prohibits landowners with lands enrolled in CRP from breaking out new highly erodible lands without a cropping history unless the land is being used as a homestead or a building site at the time of purchase of the land. The legislation further opens enrollment of lands without cropping history into both the Conservation Reserve Enhancement Program and the continuous enrollment CRP and requires USDA to provide equal incentive payments for all continuous practices.

The legislation allows producers to enroll full parcels through the continuous CRP as buffers in cases in which more than 50 percent of the parcel is eligible for enrollment. The legislation also allows

USDA to extend hardwood tree contracts, permanently authorizes the Wetlands Pilot Program, allows haying and grazing on continuous CRP enrollment lands for management purposes, and allows wind turbines on lands enrolled through the general CRP sign-up.

Technical assistance

The legislation removes restrictions on the funding provided for technical assistance to carry out conservation programs (i.e. strikes the Section 11 cap).

Wetlands Reserve Program

The legislation raises the total acreage cap by 1.25 million acres of wetlands in the program and requires USDA to enroll 250,000 acres annually for fiscal years 2002–2006, to the maximum extent possible. The legislation further allows USDA to enroll up to 25,000 acres of the 250,000 acres annually through the Wetlands Reserve Enhancement Program which enables the USDA to coordinate with State and local governments and private organizations to focus resources on critical environmental needs.

Environmental Quality Incentives Program (EQIP)

The legislation reauthorizes EQIP through fiscal year 2006 to allow USDA to provide technical assistance, cost-share and incentive payments to eligible producers. The legislation allows USDA to dedicate up to five percent of total funds to be used for special projects in watersheds and other areas of regional significance, including for water conservation and irrigation projects to increase water management, nutrient reduction and wildlife habitat. In addition, USDA may use up to $100 million annually for conservation innovation grants to encourage public and private entities to use Federal funds as leverage for the development of innovative practices.

The legislation reduces the EQIP minimum contract length to three years, from five years, eliminates the procedure for producers to bid down payment rates, provides for contract payments during the first year of the contract, and provides increased cost-share assistance of 90 percent to limited resource and beginning producers.

The legislation sets the total amount an individual may receive under an EQIP contract at $150,000, with an annual limit of $50,000. The legislation allows not more than one contract for structural practices involving livestock nutrient management for a producer during the five-year period of the farm bill and requires a comprehensive nutrient management plan.

The legislation provides the following levels of EQIP funding: for fiscal year 2002: $500 million; for fiscal year 2003: $1.05 billion; for fiscal year 2004: $1.2 billion; for fiscal year 2005: $1.2 billion; and for fiscal year 2006: $1.25 billion.

Resource Conservation and Development Program (RC&D)

The legislation permanently authorizes the RC&D program and permits USDA to provide technical and financial assistance (including loans and grants) for approved RC&D programs.

Wildlife Habitat Incentives Program (WHIP)

The legislation expands WHIP beyond cost-share restoration projects through a pilot program that allows USDA to use up to 15 percent of the available funds to enroll lands for 15 years or longer for critical habitat or species. For the remaining funds, USDA shall ensure that at least 15 percent of the funds be directed toward restoration of lands important for threatened and endangered species.

The legislation provides the following levels of funding: for fiscal year 2002: $50 million; for fiscal year 2003: $100 million; for fiscal year 2004: $100 million; for fiscal year 2005: $125 million and for fiscal year 2006: $125 million.

Watershed risk reduction

The legislation authorizes appropriations for a new program through fiscal year 2006 for up to $15 million annually that allows USDA to provide assistance, including the ability to purchase flood plain easements, in watersheds impaired by natural occurrences in order to safeguard lives and property.

Great Lakes Basin Program (GLBP) for soil erosion and sediment control

The legislation authorizes the GLBP through fiscal year 2006 for up to $5 million annually. The GLBP allows USDA to provide grants, technical assistance and education programs to reduce soil erosion and increase sediment control for the Great Lakes Basin.

Conservation of Private Grazing Land Initiative (CPGL)

The legislation reauthorizes the CPGL through fiscal year 2006 for appropriations up to $60 million annually.

Farmland Protection Program (FPP)

The legislation expands the FPP to enable State and local agencies and private non-profit organizations to leverage federal funds to purchase development rights from owners of farms and ranches. The legislation also extends FPP to include farms and ranches with historical and archaeological resources.

Of the available funds, the Secretary may use up to $10 million annually for Farm Viability Grants for participating farms and ranches to develop business plans. The legislation provides the following levels of funding: for fiscal year 2002: $150 million; for fiscal year 2003: $200 million; for fiscal year 2004: $200 million; for fiscal year 2005: $225 million; and for fiscal year 2006: $250 million.

Grassland Reserve Program (GRP)

The legislation establishes a new program to purchase 30-year and permanent easements and for 30 year rental agreements on up to two million acres of natural grass and shrub lands indigenous to a locality to limit conversion of grazing lands.

The legislation permits grazing and limited haying and mowing in a manner consistent with protecting plant and wildlife. The legislation also requires USDA to provide cost-share and technical assistance for carrying out practices to restore grasslands.

State technical committees (STC)

The legislation expands the responsibilities of STCs to conform with the increased responsibilities created under this title.

Use of symbols, slogans and logos

The legislation permits the Secretary to allow the use, license or transfer of symbols, slogans and logos of USDA.

TITLE III—TRADE

Key food aid provisions

The bill requires the Administrator of the U.S. Agency for International Development (U.S.-AID) and the Secretary of Agriculture to establish rules allowing streamlined program applications for programs under their control for experienced institutional partners. It changes the amount of administrative expenses that may be compensated for such projects under PL–480, Title II, from a dollar range to a range of percentages (between five and ten percent) of the value of commodities used.

The bill permits proceeds of sales of commodities for food aid projects under Title II, Food for Progress, and Section 416(b) to be denominated in U.S. dollars.

It modifies mandatory requirements for the administration and composition of Title II commodities and projects, and requires the Administrator of U.S.-AID to act on project proposals within 120 days of submission.

PVO's (private voluntary organizations) will now be able to convert commodities to cash at prices that are reasonable for that particular market under all food aid programs.

The Food for Progress program, under which donated commodities provide for development projects in recipient countries, is reauthorized and established at a 400,000 tonnage minimum per year.

The bill also establishes the International Food for Education and Nutrition program, which began as a pilot in 2000. It is designed to improve the educational opportunities and nutritional status of children in developing countries. The program is funded at $200 million a year for five years, as a function within the Food for Progress statute.

The bill reauthorizes the Farmer-to-Farmer program, which funds technical exchanges between U.S. farmers and farmers in developing countries, increasing the share (from 0.4 percent to 0.5 percent) of Title I and Title II funding which can be used for support of this program.

Key commercial export provisions

The maximum loan term for the Supplier Credit Program is increased from six months to twelve months, and all other export credit programs are reauthorized.

Funding is increased for the Market Access Program, ramping up to $190 million annually. The bill establishes priority for new program participants and programs in emerging markets for amounts available above the existing level of $90 million annually, and creates a quality export initiative program to identity high-quality U.S. agricultural products.

The bill reauthorizes the Export Enhancement Program, and defines exchange rate manipulation by competing exporters and questionable pricing practices by State trading enterprises as unfair trade practices.

Funding for the Foreign Market Development Cooperator Program is increased to $42.5 million annually within three years. The bill establishes priority for new program participants and programs in emerging markets for amounts available above $35 million annually.

The bill authorizes development of a "one-stop-shopping" Federal website to assist aspiring exporters learn all they need to know about getting started. Authorization of appropriations is provided.

A Biotechnology and Agricultural Trade Program is established in USDA that is designed to assist exporters facing problems exporting biotech-based products. The program is funded at $15 million annually for five years.

The bill strikes restrictions on private financing of sales of food and medicine to Cuba, which were established in the Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act of 2001. A Sense of Congress resolution establishes Congressional priorities and concerns for bilateral and multilateral agricultural trade negotiations.

Additional reauthorizations

This legislation also reauthorizes the Food Aid Consultative Group, assistance for stockpiling and distribution of shelf-stable foods, prepositioning commodities for emergency distribution, micronutrient fortification of donated commodities, the Bill Emerson Humanitarian Trust (emergency food reserve), and the Emerging Markets program.

TITLE IV—NUTRITION

Representing the largest of the Federal nutrition programs, the Food Stamp Program is the primary focus of the nutrition title. The program mainly assists children (50 percent), older Americans (10 percent), and Americans with disabilities (10 percent). Most of the other participants are individuals in working families. The Food Stamp Program is essential to transition from welfare to work. However, data show that reforms to the program are needed. These include simplifying the program, ensuring a smoother transition from welfare to work, reforming the quality control system used to evaluate States' performance, improving outreach efforts to make sure that people who qualify for the program are able to participate, and providing benefits for certain individuals made ineligible by welfare reform. Between 1994–98 the number of people who were eligible for the program but did not participate increased by 12 percentage points, while the reliance in emergency feeding sites like soup kitchens and food pantries increased dramatically.

Program simplification

Some of the provisions designed to simplify the Food Stamp Program include: allowing the States to conform Food Stamp income and resource rules with those in Temporary Assistance to Needy Families (TANF) cash assistance or Medicaid; simplifying the way in which housing costs are calculated; encouraging the States to

adopt standard deductions, including ones for utility allowances and for people who live in certain group living arrangements; amending the procedure for determining earned income; extending semi-annual reporting to all households, not just those who have earnings; and better conforming to recertification rules in Medicaid, Supplemental Security Income (SSI), and the State Children's Health Insurance Program (SCHIP) by allowing periodic redetermination.

Welfare to work

Provisions that will help participants more successfully transition from welfare to work include: an increase in the standard deduction to adjust for family size to provide additional benefits and increasing the length of time that a household can receive transitional benefits when it stops receiving TANF cash assistance. The bill also prohibits cutting off electronic benefits for participants, like the elderly, who tend to be eligible for a small amount of benefits and may want to save them up for up to six months before using them. It also allows able-bodied adults without dependents to participate in the Food Stamp Program for up to six out of 24 months, rather than the current limit of three out of 36 months, to give them more time to successfully find employment. However, the bill also eliminates the provision that 80 percent of all Food Stamp education and training funds be made available to this population only. Pilot programs to improve outreach and access are also included in the bill.

Quality control reform

The quality control system used to assess the States' performance is revamped to be less punitive. The bill does institute new sanction procedures and rewards based on low error rates, compliance with a number of deadlines, and a State's enrollment of working families. Other provisions in the Food Stamp subtitle include expanding the definition of eligible food products to include vitamin-mineral supplements, eliminating Federal cost-neutrality rules to facilitate use of Electronic Benefits Transfer (EBT) systems, and several administrative provisions.

Legal immigrants

The Personal Responsibility and Work Opportunity Act of 1996 eliminated the ability of most legal aliens to participate in the Food Stamp Program. Over time, a number of bills have restored some of these benefits to some children, older adults, and disabled adults who were in the United States prior to August 22, 1996. This bill concentrates on particularly vulnerable groups by restoring benefits to all legal alien children and the disabled. It also removes a seven-year limit on the ability of refugees and people seeking asylum to participate in the program. Finally, it reduces, from 40 to 16 quarters, the length of time that individuals must work in this country before they are eligible to participate in the Food Stamp Program.

New and reauthorized programs

The title also reauthorizes a number of programs like The Emergency Food Assistance Program (TEFAP), the Food Distribution

Program on Indian Reservations, the Commodity Supplemental Food Program, and the Community Food Projects. It consolidates the American Samoa block grant and the Puerto Rico Nutrition Assistance Programs and reauthorizes them, and increases the funding, by $10 million per year, for TEFAP processing, storage, and distribution costs. A Congressional Hunger Fellowship is established, a pilot program for providing schoolchildren with free fruits and vegetables is established. Funding is provided for a Senior Farmers' Market Program and for additional commodities for the School Lunch Program.

TITLE V—CREDIT

Funding for loans

The credit title reauthorizes all USDA farm direct and guaranteed loan programs and increases the loan authorization levels: $3.75 billion in total for each fiscal year. Of the $750 million allocated for direct loans, $200 million is for farm ownership (FO) loans and $550 million is for farm operating (OL) loans. Of the $3 billion allocated for guaranteed loans, $1 billion is for FO loans and $2 billion is for OL loans.

Beginning farmers and ranchers

The legislation focuses on making credit more accessible to beginning farmers and ranchers. The bill broadens the eligibility for direct ownership loans to those who have participated, as opposed to being the sole manager of, the business operations of a farm operation for at least three years; provides USDA the authority to refinance "bridge loans" made by a commercial lender to a beginning farmer or rancher who has been approved for a USDA farm ownership loan but is awaiting funding; increases the limit on direct farm ownership debt for a beginning farmer or rancher from $200,000 to $250,000 and indexes the limit to inflation; provides that as part of the down payment program for beginning farmers and ranchers, USDA shall finance 40 percent of the loan (current law is 30 percent) and provides a repayment term of 20 years (current law is 10 years); directs the USDA to create a pilot program in which the USDA will guarantee loans made by a private seller of a farm or ranch to a qualified beginning farmer on a contract land sale basis; provides that beginning farmers and ranchers will receive an additional one percent interest rate subsidy (capped at four percent) over non-beginning farmers (capped at three percent) who participate in the interest rate reduction program and increases the maximum amount of funds for this program to $750 million and provides that 25 percent of the program's subsidized funds are reserved for assisting beginning farmers and ranchers until April 1 of each fiscal year.

Farm lending program improvements

The bill also makes other changes to provisions of the Consolidated Farm and Rural Development Act to improve the USDA farm lending programs. The legislation allows the Secretary to waive term limitations for a farmer or rancher, one time only, for an additional period of two years; allows the Secretary to waive the seven-year eligibility limitation on direct operating loans for Native

American farm operations on tribal lands if she determines that commercial credit is not generally available for such operations; expands USDA's authority to allow the interest rate on a direct loan that is being rewritten to be the rate in effect on the date that a borrower applies for loan; reduces paperwork requirements for many farmers by raising the limit on low documentation guaranteed loans from $50,000 to $100,000; makes permanent the interest rate reduction program; provides that USDA work with the State Conservationists to consider selling or granting easements on land in USDA inventory for the purpose of farmland preservation; and provides those who owe recapture amounts on shared appreciation agreements, or those who have amortized the recapture amounts, the option of providing farmland protection and conservation use easements on their land in return for forgiveness of the recapture amount.

Farm Credit System and Federal Agriculture Mortgage Corporation (FAMC)

The bill amends the authorities provided to FAMC and the Farm Credit System. It increases the number of FAMC Board of Directors from 15 to 17 and provides that the chairperson of the board will be elected by the board; provides the Farm Credit System authority to finance agriculturally-related equipment and goods overseas irrespective of whether these goods will be used on farms in the importing country; provides the Farm Credit System Insurance Corporation the ability to weigh the diminished risk associated with the certain guaranteed loans and to adjust premiums charged to the Farm Credit System accordingly; eliminates certain "territorial concurrence" requirements on Farm Credit System lenders so that the lenders can participate in syndicated or "participation" loans in other Farm Credit System geographic territories without seeking the permission of the Farm Credit System lender in that territory.

TITLE VI—RURAL DEVELOPMENT

National Rural Cooperative and Business Equity Fund

To revitalize rural communities and enhance farm incomes by encouraging sustainable rural business development, this provision authorizes the National Rural Cooperative and Business Equity Fund. It authorizes the appropriation of $150 million in funds to be matched by at least an equal amount contributed by private investors. USDA will guarantee 50 percent of each investment made by a private investor, with a maximum total guarantee of $300 million in private investments in the Fund. Debentures issued by the fund and guaranteed by USDA shall not exceed $500 million. The Fund will make equity and semi-equity investments in rural businesses. No single investment shall exceed the greater of $2 million or seven percent of the Fund. The total investment made in a company may not exceed 20 percent of the entire equity stake of the company nor more than half of the private equity stake of the concern. The Fund shall seek to make equity investments in a variety of projects with a significant share being smaller enterprises and cooperative and noncooperative enterprises, but not retail businesses. The fund will be managed by a 14 member board, with

three of those members determined by USDA and the rest determined by private investors.

Rural Business Investment Program

This provision permits USDA to make grants, guarantee debentures and enter into participation agreements with Rural Business Investment Companies. To be a Rural Business Investment Company (RBIC), a company must be for-profit, have an experienced management team, and invest in rural areas. USDA may guarantee the issuance of debentures for terms up to 15 years for up to 300 percent of the private capital of the company, increasing the amount of equity that may be invested. The program provides for the collection of assets in cases where the Federal Government makes a payment on a debenture. It provides for grants of up to $1 million to RBICs to provide technical assistance to enterprises in which the RBICs invest, and sets the minimum private capital requirements of the RBICs at $5 million. Generally, $10 million is needed to issue insured debentures with flexibility by USDA, and 75 percent of the investments must be made in rural areas. Investment by banks and Farm Credit System institutions are limited to 5 percent of capital and with certain additional limitations. The program supports issuance of up to $350 million in debentures and up to $50 million in grants.

Full funding of pending rural development loan and grant applications

This provision provides full funding to clear the backlog of pending rural development loan and grant applications. Pending qualified applications for community facility grants and direct loans, water and waste disposal grants and direct loans, rural water and wastewater technical assistance and training grants, business and industry guaranteed loans, emergency community water assistance grants, and solid waste management grants will be eligible for funding under this provision. Applications in the pre-application phase are not eligible for funding under this provision. The funds in the account established under this section will be available only after funds appropriated in the annual appropriations act for fiscal 2002 for these loans, loan guarantees and grants have been exhausted.

Rural Endowment Program

This program provides rural communities with technical and financial assistance to develop and implement comprehensive economic development strategies. Initial grants to communities to develop comprehensive economic development strategies will not exceed $100,000. Approved entities will then be eligible for an endowment grant of up to $6 million to implement the strategy. Each entity's non-Federal share shall be 50 percent of the amount received in grant funds, except in cases of small, poor rural areas where USDA determines that a lower non-Federal share is allowable. This provision makes $82 million in mandatory funds available to carry out the program during fiscal years 2002 and 2003, with not more than $5 million to be obligated for planning grants, not less than $75 million for endowment grants and not less than $2 million for technical assistance. Such appropriations as are necessary

are authorized to carry out the program for each of fiscal years 2004 through 2006.

Enhancement of access to broadband service in rural areas

The bill provides $100 million in mandatory dollars a year for fiscal years 2002 through 2006 for grants and loans at four percent or market rate interest for broadband access. The aggregate value of all loans to be provided cannot exceed $2 billion. Funding could be used for construction, improvement, or acquisition of equipment. The funding would flow through the Rural Utilities Service. Initial allocations are made to the States based on the number of cities in a State with populations under 2500. If the funds are not obligated by April 1, the funds go into the national pool. The program would be limited to communities with populations under 20,000. Broadband speed and other standards are to be reconsidered every three years.

Value-added agricultural product market development grants

The bill provides $75 million a year for fiscal years 2002 through 2006 in mandatory funding to make value-added agricultural product market development grants, expands the eligibility for these grants to nonprofit organizations, and broadens the categories of activities eligible for grants. It creates a five percent reserve for marketing, packaging or processing of certified organic agricultural products. Funding for the Agricultural Marketing Resource Center, created by USDA as authorized in the original authorization to provide technical assistance, is also increased.

National Rural Development Partnership

USDA will continue the National Rural Development Partnership, which is composed of a Coordinating Committee and State rural development councils. The Coordinating Committee will lead and coordinate the strategic operation and policies of the Partnership and will provide annual reports to Congress. The role of the Federal Government will be that of a partner and facilitator, with Federal agencies providing technical and administrative support. Private and nonprofit sector organizations act as full partners and cooperate with government in developing innovative approaches to solving problems in rural development. State rural development councils shall have a nonpartisan membership that is broad and representative of the economic, social and political diversity of the State. The councils shall facilitate collaboration, enhance effectiveness and delivery of Federal and State programs in rural areas, monitor policies and programs that address, or fail to address, rural needs, and facilitate the development of strategies to reduce or eliminate conflicting or duplicative administrative or regulatory requirements. State rural development councils may solicit funds to supplement and match Federal funds. A State rural development council shall provide matching funds, or in-kind goods or services, to support the activities that are not less than 33 percent of the amount of Federal funds received.

Water or waste disposal grants

This provision increases the authorization for appropriations for water and waste disposal grants from $590 million to $1.5 billion,

and also authorizes up to $30 million per year to USDA to make grants to qualified private nonprofit entities to capitalize revolving funds to finance small water and wastewater projects, including assistance of up to $100,000 per project for pre-development, equipment replacement, small scale service extension or other small projects.

Rural business opportunity grants

This grant program is extended to 2006.

Rural Water and Wastewater Circuit Rider Program

This provision authorizes $15 million a year for fiscal years 2003 through 2006 to pay for technical assistance to local water systems.

Multi-jurisdictional regional planning organizations

The bill authorizes $30 million a year for fiscal years 2003 through 2006 to fund grants of up to $100,000 to multi-jurisdictional regional planning and development organizations to pay for costs of providing assistance to local governments to improve the infrastructure, services, and business development capabilities of local governments and local economic development organizations. A local match is required.

Certified nonprofit organizations sharing expertise

The legislation provides for certification by USDA of nonprofit organizations with experience in providing technical assistance in one or more rural development fields who desire to share that expertise. The provision authorizes $20 million a year for fiscal years 2003 through 2006 for grants to certified nonprofit organizations to help them provide this technical assistance. To receive grants, nonprofit organizations must develop a plan describing how grant funds will be used. USDA shall make a list of certified organizations available to the public.

Loan guarantees for certain rural development loans

USDA will be allowed to guarantee community facility and water and waste facilities loans for projects financed in part by the issuance of tax-exempt bonds.

Rural Firefighters and Emergency Personnel Grants Program

The bill provides $10 million in fiscal year 2002 and $30 million a year in fiscal years 2003 through 2006 for firefighter and emergency medical first responder training. Three areas are covered: firefighting, emergency medical practices and responding to hazardous materials and bioagents in rural areas. Not less than 60 percent of the funds may go to scholarships to provide the training. Up to 40 percent of the funds may go to fund facility improvements, equipment or operating costs of State or regional training centers.

Emergency Community Water Assistance Grant Program

The program is extended through 2006.

Water and Waste Facility Grants for Native American Tribes

The bill provides an authorization of $20 million a year for water and waste facility grants to benefit Native American tribes.

Water Systems for Rural and Native Villages in Alaska

The bill extends this provision through 2006.

Rural Cooperative Development Grants

The grant program is extended through 2006.

Grants to broadcasting systems

The bill authorizes $5 million a year for fiscal years 2002 through 2006 in appropriated funds for grants to statewide nonprofit public television broadcasting systems.

Business and Industry direct and guaranteed loans

This provision amends the Consolidated Farm and Rural Development Act by: allowing the guarantee of loans to farmers, ranchers or cooperatives for the purpose of buying stock for the expansion or creation of a cooperative venture that will process agricultural products; providing direction to USDA in assessing the appropriateness of loan guarantees; allowing guaranteed loans to farmers and ranchers to join existing cooperatives that will sell the agricultural products produced by these farmers and ranchers; allowing processing contracts during the initial period after start-up of a new cooperative while the new processing facility is being completed; allowing guaranteed loans to cooperatives headquartered in metropolitan areas, as long as the loans benefit rural areas; allowing cooperatives to receive guarantees on refinanced loans in certain circumstances; allowing USDA to require appraisals done in connection with loan guarantees to be conducted by specialized, as opposed to general, appraisers; allowing USDA to assess an initial fee for loan guarantees, not to exceed two percent of the balance due on the loan.

Value-Added Intermediary Relending Program

The bill adds a new section to the Intermediary Relending Program providing that USDA shall make loans under the terms of the program for projects to establish, enlarge and operate enterprises that add value to agricultural products. The provision establishes a preference for bioenergy projects, and limits loans to $2 million except in cases where the eligible intermediary is a State agency.

Use of rural development loans and grants for other purposes

The bill allows USDA to permit a loan or grant recipient to use the loan or grant for other purposes, meeting certain requirements, when USDA determines that the circumstances under which the loan or grant was made have significantly changed.

Simplified application forms for Business and Industry Loans and Loan Guarantees

This provision allows simplified application forms for guarantees of farmer program loans under $100,000 and Business and Industry guaranteed loans under $400,000. It also provides that after

2003, USDA may increase to $600,000 the limit on the size of Business and Industry loans eligible to use the simplified application process.

Rural Entrepreneurs and Microenterprise Assistance Program

This provision establishes a program to provide low and moderate income individuals with the skills necessary to establish new small businesses in rural areas, and to provide continuing technical assistance through local organizations as these new small businesses begin operating. The funds will also provide the resources for small loans and loan guarantees ($35,000 or less) to rural entrepreneurs. This program is modeled on an existing SBA microloan program that has a proven track record. $10 million a year is provided for this program for each of the fiscal years 2002 through 2006.

Rural seniors

The bill establishes an interagency coordinating committee to study health care, transportation, technology, housing, accessibility, and other areas of need for rural seniors; to identify successful examples of senior care programs that can serve as models for other rural communities; and to submit recommendations to USDA, the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition and Forestry. The bill authorizes $25 million a year for fiscal years 2002 through 2006 for grants to nonprofit organizations of up to 20 percent of the cost of programs that provide facilities, equipment, and technology for seniors in rural areas.

Community facilities

This provision amends the community facilities program to provide a reserve of 12.5 percent of community facilities program funds in each fiscal year to be used for senior facilities and a reserve of 10 percent of those funds to be used for child care facilities. In each case the reserve is effective until April 1 of each fiscal year, after which the funds may be used for other community facility purposes.

Rural Telework

This provision authorizes $30 million annually for the Program. Nonprofit organizations and educational institutions may receive a grant of up to $500,000 for obtaining equipment, facilities and operating costs for a Rural Telework Center. A match equal to at least 50 percent of the grant from non-Federal sources is required. The bill provides for the selection of a Rural Telework Institute authorized to receive up to $5 million a year to provide research, develop best practices and develop innovative projects.

Historic barn preservation

The bill provides that USDA will assist States in developing a listing of historic barns, collecting and disseminating information on these barns and promoting their preservation. The provision authorizes a total of $25 million for the period 2002 through 2006 for grants under this section.

Grants for emergency weather radio transmitters

This provision authorizes $2 million a year to provide grants to public and nonprofit entities to acquire radio transmitters to increase the coverage of National Oceanic and Atmospheric Administration's emergency weather radio broadcast system in rural areas.

Bioenergy and biochemical projects

This provision establishes a preference in rural development assistance programs for bioenergy and biochemical projects.

Delta Regional Authority

This provision extends the Delta Regional Authority through 2006.

Special Environmental Assistance for the Regulation of Communities and Habitat (SEARCH) grants for small communities

This provision establishes a new grant program administered by States through an independent citizens' council for small communities with populations under 2,500 for the purpose of providing assistance with initial feasibility and environmental compliance for rural development projects. States may be awarded a grant not to exceed $1 million to award Special Environmental Assistance for the Regulation of Communities and Habitat grants to small communities. The provision authorizes appropriations of $51 million to carry out this section.

Northern Great Plains Regional Authority

This provision re-establishes the Northern Great Plains regional authority, to be composed of one member appointed by the President and confirmed by the Senate, and the Governors of the States participating in the Authority. The bill provides that the Authority may approve grants to States and public and nonprofit entities for projects including transportation and telecommunication infrastructure projects, business development and entrepreneurship, and job training. The provision creates a priority for funding targeted to areas of extreme economic distress and provides that each State is guaranteed at least a certain minimum of the overall funding.

Alternative Agricultural Research and Commercialization Corporation

The bill repeals the corporation's authorization and provides for disposition of its assets.

Telemedicine and distance learning services in rural areas

The provision is extended through 2006.

Guarantees for bonds and notes issued for electrification or telephone purposes

The bill authorizes USDA to provide guarantees of bonds and notes issued by eligible private lenders, the proceeds of which are used to provide private capital for rural electric and telephone purposes that would otherwise qualify for loans under the Rural Electrification Act. USDA may deny the request of a lender for a guarantee if the lender does not have the expertise or experience, is not qualified, or the bonds are not financially sound. Bond-funded elec-

tric generation projects are specifically excluded from this program. The provision establishes a mechanism under which private capital will be provided for the Rural Economic Development Loan and Grant (REDL&G) Program. Lenders that receive a guarantee shall pay an annual fee of 30 basis points, and these fees will be used as budget authority to finance economic development projects eligible under the program, with up to a third to finance the cost of the guarantee program. The provision authorizes appropriations to cover the possible costs of the program.

Expansion of 911 access

The bill authorizes USDA to make telephone loans to State or local governments, Indian tribes, or other public entities for facilities and equipment to expand 911 access in underserved rural areas, and authorizes such appropriations as are necessary to carry out the section.

TITLE VII—RESEARCH

The research title extends through 2006 most existing research program authorizations established in previous laws. The title also creates a number of new research programs. In terms of funding overall, this bill provides for $175 million per year in mandatory funding for agricultural research, an increase of $635 million over baseline for the 2002–06 period.

Research Title Highlights

Funding for the Initiative for Future Agriculture and Food Systems is increased from $120 to $145 million per year for fiscal 2002–06. This program directs research funding to agriculture priority areas though a competitive grant system. The bill directs USDA to ensure, as much as possible, that institutions serving minorities receive no less than 10 percent of the funding under this program.

Education grants programs for Hispanic-serving institutions are reauthorized through 2006.

The special authorization for biosecurity planning and response is amended to create a special account for appropriations for agricultural research, education, and extension activities for biosecurity. Under this section funds may be used under any authority available to the Secretary to reduce the vulnerability of the United States food and agricultural system to chemical or biological attack.

The bill creates a new program for rural research funded at $15 million a year. The program would fund rural policy research on topics such as: rural sociology, effects of demographic change, needs of groups of rural citizens, rural community development, rural infrastructure, rural business development, rural education and extension programs, and rural health. These programs will help develop the policy tools necessary to build a solid foundation within rural communities for long-term growth and improved quality of life.

The legislation creates a new program to assist beginning farmers and ranchers at a level of $15 million a year. The program will provide competitive grants to support new and established local and regional training, education, outreach, and technical assistance initiatives aimed at beginning farmers or ranchers. This program

will allow new farmers or ranchers to acquire entrepreneurial, financial, and other business skills; conservation assistance; risk management education; innovative farm and ranch transfer strategies; and basic livestock and crop farming practices. In addition, 25 percent of the funds are set aside to be used to support programs and services that address the needs of limited resource and socially disadvantaged beginning farmers or ranchers.

The bill allows USDA to make competitive grants for the acquisition of special purpose scientific research equipment for use in the food and agricultural sciences programs of eligible institutions which are: (1) a college or university; or (2) a State cooperative institution. The amount of the grant made to an eligible institution under this section may not exceed $500,000. The program is authorized for appropriations for up to $50,000,000 annually for each of fiscal years 2003 through 2006.

This provision establishes a priority for grants to institutions that have the goals of: forming interdisciplinary teams to review or conduct research, conducting studies on the biosafety of genetically modified agricultural products, evaluating identity preservation systems, establishing international partnerships, or reviewing the nutritional enhancement and environmental effects of genetically modified agricultural products.

The assistive technology program for farmers with disabilities is reauthorized through 2006.

The bill increases the authorizations for formula funds for research and extension programs, and makes technical changes that facilitate the ability of historically African American and Native American institutions to serve their populations.

The legislation includes a variety of provisions that strengthen organic and sustainable agriculture research programs, including increased reporting of organic marketing data, the use of genomics to improve varieties for organic production and research to assess the needs of the organic industry regarding identity preservation.

The bill includes a Sense of Congress provision that calls for the doubling of federal investments in food and agriculture research over the next five years.

TITLE VIII—FORESTRY

The Department of Agriculture's longstanding commitment to provide important forestry assistance to private landowners is continued in the forestry title of the farm bill.

New forestry programs

A sustainable forest management program is created to provide cost-share assistance to non-industrial private forest landowners who agree to develop a management plan and implement approved activities. The program is to be administered by the Secretary, in coordination with State foresters and State stewardship coordinating committees. Mandatory funding of $48,000,000 is available annually.

A program is established to assist in the development of sustainable forestry cooperatives owned by private forest landowners, of which at least 51% must be farmers or ranchers. The program shall provide competitive grants to non-profit organizations that

have demonstrated expertise in cooperative development. Mandatory funding of $2,000,000 is available annually.

A community and private land fire assistance program is established to allow the Secretary to undertake a variety of activities aimed at preventing fires on both Federal and non-federal lands. The program authorizes appropriations of $35,000,000 annually.

A wildfire and hazardous fuel purchase program authorizes the Secretary to make grants to eligible entities that use hazardous fuels to generate electricity. This provision authorizes appropriations of $50,000,000 annually. The program also authorizes the Secretary to enter into contracts for the removal of hazardous fuels from forest lands to implement the National Fire Plan.

A watershed forestry assistance program authorizes the Secretary to establish a cost-share program to provide to States, through State foresters, technical, financial, and related assistance to address water quality and watershed concerns on forest land. $20,000,000 in appropriations is authorized annually to carry out the program.

A sustainable forestry outreach initiative is created to educate landowners about sustainable forestry, professional forestry advice, and available resources to assist landowners in practicing sustainable forestry.

Other provisions

Other provisions in the bill: (1) require the Secretary to establish at least two forest fire research centers at institutions of higher education; (2) allow the Secretary to make grants or other arrangements to carry out the Cooperative Forestry Assistance Act; (3) add the United States Fish and Wildlife Service to State Coordinating Committees, and re-affirm the importance of the McIntire-Stennis Cooperative Forestry Act.

Reauthorizations

The bill reauthorizes the Forestry Incentives Program, the Renewable Resources Extension Act (authorization of appropriations is increased to $30,000,000 each year) and the Office of International Forestry.

TITLE IX—ENERGY

The energy title establishes several new programs providing incentives to farmers, ranchers and rural small businesses to develop renewable energy supplies on their lands and to increase energy efficiency.

New programs

A competitive grant and loan program is established to have eligible entities provide farmers, ranchers, and rural small businesses comprehensive energy audits, including renewable energy development assessments. Mandatory funding of $15,000,000 is available annually.

A grant and loan program is established so that farmers, ranchers, and rural small businesses can purchase renewable energy systems and make energy efficiency improvements. Mandatory funding of $33,000,000 is available annually.

A competitive grant and loan program is established to assist cooperatives and business ventures at least 51% owned by farmers or ranchers for the development of renewable energy projects to produce electricity. Mandatory funding of $16,000,000 is available annually.

A competitive grant program is established to support the development of plants that produce multiple products such as fuels, chemicals and electricity from biomass. Mandatory funding of $15,000,000 is available annually.

A competitive grant program is established to demonstrate the use of hydrogen and fuel cell technologies in farm and rural applications. Mandatory funding of $5,000,000 is available annually.

A grant and loan program is established to assist rural electric cooperatives and rural electric utilities in developing renewable energy supplies. Mandatory funding of $9,000,000 is available annually.

New research, development and demonstration programs are established to promote understanding of and measurement of carbon sequestration in soils and plants. The programs are authorized for appropriations at varying levels.

Other provisions

Other provisions in the bill include a biobased products purchasing requirement for federal agencies if the products are on a USDA biobased products list and are comparable in price, performance, and availability to traditional products. In addition, the section includes a requirement that USDA develop a labeling program for biobased products. Mandatory funding of $2,000,000 is available annually.

The Biomass Research and Development Act of 2000 is extended. Mandatory funding of $15,000,000 is available annually.

A competitive grant program to educate the public and entities with vehicle fleets about the benefits of biodiesel fuel use is authorized with $5,000,000 in annual appropriations.

The bill includes a stipulation that the Secretary, through the Cooperative State Research, Education and Extension Service, and in consultation with the Natural Resources Conservation Service, may provide education and assistance to farmers and ranchers for the development of renewable energy resources.

The bill includes Senses of Congress regarding a national renewable fuels standard and the bioenergy program of the Department of Agriculture.

TITLE X—MISCELLANEOUS

Country of origin and quality grade labeling

Section 1001 requires retailers of certain commodities (beef, lamb, pork, farm-raised fish, perishable agricultural commodities and peanuts) to inform consumers of the country of origin of the commodity. The requirements of this provision do not apply to processed beef, lamb and pork items or to frozen entrees containing beef, lamb or pork, nor do they apply to food service establishments. Section 1002 prohibits imported meat or meat food products from bearing a label indicating a quality grade issued by the Secretary.

Crop insurance

Section 1011 amends Section 508(e)(4) of the Federal Crop Insurance Act (7 U.S.C. 1508(e)(4)) by striking the limitation on the prohibition against continuous coverage. Section 1012 amends Section 508(m)(3) of the Federal Crop Insurance Act (7 U.S.C. 1508(m)(3)) to require that adjustments to the procedures described in this subsection be made by the 2003 reinsurance year. Section 1013 amends and adds to the list of loans and payments for which persons who produce agricultural commodities on highly erodible land without meeting conventional requirements or on converted wetland, are ineligible. It also amends and adds to the list of loans and payments for which persons convicted of cultivating controlled substances are ineligible.

General provisions

Section 1021 addresses stockyard practices involving nonambulatory (or "downed") livestock. This section provides that it will be unlawful for any stockyard owner, market agency, or dealer to buy, sell, give, receive, transfer, market, hold, or drag any nonambulatory livestock unless the livestock has been humanely euthanized. This provision does not apply to animal handling practices on non-GIPSA farms, nor does it apply in a case where a downed animal receives veterinary care rendering the animal ambulatory.

Section 1022 reauthorizes and extends through 2006 the cotton classification activities of the Department of Agriculture under the Cotton Statistics and Estimates Act.

Section 1023 amends the Food Security Act of 1985 to conform to the revised Uniform Commercial Code. It allows filings for security interests in farm products to identify the State, county, or parish in which the product is located, instead of requiring the exact description of property where the product is located.

Sections 1024 and 1025 amend the Animal Welfare Act to prohibit the transportation, for fighting purposes, of animals in interstate and foreign commerce and increase the penalties for violations.

Section 1026 requires USDA to carry out an outreach and technical assistance program to encourage and assist socially disadvantaged farmers and ranchers in owning and operating farms and ranches, and in participating equitably in the full range of agricultural programs offered by USDA. This section allows USDA to make grants and enter into contracts with qualified entities to provide information and technical assistance under this provision. Appropriations are authorized to carry out the section.

Section 1027 requires USDA to report election data related to the representation of socially disadvantaged groups on county, area, and local committees. It requires USDA to promulgate and publish in the Federal Register proposed uniform guidelines for conducting elections for members and alternate members of county, area, and local committees. The procedures must insure, through appointment or other means, that additional voting members of the committee fairly represent socially disadvantaged groups if they are under-represented within that area.

Section 1028 reauthorizes and extends the Pseudorabies Eradication Program through 2006.

Section 1029 authorizes, subject to appropriations, a Tree Assistance Program under which USDA may provide assistance to eligible orchardists in case of natural disaster. Assistance will consist of reimbursement of 75 percent of the cost of replanting trees lost due to a natural disaster, in excess of 15 percent mortality as adjusted for normal mortality, or at the discretion of the Secretary of Agriculture, sufficient seedlings to reestablish the stand.

Section 1030 provides $3.5 million in funds for fiscal year 2002 for the Secretary to establish a national organic certification cost-share program to assist producers and handlers of agricultural products in obtaining certification under the national organic production program established under the Organic Foods Production Act of 1990. Payments to producers or handlers are limited to $500, and the federal share of the certification cost will be no more than 75 percent of the total certification cost incurred.

Section 1031 authorizes $3 million to be appropriated to establish a Food Safety Commission. The Commission will make specific recommendations that build on and implement the recommendations contained in the National Academy of Sciences report entitled "Ensuring Safe Food from Production to Consumption" and serve as the basis for draft legislation to improve the food safety system.

Section 1032 expresses the sense of Congress that the Humane Methods of Slaughter Act should be fully enforced and that USDA should resume tracking violations of the Act.

Administration

Section 1041 allows the Secretary to promulgate regulations to implement this Act, and provides for procedures for doing this. Section 1042 describes the effect of this Act on existing law

III. Purpose, Need and Background

TITLE I—COMMODITY PROGRAMS

BACKGROUND

For almost 60 years the United States provided assistance to farmers in times of low commodity prices. This practice was abandoned in 1996 when Congress passed the Federal Agriculture Improvement and Reform Act of 1996 (FAIR) which purported to help U.S. farmers make the transition from government dependence to greater market reliance.

When the FAIR Act was being considered, the U.S. farm sector enjoyed high prices and a robust market expansion period. Commodity prices were high and were projected to remain high during the seven years of the farm program. Years of favorable weather in major producing regions, the financial crisis in East Asia in late 1997, and a strong U.S. dollar all contributed to dramatically lower commodity prices than any of the experts forecasted.

After less than two years of farm policy under the FAIR Act with commodity prices 50 percent or more below their 1995–1996 peaks, producers learned that the transition payments were inadequate to meet their cash flow needs. Congress responded with ad hoc emergency payments in 1998, 1999, 2000 and again in 2001. While these payments helped alleviate the crisis in the farm sector, the

payments did nothing to address questions of whether the underlying agricultural policies were inadequate for U.S. agriculture.

Although American agriculture is one of the most efficient sectors of the U.S. economy, that efficiency has not brought prosperity to those who produce the food and fiber in this country. Producers of row crops face the fourth consecutive year of low commodity prices compounded by rising costs of production. The ad hoc assistance of the last four years was neither carefully crafted, nor sustainable for the future.

The budget resolution provided additional funds for the Committee on Agriculture, Nutrition and Forestry to improve farm programs and provide better income protection for U.S. farmers and ranchers.

The Committee invited numerous agricultural organizations to present their views on how farm programs could be modified to benefit the producers those organizations represent. Predictably, the Committee heard a wide range of suggestions on how to improve the current program. There were, however, common suggestions and some ideas that won broad support.

First, every organization supported producer flexibility. Even those organizations that suggested supply management in one form or another wanted to retain flexibility. The flexibility to plant a wide range of agricultural crops without losing program benefits is an important component of current law that will be continued in the next farm program.

Producers have had planting flexibility for six years. For many producers their recent cropping history is very different than the bases on which they have been receiving payments. The Committee bill adds soybeans and other oilseeds to the list of contract commodities and allows producers to update their contract acreage and payment yields to reflect their recent production history. However, those producers who choose not to update acres and yields will be able to retain their current contract acres and yields and add oilseeds acres and recent yield experience to a maximum of the eligible cropland on the farm.

This change in policy will provide greater equity for those producers who have been growing the covered commodities, but who happen to farm land that has a relatively low base or a low payment yield. During the years when payment yields were established—1981 through 1985—some producers were able to establish relatively high yields while neighbors with similar production experience were unable to obtain the same advantage The payment yield data is a generation old. It is time to give producers the option of providing recent acreage and yield data.

Second, most organizations called for some form of counter-cyclical payment to support farm income when commodity prices or farm income falls. This has been the greatest weakness of the current program and one which the Committee addresses in two ways.

DIRECT AND COUNTER-CYCLICAL PAYMENTS

The bill provides very substantial direct fixed payments during the first two years and lower payments in the third, fourth and fifth years. As the direct fixed payments decline, the bill authorizes counter-cyclical payments to assure that producers receive at least the income protection price on their contract acreage. This protec-

tion is available as long as the producer complies with conservation of highly erodible land and wetlands and uses the contract acreage for an agricultural use other than the production of prohibited fruits and vegetables.

MARKETING ASSISTANCE LOANS AND LOAN DEFICIENCY PAYMENTS

The marketing assistance loans and loan deficiency payments provide additional counter-cyclical support for each bushel, pound or hundredweight of each loan commodity produced. Loan rates for most commodities have been frozen at 1996 levels. The Committee-passed bill raises the loan rates for all commodities with the exception of soybeans and extra long staple cotton. The soybean loan rate is slightly lower than the $5.26 per bushel available for the 2001 crop and the ELS cotton loan rate is held constant.

The loan rates for the three largest row crops—corn, soybeans and wheat—are carefully balanced to reduce unintended incentives to plant one crop over another. The loan rates for other commodities are adjusted to assure that producers are not discouraged from planting those crops. For instance, the grain sorghum loan rate is established at the same level as the corn loan rate so farmers will consider planting grain sorghum rather than the alternative corn.

Likewise, the bill raises the loan rate for minor oilseeds to give producers an alternative to wheat. In implementing the marketing assistance loan program for minor oilseeds, the Committee directs the Department to establish one sunflower loan rate and loan repayment rate for each county. The Department has established separate loan programs for oil-type and confection or other-type sunflower seed. This differentiation does not accurately reflect market relationships, and the Committee is concerned that this implementation disadvantages confection-type sunflower seed growers and threatens the domestic confection industry when oil-type sunflower prices are below marketing loan levels. The Committee understands under these circumstances grower contracts could be offered at levels unrepresentative of world market prices, presenting the opportunity for foreign competitors to contract for and export confection products at levels that undercut U.S. access to traditional foreign markets.

Under this Act the Committee expects the Department to implement a combined loan program that treats all sunflower seed equally. The Committee directs the Department to establish one county loan rate for sunflower seed according to the national average rate for minor oilseeds in this Act ($0.095 per pound). The Committee expects the Department of continue announcement of weekly loan repayment rates for sunflower reflecting local market prices which minimize potential loan forfeitures. Accordingly, sunflower seed loan repayment rates should reflect oil-type sunflower seed local market prices.

The bill adds a new loan program for the pulse crops—dry peas, lentils and chickpeas. These crops compete for acreage against those crops that have long-standing loan programs. The new loan program for the pulse crops is intended to eliminate the disincentive to produce those crops.

DAIRY

At a farm-level value of $23 billion, dairy is the second-largest farm commodity produced in this country, behind only beef.

The dairy industry is unique among agricultural commodities because milk is highly perishable, and not easily transported or stored. Dairy farmers must market their production virtually every day, regardless of price. As a result, the dairy industry has generally been subject to a larger degree of government intervention and regulation than most other commodities.

The price of milk to dairy producers in the United States has been supported continuously for over 50 years since the enactment of the Agricultural Act of 1949. Since 1981, the support level has been established by Congress either at specific price levels, or by formula tied to anticipated Commodity Credit Corporation (CCC) dairy product purchases. The current support price of $9.90 per hundredweight for milk containing 3.67 percent milkfat has been in effect since January 1, 1999.

In the early 1980's the price support level was above $13.00 per hundredweight. At that level, the program generated milk production above market demand and resulted in CCC purchasing more than 10 percent of U.S. milk production at a cost exceeding $2 billion annually. Starting in December 1983 the price support level was reduced through a series of $0.50 per hundredweight reductions. In addition to the price support reductions, Congress enacted short-term programs in the mid-80's that provided incentive payments to dairy producers who voluntarily reduced or terminated milk production. To reduce CCC price support costs the Congress instituted an assessment on milk marketed by producers that was paid to the government. The combination of lower prices, incentive payments to reduce production and assessments resulted in lower production and reduced CCC dairy product purchases.

The FAIR Act contained provisions to end the Dairy Price Support Program effective December 31, 1999 and establish a recourse loan program for milk effective January 1, 2000. The Act also terminated the authority to assess milk marketed.

When the FAIR Act was being considered milk prices were averaging about $3.00 per hundredweight above the support price and dairy products were not being sold to CCC. Milk prices fell below the $9.90 per hundredweight support level by the end of 1999 and remained at low levels throughout 2000. The low prices for dairy producers prompted Congress to reconsider the decision to end the Dairy Price Support Program on December 31, 1999 and laws extending the program through 2000 and subsequently through 2001 were enacted.

On three occasions starting in June 1999 USDA has made market loss assistance payments amounting to almost $1 billion to assist dairy producers facing reduced milk prices. In June 1999, a total of $200 million was paid to dairy producers. The second payment made in April 2000 totaled $125 million. The third payment made in December 2000 totaled $645 million.

The Committee has found that the existing safety net for dairy farmers is inadequate and has therefore included a new, national, dairy program that will improve dairy farmer income. It effectively establishes a new national minimum price per hundredweight for

raw milk used for Class I, or fluid milk, and a supplemental income protection program to provide counter-cyclical income support payments to producers of raw milk during periods of low milk prices. Whenever the Class III price falls below $14.25 per hundredweight, producers would receive payments under this program.

The government assists dairy exports through the Dairy Export Incentive Program (DEIP). The program is used to help U.S. dairy products meet competition from subsidizing countries, especially the European Union. Products eligible for DEIP are milk powders, butterfat and cheese. The DEIP is currently authorized through December 31, 2002. The Committee extends it through 2006.

The Fluid Milk Promotion and Education Program (also known as MilkPEP) has contributed to slowing the decades-long erosion in milk consumption and positioned the milk industry to better compete with soft drinks and other beverages. The program, which has been in effect for six years, works in close coordination with the dairy producer promotion program to maximize the effectiveness of dollars spent to enhance milk sales. The Committee extends the MilkPEP program through 2006.

The Dairy Market Enhancement Act of 2000 provided that the Secretary of Agriculture should establish a program of mandatory dairy product information reporting to provide timely, accurate, and reliable market information. To date, the Department of Agriculture has not established a program of mandatory stored dairy products reporting presumably due to questions concerning the authority to establish reporting requirements for substantially equivalent dairy products. Therefore, this legislation provides explicit authority to establish such a program.

The Dairy Production Stabilization Act of 1983 (Dairy Act) authorized a national producer program for dairy product promotion, research, and nutrition education to increase human consumption of milk and dairy products and reduce milk surpluses. Under the program promotion and research is conducted to strengthen the dairy industry's position in the marketplace and to maintain and expand domestic and foreign markets and uses for fluid milk products and dairy products produced in the United States. This legislation extends the Dairy Act through 2006 and expands it to include imported products.

SUGAR

American sugar producers have been facing sugar prices at or near 22-year lows for most of the past two years. The U.S. government is no longer able to limit sugar imports sufficiently to support prices and avoid sugar forfeitures. Last year, for the first time in nearly two decades, sugar producers forfeited a significant quantity of sugar to the government.

Since 1996, 17 beet and cane processing mills have closed or announced their impending closure. Sugar beets and sugarcane are highly perishable and have no commercial value until the sugar has been extracted. This makes sugar producers particularly dependent on their local processor—without a processor, there is no reason to produce sugar beets or sugarcane.

U.S. sugar producers asked the Committee to reestablish marketing allotments in an attempt to limit domestic production to levels that—with imports—will not exceed demand for sugar for

human consumption. The allotments should bring supply into balance with demand to enable the Secretary to implement the program at minimal net cost. However, the bill eliminates other assessments, penalties and fees which were implemented to help reduce budget deficits. The bill terminates the marketing assessment on sugar, eliminates the loan forfeiture penalty and reduces the CCC interest rate on price support loans

To further manage supply, the bill authorizes a payment-in-kind program to allow the Commodity Credit Corporation (CCC) to accept bids from processors of sugar cane and sugar beets to obtain raw cane sugar or refined beet sugar in the inventory of the CCC in return for reduction in production of raw cane sugar or refined beet sugar. This provision clarifies and enhances the CCC's authority to dispose of sugar it has obtained through forfeitures of sugar or other means. Through this authority, the CCC may administer a pre-plant payment-in-kind program for sugar cane or sugar beets to assist in the reduction of CCC sugar inventories. A pre-plant payment-in-kind program is an effective method of reducing CCC inventories of sugar because it reduces the CCC's inventory storage and disposal costs and avoids significant on-farm production costs.

PEANUTS

The Committee is recommending a dramatic change, and a significant investment of public resources, in the program for peanut producers. The program has long been of great importance to peanut producers, primarily in Georgia, North Carolina, and Virginia. The program and the peanut itself have had a long and colorful history. The lowly "goober pea" was and continues to be an important part of the economic history and foundation of the South. George Washington Carver's efforts to create new and useful products from peanuts has made him one of the most celebrated agriculturalists in American history. The Agricultural Act of 1938 contains the provisions, as amended over the years, which provide for peanut quotas and the price support activities which have enabled peanut production to remain profitable over the course of many changes in agriculture and agriculture policy.

The peanut program has changed and evolved over the years, especially when it was moved to a no-net-cost program in the 1980's. However, there is a concern within some segments of the industry that the program must now be fundamentally changed. Certainly this view is not universally shared, and especially among some farmers. However, looking into the future, there is a belief by many that the current program is not sustainable in a world of free trade and increasing production of quality peanuts in other countries. Moreover, the concern is that peanut imports are slowly increasing and will continue to increase as the peanut tariff rate quota is eliminated under existing trade agreements. The argument is that without significant changes the current program will become unworkable as the quota is reduced more each year to maintain program objectives.

The Committee bill proposes to change the program and bring it more in line with the other commodity programs. Specifically, marketing quotas are abolished and a new system of peanut base acres and peanut yields are established. The new program creates a safety net for producers in the form of marketing loans, direct pay-

ments, and counter-cyclical supports. Quota holders will be compensated at an established rate for the value of their quota over a five year period. Quota holders that are not involved in peanut production and that have depended on annual income from the rent of their quota will need to adjust to a future without this source of income.

There will be other adjustments during the transition to the new program. It is likely that there will be regional impacts and perhaps dislocations among producers, especially in higher cost areas of production. The existing program has functioned by keeping the supply of peanuts in close proximity with demand such that the Government established support rate has not resulted in large amounts of forfeited peanuts. The result is that over the years processors, product manufacturers and consumers have all contributed to sustaining the program. Under the new program, this connection will no longer be in place. Due to the lower support rates under the new program, processors and manufacturers will enjoy significantly cheaper peanuts. Whether consumers will ultimately benefit remains to be seen. Producers can anticipate a more competitive production and marketing environment. Those producers that can continue to produce low cost and high quality peanuts may see greater rewards from the marketplace. Regardless, all peanut producers in the program will benefit from the new safety net provided in the Committee bill.

ADJUSTMENT AUTHORITY RELATED TO URUGUAY ROUND COMPLIANCE

Although this bill increases support to U.S. producers, expenditures under this bill are not expected to exceed the total allowable domestic support levels established in the Uruguay Round Agreement on Agriculture. However, to ensure that the United States meets its international obligations, the Committee bill includes authority to allow the Secretary to reduce domestic support expenditures to a level that meets but does not exceed WTO commitments. The Committee expects the Secretary to implement any reductions in a fair, equitable and proportionate manner considering the effect that the support for a particular commodity has on the Secretary's determination that expenditures will otherwise exceed the allowable domestic support.

COMMODITY PURCHASES

Proper nutrition, including increased consumption of fruits and vegetables, is crucial to the health and well being of our nation's school children. By requiring the Secretary of Agriculture to use CCC funds to assure the purchase of specialty crop items for distribution to the National School Lunch Program, The Emergency Food Assistance Program, and other nutrition programs, the bill will further the objective of improved nutrition at the same time it provides much needed assistance to producers of specialty crops. At least $50 million of the funds available each fiscal year would be used to supplement an extremely popular program that utilizes the expertise of the Department of Defense to purchase fresh fruits and vegetables for schools in the National School Lunch Program.

TITLE II—CONSERVATION

BACKGROUND

The Department of Agriculture operates several conservation programs through both the Natural Resources Conservation Service (NRCS) and the Farm Service Agency (FSA). These programs provide producers and landowners opportunities to manage their privately owned agricultural lands in a manner that enhances natural resources, including the implementation of practices that protect water and air quality, reduce soil erosion, and increase wildlife habitat.

Conservation programs funded through the Credit Commodity Corporation are weighed heavily toward programs that take land out of production with the majority of the funds directed toward the Conservation Reserve Program (CRP).

CRP, which is managed by FSA, was originally authorized in the Food Security Act of 1985 (the 1985 Farm Bill) for 40–45 million acres. In the Federal Agriculture Improvement and Reform Act of 1996 (the 1996 Farm Bill), the acreage was limited to 36.4 million acres. Currently, nearly 34 million acres are enrolled in CRP. Starting in 1990, applicants wishing to enroll land in CRP had to bid competitively during open sign-ups that occurred no more than once a year.

In addition to general CRP, two programs were established under CRP to enroll more environmentally sensitive lands. Applicants do not have to bid their land in these programs.

Originally authorized in the Food, Agriculture, Conservation and Trade Act of 1990 (the 1990 Farm Bill), the Conservation Reserve Enhancement Program (CREP) is a highly successful State-Federal matching program created to address specific State and local concerns, including water quality, soil erosion and wildlife. Currently, 19 States have CREPs with a total of 246,000 acres enrolled. The second program, the Continuous Sign-up CRP which began in 1996, allows producers to directly contract with FSA to enroll lands that address water quality, by enrolling riparian buffers, filter strips, contour grass strips, and grass waterways. Approximately 1.56 million acres have been enrolled nationally.

In addition to CRP, the Wetlands Reserve Program (WRP), authorizes the Secretary, through NRCS, to work with and provide payments to landowners for restoring or protecting wetlands. WRP was originally authorized in the 1990 Farm Bill as a pilot program under CRP for a total of one million acres. In the 1996 Farm Bill, the total acreage was reduced by 25,000 acres to 975,000 acres and WRP was made an independent program. As part of the Agricultural, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act for fiscal year ending 2001, an additional 100,000 acres was added to WRP. The Secretary may enroll wetlands in WRP through permanent and 30-year easements and restore wetlands through ten-year cost-share contracts.

The Environmental Quality Incentives Program (EQIP) was originally authorized in the 1996 Farm Bill and was funded at $200 million annually after the first year. EQIP provides technical, financial, and educational assistance to crop and livestock producers to address soil, water and related natural resource concerns. EQIP provides producers with incentive payments for up to three

years to implement land-based management practices, including nutrient and pest management, and cost share for structural practices and equipment, including tree planting, filter strips and, for small and medium-sized livestock owners, animal waste storage structures. By statute, EQIP was required to maximize environmental benefits per dollar expended, and as a result, has concentrated its funding in priority areas that are identified at the State level. Over the years, nearly 74 percent of the funds under EQIP were directed toward priority areas. In addition, a mandatory split was included that ensure 50 percent of the funds were provided for livestock operations. Eligible producers enter five-to-ten year contracts and payments are limited to $50,000 over the contract period and $10,000 annually. Because producers need to bid for funds under EQIP and funds are directed toward maximizing environmental benefits, many producers do not receive funds. Moreover, funds under EQIP cannot be used to maintain practices previously adopted by producers.

The Farmland Protection Program (FPP) was originally authorized in the 1996 Farm Bill for $35 million after the success of a one-State pilot program authorized in the 1990 Farm Bill. The FPP originally was designed to allow States and local governments to leverage Federal funds to purchase development easements on agricultural land. Since 1996, changes to allow non-profit organizations to participate have allowed FPP to expand to many more States. The original $35 million and an additional $17.5 million added in the Agricultural Risk Protection Act of 2000 (ARPA) was allocated quickly.

The Wildlife Habitat Incentives Program (WHIP) was originally authorized in the 1996 Farm Bill for $50 million. The funding under WHIP was allocated by the end of fiscal year 1999. WHIP provides up to 75 percent cost-share for implementing fish and wildlife habitat improvement practices on private lands, including lands of Indian tribes. Under WHIP, States have great flexibility in determining wildlife priorities and which landowners receive assistance. An additional $12.5 million was added in through ARPA.

The Resource Conservation and Development (RC&D) Program was authorized in the Food and Agriculture Act of 1981. The RC&D program authorized the creation of 450 multi-county councils to help develop rural economies while improving natural resources at the local level. Currently, there are 348 Councils.

The Conservation of Private Grazing Land Program was authorized for appropriations at $60 million annually in the Federal Agriculture Improvement and Reform Act of 1996. Under the program NRCS provides technical, educational, and related assistance to owners of private grazing lands to ensure better management of grazing lands.

The 1990 Farm Bill required the Secretary to create a technical committees in each State to serve in advisory roles on the administration of conservation programs at the State and local levels. The wide membership of the technical committees was designed to maximize the local involvement and cover a wide variety of natural resource disciplines. The technical committees have worked well in many States, but in other States the technical committees have not functioned as planned because meetings and other essential activities do not occur.

Technical assistance provided through conservation programs was restricted in the 1996 Farm Bill as a cost-savings measure to $36.2 million. As a result, full implementation of the programs have been hampered. In addition, the number of employees at NRCS who provide technical assistance has decreased by 2,000 employees since 1985, from 13,600 employees to 11,600 employees. In some cases, NRCS has successfully partnered with governmental and non-governmental organizations, like conservation districts, to provide technical assistance.

PURPOSE AND NEED

Despite the conservation successes from current USDA programs, the Committee recognizes that more can be done. For that reason, the Committee improves existing programs and creates new ones. The bill increases funding for conservation programs by $20.5 billion above the baseline of approximately $21.5 billion over the next 10 years. The bill provides over $18 billion in total conservation spending over the next five years. The bill further improves existing programs, strengthens technical assistance, including a new provision that fosters technical assistance through third party providers. It also creates a critically needed working lands programs, and requires the Secretary to better coordinate all programs to avoid duplication and ensure better delivery to participating producers and landowners. The bill consolidates most conservation programs (except for the Resource Conservation & Development Program and State Technical Committees) in the Food Security Act of 1985 to facilitate use of conservation programs. To improve implementation and delivery of conservation programs, the Secretary is required to assess all USDA conservation programs and provide Congress with reform recommendations to improve efficiencies, eliminate overlaps and redundancies, and simplify operations.

NATIONAL CONSERVATION PROGRAM

The bill requires the Secretary to develop a plan and budget for implementing the National Conservation Program (NCP). The NCP is an appraisal of the nation's soil, water, and related resources and the Committee intends that the NCP be used as the framework for a coordinated national plan for the conservation of agricultural lands. Because of the importance of proper coordination, the Committee requires the Secretary to provide the plan to Congress within 180 days after the enactment of this bill and to provide Congress with a status report on the NCP plan by April 30, 2005.

STATE AND LOCAL PARTNERSHIPS

In order to build upon the many State, local and private partnerships the Secretary maintains, the bill authorizes the Secretary to continue and expand these partnerships to allow producers to address environmental issues affected by agricultural production. The bill authorizes the Secretary to work, including through partnerships, on special projects in environmentally-sensitive areas or watersheds that are not currently covered by existing programs or that require special attention.

CONSERVATION TECHNICAL ASSISTANCE

This bill lifts reimbursement restrictions placed during the 1996 Farm Bill on the availability of funds by exempting technical assistance from the Section 11 cap of the Commodity Credit Corporation. Moreover, the Committee recognizes the need to increase access for technical assistance from other sources. For that reason, the Committee requires the Secretary to create a third-party certification program that allows non-USDA employees to receive compensation for providing technical assistance under all conservation programs.

The Committee recognizes that many States and local governments already employ individuals to provide technical assistance. For that reason, funds for third party providers shall not be used to reimburse employees of State and local governments unless the Secretary is satisfied that the funds will increase the base of conservation technical assistance provided under the conservation programs.

CERTIFICATION OF TECHNICAL ASSISTANCE PROVIDERS

The Committee further recognizes that multiple institutions and groups provide certification for the provision of technical assistance and the Secretary should implement regulations that take these programs into account and do not interfere or discourage certification through these groups. The bill authorizes the Secretary to grant full or partial waivers for certification and for the payment of fees for individuals accredited through an equivalent organization, as determined by the Secretary. However, the Committee also recognizes that certification by an accredited group does not mean that the accredited person is qualified to provide all forms of technical assistance. In addition to technical assistance, the Secretary shall provide education and outreach to all producers, including limited resource producers, Indian tribes and beginning farmers and ranchers.

CONFIDENTIALITY OF INFORMATION

Because of the sensitivity of information provided by producers and landowners participating in conservation programs, the bill provides for the Secretary to maintain the confidentiality of the provided information. The information only may be released in an aggregate form that does not reveal individual producer information. Moreover, it is not the Committee's intention to interfere with Freedom of Information Act requirements.

CONSERVATION RESERVE PROGRAM (CRP)

This bill reauthorizes, through fiscal year 2006, and expands CRP from 36.4 million acres to 40 million acres. While the Committee does not specifically reserve acreage for the continuous sign-up program or CREP it is expected that the Department will continue to reserve at least five million acres for these very successful programs. The legislation codifies these two programs and all references to buffers and successor programs shall be read to mean all practices or programs that allow a producer to enroll land on an on-going basis, as opposed to only during a general sign-up. And, to increase the attractiveness of these programs, the legisla-

tion provides enhanced incentives for all continuous practices. Some producers have recently begun cropping previously non-cropped lands for the purpose of later enrolling the land in CRP. The legislation would prohibit enrollment of highly erodible lands that do not have a cropping history during three of the last six years as a means of discouraging producers from planting crops on non-cropped lands for later CRP enrollment.

WETLANDS RESERVE PROGRAM (WRP)

All authorized acreage available under the highly successful WRP has already been enrolled. The Committee recognizes the need for additional acreage, as evidenced by the large backlog for participation and the continuing loss of wetlands. To address this need, this bill reauthorizes WRP, through fiscal year 2006, and increases the total acreage cap by 1.25 million acres. To build upon the CREP framework, the Committee authorizes the Secretary to enroll up to 25,000 acres annually in a new Wetlands Reserve Enhancement Program (WREP). WREP encourages federal coordination with State and local governments and private organizations to focus resources on critical environmental needs, including water quality and wildlife habitat. Unlike CREP, the State and local governments are not required to provide financial cost-share.

ENVIRONMENTAL QUALITY INCENTIVES PROGRAM (EQIP)

This bill reauthorizes EQIP through fiscal year 2006, EQIP. Requests for EQIP assistance far exceed available funds. The legislation provides increased funding for EQIP for a total of $5.2 billion over the next five years. Increasing funding over time will allow NRCS to more effectively implement the program. The legislation provides $500 million for fiscal year 2002, $1.05 billion for fiscal year 2003, $1.2 billion for each of fiscal years 2004 and 2005, and $1.25 billion for fiscal year 2006.

Although many federal regulations impacting agriculture have been on the books for decades, a recent interest in their enforcement, in addition to more active regulation by State and local authorities, many producers have turned to the Federal Government for assistance to comply with these regulations or to implement practices that can help them avoid regulation. To make EQIP funds more useful to all producers and to ensure that sound environmental practices are properly adopted, the bill increases the total amount available under a contract to $150,000 and the annual limit to $50,000. Given this increase, the Committee believes that these funds should only be made available where the Secretary can ensure that the funds are limited to one person or entity. In the case of contracts for animal waste facilities, a producer can have one contract during the five-year period covered by the farm bill. EQIP contracts for animal waste structures currently require nutrient management plans and the bill continues this requirement. The Committee believes that these collective requirements are essential to achieve maximum environmental benefit in the most equitable manner.

Under the bill all producers are eligible for EQIP funds and it is not the intention of the Committee to give priority to producers who are or may be regulated at the expense of providing funds for non-regulated producers. In fact, the Committee believes that one

of the strengths of EQIP is that it provides funds to producers with less means to move toward more environmentally-sensitive management of their operations. To better reach producers with limited resources, including beginning farmers and those who rent lands on a short-term basis, the bill reduces minimum contract length to three years, and increases the level of cost-share provided to limited resource producers and beginning farmers and ranchers to 90 percent. The Committee also recognizes that priorities vary across States. To ensure that each State uses the funds in the manner that ensures the greatest level of environmental benefit, the bill does not mandate a split between livestock and non-livestock concerns. The Committee, however, strongly discourages NRCS from allowing States to favor one type of producer at the expense of others. To facilitate implementation, the legislation no longer requires each applicant to have a conservation plan developed prior to acceptance in EQIP, but still requires development of a complete conservation plan by producers who carry out an EQIP contract.

The Committee recognizes the need for the Secretary to have flexibility to establish special projects and provides five percent of EQIP funds to be used in watersheds and other areas of regional significance to address water conservation, including irrigation projects to increase water management, nutrient management and wildlife habitat.

INNOVATIVE APPROACHES TO CONSERVATION

The Committee further recognizes that many important ideas come from the private and non-Federal sector. To encourage development of innovative approaches, the Secretary may use up to $100 million annually to pay the Federal share of competitive grants to stimulate innovative approaches to protect environmental quality in conjunction with agricultural production. In creating this grant program within EQIP, the Committee was particularly concerned with the degradation of our nation's waters. This degradation results in the loss of productive habitat for fish and wildlife, causes billions of dollars in lost economic activity, forces businesses and municipalities to bear the cost of cleaning up contamination, and may threaten human health.

The Committee believes that the protection of source water for human consumption should be a high priority for the use of grants for innovative conservation practices and that water utilities should be important partners with agricultural producers in the development and implementation of conservation projects under this grant program.

The Committee also believes that the Secretary should place a high priority on reducing nutrient loadings—particularly nitrogen and phosphorus—from agricultural lands. By establishing market-based incentives to reduce nutrient discharges from agricultural lands an efficient mechanism is created to improve water quality and create environmentally beneficial income alternatives for farmers. The Committee intends for the Secretary to work with the State and private organizations to target investments in nutrient reductions where they are most cost effective through competitive selection processes; test a variety of reduction techniques; encourage alternative land use practices that reduce nutrient runoff while still producing income; and contribute to the economic viability of

agricultural operations. The Committee recognizes that the requirement that the Federal share cannot exceed 50 percent may mean that not all funds will be expended within the fiscal year. Therefore, legislation requires that funds not committed by June 1st be made available for use under the rest of EQIP.

FARMLAND PROTECTION PROGRAM (FPP)

The Committee further recognizes the importance of FPP in preventing the accelerating expansion of urban and suburban areas into agricultural lands. The funds for FPP increase over time to a total $1.025 billion over five years, but in a manner that allow NRCS to implement the programs successfully and work with States that do not currently have programs. The legislation provides $150 million for fiscal year 2002, $200 million annually for fiscal years 2003 and 2004, $225 million for fiscal year 2005, and $250 million for fiscal year 2006. The bill also expands eligible lands to include cropland, rangeland, grassland and forested land on farms or ranches. The Committee does not intend to open FPP to forest land that is not an integral part of an operating farm or ranch. To build upon recent successes from expanding the program, this bill expands participation in the program to non-profit organizations. To help participating farms and ranches to develop business plans to remain in agriculture, this bill allows the Secretary to dedicate up to $10 million annually for Farm Viability Grants.

WILDLIFE HABITAT INCENTIVES PROGRAM (WHIP)

The bill reauthorizes WHIP, through fiscal year 2006, and expands the resources and types of assistance currently eligible under the program. Because the Committee recognizes the enormous benefits that come from protecting wildlife habitat on private lands restored under WHIP, the bill increases total funding to $500 million over five years. The legislation increases the funding over time to allow NRCS to implement the programs in a manner that allows for the effective use of funds. The legislation provides $50 million for fiscal year 2002, $100 million annually for fiscal years 2003 and 2004, and $125 million annually for fiscal years 2005 and 2006.

The Committee recognizes the unique habitat needs of threatened and endangered species, and for that reason requires the Secretary to reserve not less than 15 percent of funds under WHIP for projects focusing on threatened and endangered species. To further address the needs of threatened and endangered species, the bill authorizes the Secretary to establish a pilot program to use up to an additional 15 percent of the available funds under WHIP to enroll lands critical for habitat for threatened and endangered species for a period of 15 years or longer.

CONSERVATION SECURITY PROGRAM (CSP)

There are nearly 900 million acres of agricultural land in the United States and the Committee recognizes the urgent need to address conservation on those lands. While increased funding for working land programs like EQIP and WHIP help advance conservation on private agricultural working lands, the Committee believes that a conservation incentives program will fill the gaps in USDA programs. An incentive program, like the one established in

the Conservation Security Act, provides a new direction for agriculture. Through this new Conservation Security Program (CSP), which the bill authorizes through fiscal year 2006, producers will receive income for maintaining or adopting conservation practices. All producers with lands in production may participate in the CSP. Moreover, the payments are designed to be consistent with international trade obligations, and the Committee expects the Secretary to ensure that regulations implementing the CSP remain consistent with these obligations.

Because of the importance of CSP, and its design to serve all agricultural producers with lands in production, the Committee strongly encourages the Secretary to expedite implementation of the program. Because the CSP is specifically designed to reach all producers, the Secretary shall not create an allocation system based on a limited level of funding, but instead shall use all funds necessary for full implementation as required under the legislation.

Over the years, it has become clear that producers who adopted good conservation practices using their own time and money were not eligible for USDA conservation programs. Although these good stewards have contributed greatly to agriculture's efforts to enhance natural resources and protect the environment, the structure of conservation programs did not recognize, nor reward, their efforts. While the Secretary shall implement the CSP to achieve maximum environmental benefit, the regulations should be constructed to promote maintenance of conservation practices. Under CSP all producers are eligible to participate and do not have to bid into to participate. Producers that would not receive funding under other USDA conservation programs, may participate in CSP and provide important conservation benefits. One important element of CSP is that producers may continue to have economic uses of the land consistent with the objectives of the conservation security plan. This element further enables producers to implement conservation practices on working lands.

The Committee recognizes the importance of ensuring the programs work at the State and local level and the CSP requires local involvement and participation at all levels. In carrying out the CSP, the Secretary shall ensure maximum participation by producers at the local and State levels. To ensure maximum participation by producers, CSP provides maximum flexibility to participating producers to engage in the level of conservation that is suitable to each individual operation. Producers may adopt or maintain practices that fit into their agricultural operation, and receive increased payments by adopting or maintaining practices that address local priorities. Because many of the best ideas come directly from producers, the CSP rewards producers for developing and implementing pilot projects that further the development of conservation practices.

The CSP contains three tiers of participation related to the level of conservation applied. The first tier rewards producers for implementing basic management practices, the second tier promotes adoption of systems-based approaches to conservation, and the third tier rewards producers for the adoption of a comprehensive approach to conservation on a farm or ranch. The annual payments are designed to maximize environmental benefit under the CSP. The payments may reach $20,000 for Tier I, $35,000 for Tier II,

and $50,000 for Tier III each year. The payments are based on a combination of factors, including a percentage of average county rental rate for the type of land use (cropland, rangeland, or pasture) or appropriate average county rate for 2001 that would ensure regional equity. For land enrolled in CSP, the legislation provides a basic payment on enrolled land at the average county rate. The legislation sets the payment rates at six percent for Tier I, 11 percent for Tier II and 20 percent for Tier III. The Committee recognizes that rental rates do not always reflect the payment necessary to ensure participation in all regions of the country or States, or even within regions. The Secretary should ensure that the payments properly reflect an amount necessary to ensure participation. Moreover, the Secretary may use percentages of other county rates in determining the appropriate rate. For example, the Secretary may determine that the appropriate alternative rate is a percentage of a rate (such as one percent of the market value of the land) to which the 6 percent, 11 percent or 20 percent figures apply.

The annual payments include one-time advance payments equal the greater of $1,000 or 20 percent of the annual payment for Tier I, $2,000 or 20 percent of the annual payment for Tier II, and $3,000 or 20 percent of the annual payment for Tier III, at the option of the producer

In addition to receiving an average county rate payment for enrolling land under a contract, a producer may receive bonus payments for adopting or maintaining practices that increase environmental benefits (including practices that address national priority concerns) participation in research projects and the extent to which practices exceed local priority concerns. Beginning farmers and ranchers may also receive bonus payments.

To best ensure that the payments supply income for providing important environmental and conservation benefits, producers receive all or most of the cost of practices. Producers receive 100 percent of the costs of adopting or maintaining management practices, 100 percent of the costs of maintaining land-based structural practices, and 75 percent of the cost of adopting new land-based structural practices. To encourage increased conservation, the total of the base rate plus costs cannot exceed 75 percent of the maximum payment under the applicable tier. To ensure that practices focus on land-based management practices, payments are not provided for the cost of purchasing equipment or for waste storage or treatment facilities. Producers may receive cost-share payments for equipment and facilities through EQIP.

Resource Conservation and Development Councils

The Committee recognizes the important contributions RC&D Councils, created under the Resource Conservation and Development Program, have made to rural communities. For that reason, the Committee permanently authorizes the RC&D program.

Additional programs

The bill also reauthorizes, through fiscal year 2006, the Conservation of Private Grazing Land Program. The bill authorizes two additional conservation programs, the Watershed Risk Reduction program at $15,000,000 annually for each of the fiscal years 2002

through 2006; the Great Lakes Basin Program for Soil Erosion and Sediment Control at $5,000,000 annually for each of the fiscal years 2002 through 2006.

Grassland Reserve Program

Recent years have seen large tracts of grassland being converted to cropland or divided into smaller ranches. In addition, a program is needed to protect small remnants of native grassland. To encourage tracts of land to be restored to or to remain as grassland (including prairie), the bill requires the Secretary, acting through the NRCS, to enroll up to 2,000,000 acres of natural grasslands.

State Technical Committees

The Committee recognizes the importance of State Technical Committees to the administration of conservation programs at the State and local level. For that reason, the Committee requires an updating of responsibilities that reflect changes made to this title, including enhanced responsibilities of State conservationists that ensure enhanced participation by members of the State technical committees.

TITLE III—TRADE

FOOD AID PROGRAMS

Over the last several decades, the United States has been the world's leading advocate of international food aid programs. It began with massive assistance that included donations of food to devastated European countries under the Marshall Plan in the aftermath of World War II. The tradition was continued with providing food aid under the mechanism of surplus commodity disposal in Section 416(b) of the Agriculture Act of 1949 and the Title II and Title III provisions of the Agricultural Trade Development and Assistance Act of 1954, popularly known as PL–480. In the 1985 Food Security Act, Congress added the Food for Progress program as a tool for U.S. delivery of international food assistance for economic development and other purposes. During the 1990's, U.S. food aid averaged about 7.5 million tons annually, more than all other donor nations combined in most years.

Although the U.S. role in international food aid has been substantial, the need for food assistance remains large. For 2000, USDA estimated that there were 774 million people worldwide who were unable to meet their nutritional requirements on a daily basis, representing an annual aggregate gap in food assistance of as much as 17 million tons. In the face of such need, it is important that the United States government be able to provide a consistent amount of food aid that is not dependent on the existence of commodity surpluses.

There is also strong demand for resources to help nourish and educate children in the developing world. The United Nation's World Food Program believes that there are some 300 million children worldwide who are not receiving an education due to economic hardships faced by their families. With a desire to address that issue, the committee establishes and funds the International Food for Education and Nutrition program. This proposal was introduced last year by George McGovern and Bob Dole, former Senators and

long-time advocates of domestic and international nutrition programs. This program is based on the simple yet powerful notion that a well-nourished child is more likely to learn. In addition, the availability of food is more likely to bring that child of a poor family into school in the first place, and out of the factories and sweat shops of the Third World.

Currently, most food aid programs are funded under appropriations. The exception to that is the Food for Progress program, which has averaged about $125 million annually in recent years from the CCC to conduct development programs in countries with emerging democracies. Under this bill, additional mandatory funding is provided for this program, that includes the International Food for Education and Nutrition initiative, which nearly doubles the value of commodities that would be available for this program.

A significant share of U.S. food aid programs are delivered to developing countries through the efforts of U.S.-based private voluntary organizations (PVO's) and cooperatives. Their role is crucial in assuring the continuous flow of food aid and development assistance to recipient countries, and their work should not be unnecessarily hampered by excessive administrative requirements. While recognizing a legitimate and appropriate role for public monitoring and oversight of these projects, the Committee urges the agencies who conduct the various food aid programs to seek a balance that enables smooth program operation.

The Committee believes that overall program operation would be improved significantly if the relevant agencies devoted more resources to timely approval of program agreements, as required under Sections 307 and 325(i) of the bill. These provisions are designed to limit the situations under which a major share of eligible commodities are shipped during a relatively short time period at the end of the year. Better spacing of shipments over time would also reduce the bottlenecks that often occur in commercial shipping facilities in such circumstances.

With respect to certifying institutional partners under Sections 302, 325, and 334 of the bill, the Committee notes that the organizational capacity of the headquarters staff of a given eligible organization and its organizational capacity within field offices in individual countries where projects are conducted should be documented separately. To the maximum extent possible, the Administrator of US–AID and Secretary should utilize similar procedures in certifying institutional partner status.

With respect to Section 305 of the bill, the Committee asks the Administrator to clarify what kinds of documents are subject to review by the Food Aid Consultative Group. While interaction and consultation with key stakeholders is important, the Committee recognizes that the Agency is ultimately accountable to the nation's taxpayers for effective use of their available funds.

The Committee notes that the 120-day review period designated under Section 307 of the bill is longer than is currently permitted for the U.S. Agency for International Development (AID) to review PVO proposals. Under such a schedule, the Committee believes that the AID Administrator should not find it necessary to re-start the clock when seeking additional information or clarification from the eligible organization submitting the proposal.

FARMER-TO-FARMER PROGRAM

The Farmer-To-Farmer Program provides short-term U.S. agricultural technical assistance, on a people-to people basis, to developing countries and emerging democracies worldwide. Its purpose is "to assist in increasing food production and distribution, and improving the effectiveness of the farming and marketing operations of farmers." The program was established in the Food Security Act of 1985, and has utilized the volunteer efforts of tens of thousands of farmers and other Americans over the years of its operation. Funding provided for the program has increased steadily from its initial level of 0.1 percent of Title I and Title II funds, up to 0.5 percent in the current title.

The Committee urges the President to give priority with available additional funding under Section 313 of the bill to initiating new projects in African and Caribbean Basin countries under this program, making use of the farming knowledge of African-American farmers in this country for such projects.

COMMERCIAL EXPORT PROGRAMS

Over the last few decades, the U.S. agricultural economy has derived between 20 and 30 percent of its gross income from exports. While it has been demonstrated in recent years that export markets do not serve as a fully reliable safety net, trade is and will continue to be a key outlet for U.S. agricultural products.

U.S. agricultural exports have exceeded U.S. agricultural imports since the late 1950's, generating a surplus in U.S. agricultural trade. This surplus helps counter the persistent deficit in non-agricultural U.S. merchandise trade. The U.S. agricultural export surplus narrowed in recent years from its peak in fiscal 1996. However, it began to expand again in 2000 as exports rose in response to the recovery from the 1997–99 financial crises. In order to maintain healthy market shares for the wide range of agricultural commodities we now enjoy, it is important that Congress preserve and strengthen its export promotion programs, within the commitments made in the Uruguay Round Agreement on Agriculture.

Historically, the bulk commodities—wheat, rice, coarse grains, oilseeds, cotton, and tobacco—accounted for most U.S. agricultural exports. However, in the 1990's, as population and incomes worldwide rose, U.S. exports of high-value products (HVP)—meats, poultry, live animals, meals, oils, fruits, vegetables, and beverages—expanded steadily in response to demand for more food diversity. In fiscal 1991, HVP exports exceeded exports of bulk products for the first time. Since then, HVP exports have continued to exceed bulk exports, even in years of decline. The market promotion programs, specifically the Market Access Program and the Foreign Market Development Program, have been extremely helpful in achieving the recent gains in HVP exports. Both programs have experienced declining funding levels in real terms in recent years, and this bill provides additional resources to conduct both programs. Given the desire to encourage exploration of new export opportunities, priority in distributing the added funds made available to both programs in this bill will be given to proposals by new groups and for projects in emerging markets.

In a further effort to support the USDA's primary export objective of increasing the U.S. share of world agricultural trade, particularly for processed foods, the Committee suggests that the Secretary establish a permanent program for the Quality Sample Program (QSP). The QSP is designed to encourage the development and expansion of export markets for U.S. agricultural products, under the authority of the CCC Charter Act. On a pilot basis, QSP funds have been used to assist U.S. entities in providing product samples to potential foreign importers to promote a better understanding and appreciation for the high quality of U.S. agricultural products.

USDA's export credit guarantee programs have been solid tools for promoting U.S. agricultural exports over time, and were particularly effective during the economic recession in East Asia in the late 1990's. In particular, South Korean use of the GSM–102 program for purchasing U.S. commodities jumped from $14 million in 1997 to $1.38 billion in 1998 as the country's economy weakened, thus limiting loss of U.S. agricultural exports. The Committee notes that USDA's export credit guarantees have been utilized to promote exports of $3 billion over the last few years. While this is a very significant level of exports, it is well below the current statutory minimum for the program of $5.5 billion.

The Committee urges USDA to aggressively utilize GSM export credit guarantees in accordance with law to maximize the program's effectiveness and enhance the export opportunities for U.S. farm products. In addition, the Committee requests that USDA evaluate and implement a program to reduce the fees charged under the GSM programs. USDA should continue to work with exporters and U.S. banks that utilize the program to examine and implement these and other initiatives to strengthen the GSM programs and build usage.

Under Section 321, the bill increases from six months to 12 months the authorized tenor for guarantees under the Supplier Credit Guarantee Program (SCGP). The SCGP provides guarantees for short-term loans extended directly from U.S. exporters to foreign purchasers. Farm and commodity organizations indicate that limiting SCGP tenors to only 180 days significantly limits the program's effectiveness in assisting U.S. agricultural exporters. Extending SCGP guarantee tenors will strengthen the program and assist exporters to expand markets for U.S. farm products.

In recent years, USDA has taken action to increase the guarantee coverage level under the SCGP from 50 percent to 65 percent of the transaction value. This initiative increased usage to the benefit of U.S. exports. The Committee suggests that USDA work with the industry to implement further increases in the guarantee coverage to make this export tool even more effective.

According to a USDA study, between April 1995 and September 2000, the U.S. dollar appreciated 42 percent relative to currencies of major exporter competitors. The study found that appreciation of the dollar has been a major factor in the recent decline of U.S. market share of agricultural exports. Although some of that shift in the relative value of the dollar in recent years resulted from changing global macroeconomic conditions and general fiscal and monetary policy in other countries, in some instances exchange rates were altered due to deliberate policy actions on the part of

governments of competing exporters. By broadening the definition of an unfair trade practice, Section 323 of the bill allows the Department to respond to such actions through use of existing export programs.

EXPORTER ASSISTANCE INITIATIVE

Currently, there is no single information resource available for those wishing to export agricultural products. USDA offers certain information on-line for those wishing to export agricultural products, however, the information is not comprehensive and does not incorporate information under the jurisdiction of other governmental departments or agencies. For example, for a dual-use product such as fertilizer, there may be restrictions on sales to certain buyers administered by the Bureau of Export Administration. Such vital information is not currently provided on the USDA website.

Exporters often need access to information quickly as well and lack the time to search multiple sources to access necessary information. And, in many cases, exporters are unaware of where the necessary information can be located. A USDA website would be developed under Section 326 that collates all information from all agencies of the Federal Government that is relevant to the export of agricultural products.

BIOTECHNOLOGY EDUCATION INITIATIVE

The purpose of this program is to enhance foreign acceptance of agricultural biotechnology and to protect US export interests. The Committee believes that action should be taken to address the continuing and increasing market access, regulatory and marketing issues facing U.S. agriculture in agricultural biotechnology trade.

Within the program established in Section 333, the Committee also recommends the creation of a science, regulatory and policy exchange to allow U.S. and foreign scientists, regulators, trade officials and other policy decision-makers to share ideas and approaches to biotechnology. This action would enhance the dialogue between the U.S. and foreign officials through U.S. missions to foreign countries and by hosting foreign groups to the United States. Such an exchange also allows U.S. and foreign officials to participate more effectively in various international forums concerning biotechnology (e.g., Codex Alimentarius, Bio-safety Protocol, World Trade Organization, etc.)

AGRICULTURAL TRADE WITH CUBA

While Cuba remains a cash-poor economy, it does represent a market that imports a substantial share of its food, with average value of $660 million annually between 1995–99. In particular, it is a significant buyer of rice, and prior to the imposition of sanctions in the 1960's, was the single largest market for U.S. rice.

A February 2001 report by the U.S. International Trade Commission estimates that in the absence of effective sanctions, Cuba could buy as much as 400,000 tons of wheat, 300,000 tons of rice, and 500,000 tons of feed grains from the United States. The Commission estimates that U.S. exports to that country could reach about $400 million annually. By eliminating the restriction on private financing of sales of food and medicine in current law, Section

335 of the bill permits U.S. exporters to begin to access this market, without committing U.S. government funds to such an effort.

TITLE IV—NUTRITION

Subtitle A—Food Stamp Program

BACKGROUND

Representing the largest of the Federal nutrition programs, the Food Stamp Program mainly assists children (50 percent) single-parent households with children (40 percent), older Americans (10 percent), and Americans with disabilities (10 percent). Most of the other participants, including single-parents, are individuals in working families.

The Food Stamp Act authorizes a Food Stamp program for the 50 States, the District of Columbia, Guam, and the Virgin Islands. Food Stamp program rules are generally uniform but major revisions to the law in 1996 and 1997 significantly eased Federal controls on how States administer the program. The Food Stamp program depends, for the most part, on Federal funding. Federal appropriations pay for almost all benefits and roughly half the cost of administration and work/training activities for recipients, and States carry the remaining administrative and work/training expenses and the cost of some benefits. At the State and local level, the program is administered by the offices that run other public assistance programs; they are responsible for determining eligibility, calculating and issuing benefits, and operating or arranging for work/training programs for recipients.

Applicants for food stamps must have their eligibility determined, and, if eligible, their benefits are issued, within 30 days of application—or seven days if they are very poor. The food stamp "assistance unit" is a household, typically those living together who also purchase and prepare food together. Eligibility depends primarily on whether a household's cash income and liquid assets fall below Federal limits. For most, the income test confines eligibility to households with monthly total cash income at or below 130 percent of the Federal income poverty guidelines, adjusted for inflation and household size. For fiscal year 2001, this income limit is $1,848 a month for four persons in the 48 contiguous States, the District of Columbia, Guam, and the Virgin Islands. The liquid asset limit is $3,000 for the elderly and $2,000 for all other applicants. Certain assets do not count toward the limit. Most notably, when determining financial eligibility for the Food Stamp Program, an individual is allowed to exclude up to $4,650 to cover the fair market value of a household's vehicle and States may elect to use their TANF rules governing excluding vehicles as assets if they are more generous.

Nonfinancial eligibility criteria include those related to work, citizen and student status, and institutional residence. Unless exempted, most 18–50-year-old able-bodied adults without dependents are denied eligibility if, during the prior 36 months, they received food stamps for three months without (1) participating in a workfare program or (2) working or engaging in a work/training program for at least 20 hours a week. In addition to this new rule added by the Personal Responsibility and Work Opportunity Rec-

onciliation Act of 1996, work requirements include a directive that most unemployed able-bodied adult recipients not caring for very young children meet various work-related conditions of eligibility, such as searching or training for a job or doing public service work, and bar eligibility to those who voluntarily quit a job or significantly reduce work effort. States may, at their own expense, provide food stamps to persons made ineligible by the work rule for 18–50-year-old adults without dependents and to noncitizens who are ineligible for Federally financed food stamps.

Eligibility rules governing noncitizens greatly restrict their participation. Under the 1996 welfare reform law, most noncitizens were made ineligible for Federally financed food stamp benefits; illegally present aliens and non-immigrant aliens were already ineligible. Only a few categories of legal immigrants were left eligible: those with long U.S. work histories covered by Social Security, veterans and active duty military personnel and their families, and refugees and asylum seekers for five years after entry. Effective in late 1998, P.L. 105–185 restored eligibility to several significant new categories of legal immigrants: noncitizen children, who had entered as of August 22, 1996, as long as they are children; the elderly who were in the U.S. legally and age 65 as of August 22, 1996, the disabled who were in the U.S. as of August 22, 1996, refugees and asylum seekers for seven years after entry, and Hmong refugees from Laos and certain Native Americans living along the Canadian and Mexican borders.

Food stamp monthly benefits averaged $72 a person or about $170 a month for a typical household in fiscal year 1999. Benefits are inflation-adjusted each year, and vary with the type and amount of income, household size, and some nonfood expenses (e.g., high shelter costs, child support payments, dependent care expenses). They are provided monthly, and, except for very poor recipients, monthly food stamp benefits are not intended to cover all of a household's food costs. To determine monthly benefit allotments, a household's total cash monthly income is first reduced to a "net" income figure by allowing a "standard deduction" of $134 a month and additional deductions for certain expenses.

Food stamp allotments equal the estimated monthly cost of an adequate low-cost diet, as determined by USDA, less 30 percent of monthly net income. Food stamps are expected to fill the deficit between what a household can afford for food and the estimated expense of a low-cost, adequate diet. In fiscal 2001, the maximum monthly benefit in the 48 contiguous States and the District of Columbia was $434 for a four-person household. Food stamp benefits also may be used for some prepared meals and monthly allotments may be spent in approved stores for virtually any food item—except alcohol, tobacco, or ready-to-eat hot foods.

Benefits have historically been issued as paper "coupons." However, food stamp recipients in all or part of some 40 States and the District of Columbia now receive their benefits through "electronic benefit transfer" (EBT) systems and all States are expected to issue food stamp benefits through EBT systems by 2002.

Variants of the regular Food Stamp Program operate in Puerto Rico, American Samoa, and the Northern Mariana Islands. Puerto Rico's Nutrition Assistance Program provides 75 percent of its benefits by EBT and 25 percent in cash. Until September 2001, only

cash was distributed. The annual block grant to the Commonwealth pays for all benefits, half of administrative expenses, and some work/training initiatives. The programs in American Samoa and the Northern Marianas also are limited grants, each funded at about $5 million a year. They are not cash assistance programs and are roughly similar to the regular program, although American Samoa's program is limited to the elderly and disabled and the Northern Marianas' program has special rules directing the use of some benefits to local products.

PURPOSE AND NEED

Enrollment in the regular Food Stamp Program is responsive to changes in the economy, food stamp eligibility rules, administrative practices, and participants' perceptions about their eligibility for the Food Stamp Program and other public assistance programs. All-time peak participation in the program was 28 million in 1994. Since then, enrollment has declined continuously to a level of 16.9 million people in July 2000. While the rate of decline in food stamp enrollment has slowed recently, the total caseload is now at the lowest point since the late 1970s. By the mid-1990s, U.S. Department of Agriculture (USDA) studies indicated that about 71 percent of those eligible for food stamps actually participated, but this number had dropped to approximately 59 percent in 2000. Simultaneously, there has been a dramatic rise in reliance in emergency feeding sites like soup kitchens and food pantries.

The Committee has reaffirmed that the Food Stamp Program is essential to transition from welfare to work. The new legislation strives to ensure a smoother transition from welfare to work; simplify program rules; provide the States with additional options, and more standardized benefit and eligibility rules that will make it easier for administrators and applicants and recipients; reform the quality control system used to evaluate States' performance; improve outreach efforts to make sure that people who qualify for the program are able to participate; extend benefits to certain groups made ineligible by welfare reform; and maintain the integrity of the program to ensure a nutrition "safety net" and a reduction in waste and abuse. A key priority for this legislation is the overarching goal of ensuring the Food Stamp Program fulfills a major role in supporting the working poor.

In sum, the following were the goals that drove the revision to the Food Stamp Act: (1) to institute policies that will help participants effectively transition from welfare to work; (2) to simplify program rules and improve outreach efforts; and (3) to strengthen program benefits, including restoring benefits to all poor children.

SIMPLIFIED DEFINITION OF INCOME

A number of studies found that overly complex application forms were interfering with eligible families' access to food stamps. Questions about obscure forms of income, such as the proceeds of selling blood plasma or garage sales contribute to the length and complexity of many States' forms. This provision responds to that problem by allowing States to eliminate consideration of any types of income they do not consider when judging eligibility for TANF cash assistance or those required to be covered by Medicaid. It does not include items that are included in the definition of income but part

of which are disregarded for the purposes of TANF and Medicaid by State agencies. This should help States limit the questions on their application forms to items that significantly affect families' ability to purchase food. Some States have already exercised their discretion under Medicaid and TANF to do this.

The Department is authorized to issue regulations preventing other types of income from being excluded to prevent distortion of the food stamp benefit.

ENCOURAGEMENT OF PAYMENT OF CHILD SUPPORT

Current law gives non-custodial parents who have child support orders a deduction from income for benefit calculation for the amount of money they pay in child support. This recognizes that money paid to support a child in another household is not available to purchase food for the non-custodial parent's current family. It also rewards the responsible behavior of non-custodial parents who make support payments. This provision allows the States to exclude completely from food stamp income calculations any child support payments made by a household member for a child in another family. Thus, when determining a household's eligibility (not just benefits), a food stamp office can disregard any money withheld from a worker's paycheck to meet his or her child support obligations. This is also a simplification of current procedures.

INCREASE IN BENEFITS TO HOUSEHOLDS WITH CHILDREN

This section makes the Food Stamp Program more responsive to the needs of larger households by making benefits sensitive to household size. When a household applies for food stamp benefits, the State agency must assess its income and expenses. After determining income, all households—regardless of size—are given a "standard deduction" of $134 before determining what other expenses the household experiences. The notion is that the first $134 of income that a household has is not available to purchase food. In fact, larger households are typically more poor, often because they are stretching the same limited income across more people. In addition, extremely poor people are often unable to afford their own apartments and have to double-up with friends and relatives. Families in these situations often have to apply for food stamps as one household. In addition, since the Federal poverty line rises each year to adjust for increases in inflation, so too would the standard deduction. This is a significant improvement over the current standard deduction, which has been frozen since 1995. Prior to 1995, the standard deduction did increase each year with the Consumer Price Index.

SIMPLIFIED DETERMINATION OF HOUSING COSTS

To determine eligibility and benefit levels in the Food Stamp Program, States must collect information about shelter costs. Some States seek documentation from households breaking out the composition of their monthly payments to their landlords. The purpose of these requests is to identify any amounts that may be disallowed when calculating the excess shelter deduction. This provision should eliminate that administrative burden by providing that any

payments made to the landlord will be allowed as shelter costs without regard to whether they are itemized for these other costs.

The Committee's proposal also simplifies the provision in current law concerning the treatment of homeless households' occasional shelter expenses. Unfortunately, these payments—to operators of single-room occupancy hotels, to friends with spare basement rooms, etc.—are almost impossible to verify because they occur so irregularly and informally. Yet failing to give these households any deduction for these costs would result in an overestimate of the amount of money they have available to purchase food. Accordingly, legislation from the early 1990s (and refined by the 1996 welfare law) provides that States may offer these households a $143 deduction for these costs. The current statute is ambiguous, however, about the relationship between this deduction and the regular shelter deduction. The statute should make clear that homeless households may claim this $143 deduction when they cannot verify sufficient housing costs to obtain a larger shelter deduction.

SIMPLIFIED UTILITY ALLOWANCE

States complain that the food stamp shelter deduction is unnecessarily complex. A significant part of this complexity involves the rules for calculating households' utility costs. Current law seeks to simplify these determinations by allowing States to use Statewide estimates called standard utility allowances (SUAs) instead of determining each household's actual utility costs. The current law imposes limitations on when the SUA may be applied, which undermines the State's capacity to simplify the calculation of the deduction. One rule, which is eliminated in this section, requires the SUA to be pro-rated or disallowed if an eligible family is doubled up with another individual or family that is not getting food stamps or that is getting food stamps separately because it buys and cooks its own food. Another rule, which will be eliminated in this section, prohibits granting the SUA to certain households in public housing whose utility costs are partially covered by the housing authority. Although neither of these rules affects large numbers of households, they increase the complexity of the procedures States must teach their eligibility workers and the instructions they must program into their computers.

SIMPLIFIED PROCEDURE FOR DETERMINATION OF EARNED INCOME

One of the most difficult things for households to verify is earned income. Low-wage workers who do not have access to multiple pay stubs may have difficulty obtaining food stamps. Even if the household can submit all of the required pay stubs, the eligibility worker may require a letter from the employer or may insist on contacting the employer's payroll department to resolve ambiguities. This may cause households to withdraw their applications rather than allow their employer to know that they are receiving food stamps. Under current law, States must convert the earned income of a household that is paid weekly or biweekly into a monthly figure. States report that it is often difficult to tell the difference between biweekly and semi-monthly pay schedules and many low-wage workers may not know themselves whether they are paid biweekly or semi-monthly. Eliminating the distinction between biweekly and semi-monthly in-

come will allow States to reduce their verification demands on low-wage workers without risking quality control (QC) errors. In so doing, it may make the Food Stamp Program a more effective support for low-income working families.

It is unlikely that most States will have the capacity to determine how much to adjust the earned income deduction to offset the cost of converting weekly and biweekly income to monthly amounts in this simplified manner. Some households are paid monthly or semi-monthly; other households have self-employment income that may be averaged over several months or anticipated a month at a time. States are unlikely to have good data on what proportion of their caseloads consist of these types of households (or others for which the new conversion procedures would have no cost). The Department should provide States with guidance or a simple rule of thumb by which they may determine the amount by which the earned income deduction can be adjusted.

SIMPLIFIED COMPUTATION OF DEDUCTIONS

Current food stamp rules have provisions that lead States to require households to report changes in their circumstances that affect deductions from income and benefits. In addition, States may not disregard reported changes. In both cases, constantly changing circumstances can lead to erroneous benefit decisions for which States are penalized. This section allows a State to decide that it generally will address changes in households' deductions and circumstances when it undertakes full eligibility review (within 12 months for most individuals), without being penalized.

SIMPLIFIED DEFINITION OF RESOURCES

Food stamp application forms are often unnecessarily lengthened by questions about ownership of assets that few household own and that States disregard when determining eligibility for TANF cash assistance and Medicaid. If States are able to exclude these types of resources from consideration in all three programs, it is more likely they can remove questions about them from common application forms. To guard against abuse, USDA is required to specify, by regulation, those types of resources that are so essential to equitable determinations of eligibility for food stamps that States are not permitted to exclude them regardless of the States' policies in TANF and Medicaid.

ALTERNATIVE ISSUANCE SYSTEMS IN DISASTERS

The Food Stamp Act gives the Secretary of Agriculture broad authority to provide emergency food stamp assistance to victims of floods, hurricanes, earthquakes, fires, and other disasters. The Secretary typically dispenses with many of the usual food stamp eligibility requirements and application procedures to help those in emergency need quickly. Historically, this has been done by issuing paper food stamp coupons to disaster victims. With nationwide implementation of electronic benefit transfer (EBT) expected within the next couple of years, however, paper food stamp coupons will no longer exist. In some instances, EBT may be an impractical way to provide aid when it is needed most. This proposal allows the Secretary to consider other means of delivering assistance, includ-

ing cash if necessary, where EBT is not a feasible benefit delivery system.

STATE OPTION TO REDUCE REPORTING REQUIREMENTS

Regulations the Secretary of Agriculture promulgated in November of 2000 allow States to use semi-annual reporting for households with earnings, but not for those without earnings. Semi-annual reporting reduces burdens on households and States and, to date, thirteen States have either adopted semi-annual reporting or are seriously considering it. Some States, however, have been reluctant to adopt semi-annual reporting because they want most of their caseloads to be under a single reporting system. This section extends the semi-annual reporting option to all households except the few that the Food Stamp Act exempts completely from periodic reporting to prevent undue hardship: homeless households, migrant and seasonal farmworkers, and households in which all adults are elderly or disabled and have no earnings. Like the semi-annual reporting option under USDA's regulations, this statutory option requires a household subject to semi-annual reporting to notify the food stamp office if its income exceeds 130 percent of the poverty line, which is the Food Stamp Program's gross income eligibility limit.

This provision essentially codifies the Department's current policies for quarterly reporting and semi-annual reporting and allows States to extend those policies to the majority of their caseloads. In so doing, it would extend to these newer forms of periodic reporting the same protections currently provided in statute and regulation in monthly reporting. In one respect, some clarification may be needed in the Department's regulations. This involves periodic reporting for households on Indian reservations. Because of limited mail service on many reservations, current law allows households on reservations an extra month in which to submit their report forms. Unfortunately, this has been interpreted to require States to assess claims for over-issuances against households when the submitted report form indicates a reduced need for assistance. This results in an undue burden on working households with variable income as well as on the State agencies in these States. The Committee expects that the Department will promptly clarify this policy so that no household is treated as having been overissued food stamps if it returns its report form by the extended deadline provided in the statute.

BENEFITS FOR ADULTS WITHOUT DEPENDENTS

The current law related to benefits for able-bodied adults without dependents is extremely complex. Under current law, this group of people may receive up to three months of food stamps within any 36 month period, without working. An individual who has exhausted all three of those months can potentially re-qualify for an additional three months by going through a complex reconstruction of work hours over an extended period of time. In addition, individuals subject to the three-month time limit are required to report some types of changes, but not others, that might affect their status and failure to make a required report could be prosecuted as food stamp fraud. If a quality control reviewer reaches a different conclusion about a determination than the eligibility worker did,

the worker will be assessed an error. Six months represents a more reasonable period of time in which to find and keep a job. The Committee's provision makes clear that an individual who has exhausted her or his six-month eligibility period can re-qualify by working or entering a work program.

In addition, current law allows recipients participating 20 hours per week in employment or training programs to receive food stamps without regard to the time limit but rules out job search and job search training programs as counting as an acceptable employment or training program. The only programming most States may offer this population in any substantial quantity is job search or job search training. Since welfare reform, these types of programs are well known and virtually all States are currently operating them in conjunction with their cash assistance programs. Allowing intensive job search programs that meet standards established by USDA will produce more work slots for persons subject to the time limit and can also help people actually become employed.

PRESERVATION OF ACCESS TO ELECTRONIC BENEFITS

Current Federal rules allow States to take households' benefits off-line if the household does not use its electronic benefit transfer (EBT) card for three months. The household then can only use its benefits if it contacts its eligibility worker to have the benefits reinstated. About half the States have taken this option. After an EBT account has been inactive for 12 months, the unused benefits are permanently expunged. About one-fifth of all elderly and disabled recipients get the $10 per month minimum or some other modest food stamp benefit and are accustomed to saving up several months of benefits so they can spend their food stamps in a single shopping trip. They may do this because the monthly benefit is so small or to avoid the stigma of being seen shopping with a food stamp EBT card. If benefits are taken off-line, some recipients do not understand how to reactivate benefits or assume they are no longer eligible.

This legislation prohibits States from taking recipients' EBT accounts off-line unless the account has been inactive for approximately six months. If a State does take the account off-line, it is required to send the household a notice informing it how to reinstate those benefits and offering assistance to households having a difficult time accessing benefits.

The Committee is interested in seeing that new food retailers or retailers implementing new systems in an EBT environment are provided the opportunity to test their systems, using test cards provided by States, before going on-line. Towards this end, the committee encourages FNS to continue to work with States to have them provide this service. Minimally, as States develop or contract for new EBT systems, the Committee expects this ability to be built into those new systems and contracts, and then expects the States to provide this service.

The Committee is interested in seeing that the risk to retailers is mitigated when the EBT system is down and the retailer uses a back-up system. It is the sense of this Committee that retailers should have the ability to recover the remaining balance in a household's account when that remaining balance proved to be in-

sufficient to cover the entire transaction that was stored for later submission. It is understood in these situations that the transaction would have been otherwise approvable. Towards this end, the Committee supports the actions being taken by the Food and Nutrition Service to ensure that this is an option available for States and retailers.

COST NEUTRALITY FOR ELECTRONIC BENEFIT TRANSFER SYSTEMS

The Food Stamp Act requires all States to issue food stamp benefits through electronic benefit transfer (EBT) systems by October 1, 2002. To date, some 43 States have EBT and 80 percent of food stamp benefits are issued electronically. A few States, however, appear to be lagging. USDA reports that some of these States have had difficulty obtaining an EBT vendor because of the requirement in current law that EBT systems not cost the Federal Government more than the prior paper issuance systems did. These States operate efficient, economic food stamp coupon issuance systems and EBT systems that might meet the cost neutrality requirement in other States are too expensive for them.

This section eliminates the formal EBT cost-neutrality requirement from the Food Stamp Act. In so doing, the Committee is accepting the Department's assurances that it will remain vigilant to ensure that costs do not rise inappropriately. Because EBT contracts are subject to the Department's approval, this change should not be interpreted as an invitation for vendors to increase the prices they charge the program.

ALTERNATIVE PROCEDURES FOR RESIDENTS OF CERTAIN GROUP FACILITIES

Food stamp benefits for residents of group homes generally serve to subsidize the cost of meals in these facilities since the residents generally do not purchase or prepare food individually. Determining an individual's benefit within this type of setting is extremely complex. This proposal allows for the use of the standard monthly benefit in homes and centers for every full month during which a recipient was in residence and would have those benefits pro-rated based for partial months of residence. The administration of the group home or center is recognized as the authorized representative of the residents. Upon leaving the group home or treatment center, the recipient will again receive food stamp benefits directly. During the month he or she leaves the home or center and the following month, the resident can receive food stamps based on the same standardized allotment that was paid to the facility when he or she was in residence. As soon as the former resident reapplies for food stamps, his or her benefits will be based on typical food stamp rules.

This provision simplifies the administration of the Food Stamp Program for State agencies and group home and center administrators alike. In exchange for this simplification, however, this provision requires the home and center administrators to take steps to help residents to continue to receive food stamps upon moving out of the facility. They should be required to provide forwarding addresses for departed residents to the food stamp office when possible. Homes and centers should not receive food stamps for any part of the month when the facility is not providing meals to the

recipient. This provision should not be construed as limiting the ability of eligible individuals who have left a facility to receive food stamps under the usual rules.

It should be noted that the Department's regulations correctly limit the definition of an institution to a place that provides the majority of meals to its residents. The new group home and center procedures do not apply to a facility that does not regularly provide most of its residents' meals.

AVAILABILITY OF FOOD STAMP PROGRAM APPLICATIONS ON THE INTERNET

Working families, in particular, find it very difficult to apply for and obtain food stamps. One simple way to make applications available is by requiring that States with a website post electronic applications on their site, which may be downloaded at libraries, community centers, and other locations. This provision only requires that States post the application in each language in which they already make printed applications available. This represents an extension of service that is already available. People can obtain applications by mail and can begin to fill them out before they walk into the food stamp office. This allows them to collect all of the information they might need ahead of time and saves time at the food stamp office.

SIMPLIFIED DETERMINATIONS OF CONTINUING ELIGIBILITY

In benefit programs like Medicaid, the Supplemental Security Income (SSI) Program, and Social Security, the administering agency determines when it needs to conduct a review of the recipient's circumstances and asks the person to provide information or to appear at its office. Recipients who do not appear or cooperate in the review, have their benefits terminated. The initiative is up to the administering agency, which retains substantial flexibility in scheduling and in determining which elements of eligibility merit review. Current food stamp rules, by contrast, require recipients to apply for recertification after a specific number of months fixed at the time she or he last applied. Furthermore, States are required to conduct reviews of households whose circumstances they already know well, and they are required to review all areas of eligibility (since the household is treated as a new applicant) rather than just those that seem potentially problematic.

This provision retains the same 12-month (24 for the elderly and disabled) limit on the intervals between redeterminations of households' eligibility that are found in current law, which ensures that States stay in touch with all those receiving benefits. It differs from current rules, however, in that it does not require the State to schedule each redetermination far in advance. It thus gives States greater discretion to manage their caseloads by replacing the food stamp recertification process with the redetermination process used in other benefit programs.

The current recertification process was designed before the present food stamp quality control (QC) was established. With States distributing food stamp benefits funded entirely by the Federal Government, Congress was concerned that States would approve an initial application and then simply leave the household on the program indefinitely without bothering to determine whether

the recipients remained eligible. Today, the food stamp QC system imposes fiscal sanctions on States with high error rates. States can no longer afford to neglect households' continued eligibility for benefits.

CLEARINGHOUSE FOR SUCCESSFUL NUTRITION EDUCATION EFFORTS

Nutrition education in the Food Stamp Program is highly recommended but not required. Furthermore, a State that decides to conduct nutrition education through the program must use administrative funds, subject to a 50–50 State-Federal match. As a result, some States do not engage in nutrition education and, among the States that do, there is wide variability. In some cases, posting posters or making available a brochure is considered to be nutrition education. This provision allows States that have good models of successful nutrition education programs to share them with other States. This will save States time and money in designing a program and may serve to encourage more States to engage in nutrition education.

In an effort to further promote nutrition education, the Committee encourages the Secretary to use such funds as deemed necessary to promote healthy nutrition over the life of the Act through the use of the Food Guide Pyramid stressing the following areas: (1) Making the Food Guide Pyramid a component of nutrition education and also make publications, specifically for recipients of Federal supplemental feeding programs including the WIC and food stamp programs; (2) Developing a Food Guide Pyramid lesson plan for use in elementary school health or physical education classes, or any class that might incorporate nutrition as one of its topics; (3) Making available Food Guide Pyramid posters and pamphlets to physicians' offices as well as recreation and child care centers, cafeterias, and classrooms; and (4) Encouraging private retail food outlets to mount and distribute Food Guide Pyramid posters and pamphlets.

The Committee is aware of ongoing efforts at the State level through the Food Stamp Program to conduct nutrition education activities that reach large numbers of Food Stamp and similar low-income households as they transition from welfare to work and self-sufficiency. To expand such efforts the Committee encourages their State plans to promote achievement of the Dietary Guidelines for Americans statewide and in lower income communities. Social marketing may include but is not limited to: public service and paid advertising; public relations; promotions; education; public and private partnerships; policy, systems and environmental change; community development; media advocacy; and consumer empowerment. The Committee also recognizes the need to leverage funding for such purposes and encourages utilization of direct and in-kind contributions on a 50/50 basis as part of State Administrative Expenses.

TRANSITIONAL FOOD STAMPS FOR FAMILIES MOVING FROM WELFARE

This section builds on regulations USDA published in November 2000 (not yet in effect) that give States the option to continue food stamps for three months to families leaving cash assistance without requiring the family to submit any additional information. The majority of families leaving the welfare rolls still have low incomes

and remain eligible for food stamps. Nonetheless, States often require them to reapply or supply new information in order to continue to receive food stamps. Because of the pressures these families are under in their first months off of cash assistance, many do not fully comply and are terminated. Transitional food stamps allow the State to continue the family's food stamps based on the information it already has without requiring a new application.

Under this proposal, families would know that if they find a job, their food stamps would be guaranteed to stay in place for six months. While the family's earnings fluctuate as its hours of work change, transitional food stamps would offer a stable source of support to purchase food. Helping families retain food stamps after leaving welfare for work can help make sure that their transition is successful and can ensure that they are better off working than they were on welfare. The provision expands upon the Department's existing regulations. It is designed to make it easy for the State to determine the correct allotment for a household that is in the transitional period: it simply freezes the household's prior benefit, subject to adjustment for the loss of cash assistance and certain reported changes.

Individuals who leave welfare for work and become ineligible for full family coverage under Medicaid are currently eligible to receive six months of transitional Medicaid benefits. This section harmonizes Food Stamp and Medicaid benefits for people who leave welfare.

DELIVERY OF NOTICES OF ADVERSE ACTION TO RETAILERS

Sending a notice via certified mail is no longer the only way to ensure confirmation of receipt.

REFORM OF QUALITY CONTROL SYSTEM

Every year, USDA requires States to audit a random sample of more than 50,000 food stamp cases nationwide and then estimates payment error rates for each State. The State's error rate is the sum of the percentage of overpayments it makes plus its percentage of under-issuances to households that receive food stamps. States whose combined error rates exceed the national average are subject to automatic fiscal penalties. The amount of those penalties is calculated based on a complex sliding scale that is designed to impose more severe penalties on States whose estimated error rates exceed the national average by greater margins. By definition, close to half of all States are likely to have error rates above the national average every year. In addition, the measurement of error rates is subject to substantial statistical error. Thus, in any given year, over thirty States may be either subject to penalties or at risk of penalties if they draw an unlucky sample or if the national average unexpectedly drops from its level the prior year.

Because of sampling error, some States are subject to penalties when in fact their performance—if properly measured—is better than the national average. To avoid this problem, this provision treats a State as having a payment accuracy problem only if there is 95 percent statistical confidence that the State's payment error rate exceeds the national average by at least one percentage point. The one percentage point margin of error, which was part of the food stamp QC system from 1988 until 1993, helps avoid holding

about half the States liable in any given year regardless of their performance, which is the inevitable consequence of measuring States against the national average. It also helps prevent states with steady performance from potentially being penalized because of unexpected drops in the national average.

This section continues current administrative policy of adjusting states' error rates to reflect the impact of high or increasing shares of working poor households or immigrants within a state's caseloads. The food stamp QC system should not punish states that do an especially good job of serving these vulnerable but error-prone groups—or of moving families from welfare to work. It is the Committee's intent that the policy of adjusting states' error rates to reflect the impact of high or increasing shares of working poor households or immigrants continue to be implemented for fiscal year 2001, in the same way it was done for fiscal years 1999 and 2000.

Finally, "enhanced funding" has traditionally served as a way to reward States with extremely low error rates. After 2002, this type of bonus payment is repealed but new performance measures are rewarded under section 432.

IMPROVEMENT OF CALCULATION OF STATE PERFORMANCE MEASURES

For almost two decades, USDA's deadline for announcing States' quality control (QC) error rates was June 30. As part of legislation enacted in 1993, USDA is now required to issue these error rates by mid-April. Reverting to the traditional June 30 deadline will relieve State and Federal QC officials of unnecessary pressures and allow more time to resolve disputes and negotiate reinvestment agreements and corrective action plans. The Department remains free to announce the error rates in April or at any other time up until the end of June.

HIGH PERFORMANCE BONUS PAYMENTS TO STATES

In section 530, the Committee bill has removed enhanced funding for States with very low error rates. However, the Committee believes that States should be rewarded for excellent and improved performance. This provision establishes a more targeted payment to States that achieve the goals of the Food Stamp Program. The section establishes one measure related to a State's participation rate among low-income working families and allows the Secretary, in consultation with State organizations, to establish four additional measures of State performance that reflect the Food Stamp Program's goals of preventing hunger among low-income people. One of the measures will have to assess timeliness of customer service and the other three are to be set at the discretion of the Secretary in consultation with the State groups within six months from the bill's enactment.

EMPLOYMENT AND TRAINING PROGRAM

From the late 1980s through fiscal year 1996, States, collectively, received $75 million a year of a 100 percent Federal grant to operate FSE&T programs. States received an unlimited 50 percent Federal match for any additional funds they chose to spend on FSE&T (subject to a $25 per month for every recipient cap). When the Food Stamp Program was last reauthorized in 1996, Congress gradually

increased the $75 million annual allocation so that it will reach $90 million in fiscal year 2002.

In addition, in 1997 Congress more than doubled the amount of unmatched Federal funds available for FSE&T (currently running about $150 million per year) to help States meet the cost of providing work slots to persons affected by the three-month time limit. The Balanced Budget Act of 1997 set aside 80 percent of the total unmatched Federal funding to provide work slots that would allow time limited individuals to continue to receive food stamps beyond the initial 3 months. To prevent States from substituting this new unmatched Federal money for their own moneys that they were already expending on FSE&T, the 1997 legislation required States to meet a maintenance-of-effort requirement before accessing the new funds it was adding. A large share of the new FSE&T money provided in 1997 remains unspent. States have urged that the 80 percent set-aside, the maintenance of effort requirement, and the reimbursement rate limits be repealed. This will make the unmatched Federal FSE&T funds available to provide services to other food stamp recipients, primarily families with children. Finally, the $25 per month cap is raised to $50 for transportation and other work expenses because $25 has often not been enough money to adequately help individuals.

COORDINATION OF PROGRAM INFORMATION EFFORTS

The Food Stamp Act prohibits States from spending TANF funds on any activities that could be reimbursed instead as food stamp administrative expenses. Since food stamp informational activities are reimbursable under the Food Stamp Act, this provision prohibits spending TANF funds on them. As a result, States have difficulty conducting multi-program informational activities that include food stamps. For example, if a State wishes to inform TANF applicants and recipients about the work support programs available to them, it may use TANF funds to discuss child care subsidies, Medicaid, child tax credit, etc. If the State also wishes to mention food stamps, however, it must undertake a complex cost allocation exercise to ensure that the correct share of those costs are charged to the Food Stamp Program. Faced with this prospect, some States have elected simply to exclude all mention of food stamps in their efforts to highlight how work support programs can make employment preferable to receipt of cash assistance. Providing potentially eligible households information about food stamps, and informing current recipients that they may continue to qualify after becoming employed, is crucial. These activities constitute such a small and isolated aspect of States' administrative activities that allowing them to be supported with TANF funds without cost allocation will not undermine the integrity of the financing system the 1998 law put in place. This provision will not allow States to use TANF money as a match to get Federal Food Stamp money.

EXPANDED GRANT AUTHORITY

The authority of the Secretary to make grants and contracts for food stamp research, which includes waivers of food stamp rules, has been called into question. Specifically, some have questioned

USDA's ability to let grants to research organizations working on behalf of government entities. This provision makes clear the Food and Nutrition Services (FNS) ability to issue grants and contracts to non-government entities that include waivers.

ACCESS AND OUTREACH PILOT PROGRAMS

Improvements are needed to make sure the Food Stamp Program is more accessible to eligible individuals and families and that its benefits are available. For example, there have been marked decreases in the participation by Food Stamp participants in farmers' markets and road stands. The new electronic benefit transfer (EBT) system has made it very difficult to redeem food stamp benefits at these sites. USDA will be provided with additional funds for grants that would improve outreach and access in the Food Stamp Program. Priority will be given to State and non-government organization partnerships. Examples of initiatives that may receive funding include but are not limited to: establishing a single site at which individuals may apply for food stamps, Medicaid, SSI, and other assistance programs; developing common forms that will allow for one-stop-shopping; dispatching caseworkers to conduct outreach and enroll individuals in a remote but often visited location (like a shopping mall, community center, or food bank); developing cost effective ways to encourage shopping in farmers' markets, and roadside stands by Food Stamp Program participants.

CONSOLIDATED BLOCK GRANTS AND ADMINISTRATIVE FUNDS

The Committee's provision consolidates the two nutrition assistance grants, now in the Food Stamp Act. In order to ensure that the grant for Puerto Rico continues to be indexed and to grant the same status to the American Samoa grant, this provision consolidates both grants. In addition, Puerto Rico is authorized to spend up to $6,000,000 of its 2002 funds to modernize computer equipment needed for electronic benefit transfer (EBT) systems. This provision authorizes use of administrative funds with no requirement for a 50–50 match between the Federal government and Puerto Rico.

ASSISTANCE FOR COMMUNITY FOOD PROJECTS

Community Food Projects are designed to increase food security in communities by bringing the whole food system together to assess strengths, establish linkages, and create systems that improve the self-reliance of community members regarding food needs. The 1996 Federal Agriculture Improvement and Reform Act (FAIR) established new authority for Federal grants to support the development of Community Food Projects to meet the needs of low-income people by increasing their access to fresher, more nutritious food supplies; enhancing the self-reliance of communities in providing for their own food needs; and promoting comprehensive responses to local food, farm, and nutrition issues. These grants are intended to help eligible private non-profit entities that need a one-time infusion of Federal assistance to establish and carry out multi-purpose community food projects. Projects are funded from $10,000–$250,000 and from one to three years and require a dollar for dollar match in resources.

AVAILABILITY OF COMMODITIES FOR THE EMERGENCY FOOD ASSISTANCE PROGRAM

The Emergency Food Assistance Program (TEFAP) supports local emergency feeding organizations, such as food banks, soup kitchens and shelters, churches and food pantries, by offering donated foods to lower-income families and individuals. An increased demand on emergency feeding facilities necessitates an increase in TEFAP funding. According to a recent USDA study, reported demand for food assistance at soup kitchens and food pantries has increased by between four percent and seven percent a year since 1997. Covering the cost of distributing the growing amount of Federally and privately donated commodities handled by State and local emergency food providers is proving to be a significant problem. TEFAP funding for distribution expenses can be used to pay for processing (including of game meat), storage, transportation, and distribution costs associated with both Federally and privately donated foods. The $10 million dollar set-aside is in addition to the regular appropriation for distribution costs authorized under The Emergency Food Assistance Act, but it will be allocated to States in the same manner. Note that section 163 of this bill provides up to $40,000,000 per year in additional commodities for The Emergency Food Assistance Program.

REPORT ON USE OF ELECTRONIC BENEFIT TRANSFER SYSTEMS

The Food Stamp Act requires all States to issue food stamp benefits through electronic benefit transfer (EBT) systems by October 1, 2002. To date, some 43 States have EBT and 80 percent of food stamp benefits are issued electronically. A few States, however, appear to be behind schedule. This report will provide an assessment of difficulties encountered by States in instituting the system and will also request a report on the extent of fraud using EBT as opposed to paper coupons. The report will also indicate how USDA, States, retailers, and EBT contractors are addressing problems that exist.

VITAMIN AND MINERAL SUPPLEMENTS

The National Academy of Sciences is in the process of reviewing and revising nutrient recommendations and is, in many cases, recommending higher Dietary Recommended Intakes (DRIs) for a number of nutrients for purposes of health promotion and disease prevention. As a result, people may not be consuming all of the nutrients they need through foods and may need to supplement their diets. Dietary supplement intake in this country is high (approximately 40 percent of adults consume them). Food Stamp participants should have the ability to purchase vitamin-mineral supplements to supplement their diets, if they so choose. This provision limits purchase of supplements to those containing only vitamins and minerals and excludes herbals and botanicals. The impacts study will serve to assess the ease with which the provision is implemented and its consequences, including economic, nutrition, and health impacts of implementing this provision.

The Committee does not intend that this provision be interpreted to change the rules for approving stores as food stamp retailers.

Subtitle B—Miscellaneous Provisions

PARTIAL RESTORATION OF BENEFITS TO LEGAL IMMIGRANTS

Legal immigrant children who arrived in the U.S. after August, 1996 are ineligible for the Food Stamp Program, even though adequate nutrition is critical for this age group. By restoring benefits to all children, food stamp eligibility rules for children will become less complex and easier to administer and explain. This provision also will help citizen children whose parents are immigrants. The Congressional Budget Office (CBO) estimates that restoring benefits to children will help some 60,000 children in an average month.

This section suspends deeming rules for children but not for any other group. This means that a great majority of sponsored immigrants will continue to be unable to get food stamps during their three years in the United States. Even if sponsors' income and resources are low enough to allow the immigrant to qualify, few sponsors are prepared to comply with food stamp reporting and verification requirements.

Currently, immigrants must work (and therefore pay taxes) at least 40 quarters to be able to participate in the program. Sixteen quarters of work represents a reasonable amount of time in which individuals have established a solid basis of personal responsibility, one of the guiding principles of welfare reform. CBO estimates that this will potentially help some 65,000 in an average month.

Under the welfare law, refugees and people who are seeking asylum and met all other eligibility criteria could receive food stamp benefits during their first five years in the United States. This cap was extended to seven years in 1998. This limit assumed that refugees and people seeking asylum could become citizens in that period of time. Because of backlogs in the naturalization process that is not always the case. CBO estimates that removing the cap will help approximately 45,000 people in an average month.

Persons are only considered "disabled" for food stamp purposes if they receive one of a specified list of disability programs, like Supplemental Security Income (SSI) or veteran's payments. The effect of this provision will be to lift an arbitrary bar against the disabled based on their date of entry. In effect, however, no additional people will be able to participate in the Food Stamp Program since SSI places a strict restriction on disabled immigrants who arrived in the U.S. after August 1996. These individuals will only be able to participate in the Food Stamp Program if SSI law changes.

COMMODITY PURCHASES

Schools that participate in the School Lunch Program are entitled to a specific dollar value of commodities based on the number of meals they serve, in addition to cash subsidies. The inflation-indexed commodity entitlement is 15 cents a meal for the 2001–2002 school year. Schools and other providers also receive bonus commodities donated from Federal stocks acquired for agricultural purposes at the Department's discretion. Entitlement commodities must equal 12 percent of the cash and commodity assistance provided under the School Lunch Program, and the 15-cents-a-meal guarantee may, in effect, be increased to meet this requirement.

Prior to fiscal year 1999, only the value of entitlement commodities was counted toward meeting the 12 percent commodity re-

quirement. However, for 1999–2001, the law was revised so that the value of "bonus" commodities supplied at the Agriculture Department's discretion from already acquired stocks also counted toward the 12 percent minimum. This provision provides a two-year modification so that the issue may be more fully addressed during child nutrition programs reauthorization in 2003.

EXCLUSION OF CERTAIN MILITARY BASIC ALLOWANCES FOR HOUSING FOR DETERMINATION OF ELIGIBILITY FOR FREE AND REDUCED PRICE MEALS

The Basic Allowance for Housing (BAH) for service members in private housing is reflected on his or her Military Leave and Earnings Statement even though the funding passes directly through to the housing owner. This added "income," which is not reported for members living in traditional on-base housing, causes many service members to lose eligibility for free and reduced meals for their children. This provision excludes consideration of the BAH for free and reduced price school meals. This provision extends through 2003 to coincide with child nutrition programs' reauthorization.

ELIGIBILITY FOR ASSISTANCE UNDER THE SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)

The Basic Allowance for Housing (BAH) for service members in private housing is reflected on his or her Military Leave and Earnings Statement even though the funding passes directly through to the housing owner. This added "income," which is not reported for members living in traditional on-base housing, causes the loss of WIC eligibility for many women, infants, and children in military families. This provision will prevent counting of the BAH in WIC eligibility determination.

SENIOR FARMERS' MARKET NUTRITION PROGRAM

On January 4, 2001, the USDA announced the award of almost $15 million in grants to 31 States and 5 Indian Tribal Organizations for a new Seniors Farmers' Market Nutrition Pilot Program (SFMNPP). Under the program, CCC made grants to States and Indian tribal governments to provide coupons to low-income seniors that may be exchanged for eligible foods at farmers' markets, roadside stands, and community supported agriculture programs. The purposes of the Seniors Farmers' Market Nutrition Pilot Program are to (1) help low-income seniors obtain fresh, nutritious, unprepared, locally grown fruits, vegetables, and herbs from farmers' markets, roadside stands and community supported agriculture programs, (2) increase the domestic consumption of agricultural commodities by expanding or aiding in the expansion of domestic farmers' markets, roadside stands, and community support agriculture programs, and (3) develop or aid in the development of new and additional farmers' markets, roadside stands, and community supported agriculture programs. The pilot program has been very successful. The Committee does not intend to limit funding for the program to the $15 million annual level, if the Department chooses to fund the program at a higher level.

FRUIT AND VEGETABLE PILOT PROGRAM

The purpose of the fruit and vegetable pilot program is to determine whether or not children's diets can be improved if they are provided with free fruits and vegetables. An evaluation will help to determine whether or not students took advantage of the program; whether or not interest grew or was decreased in the program over time; and what effect, if any, this program had on vending machine sales.

The Committee recommends that the USDA Small Farms/School Meals Program be continued for the next two years in the four States (Iowa, Kentucky, North Carolina, West Virginia) in which it currently operates. This program, facilitates connections between school food service officials, State departments of agriculture, Cooperative Extension, and the Department of Defense's produce procurement program with the goal of increasing the sales of locally grown foods to school meals programs. The merits of the program should be re-evaluated during child nutrition programs' reauthorization in 2003. Perhaps the program would warrant expansion at that time.

CONGRESSIONAL HUNGER FELLOWSHIP

This section formalizes an internship program already being carried out by the Congressional Hunger Center and funded under annual appropriations bills, as a memorial for the Honorable George T. (Mickey) Leland, the late Representative from Texas and the Honorable Bill Emerson, the late Representative from Missouri.

NUTRITION INFORMATION AND AWARENESS PILOT PROGRAM

The committee recognizes that there is a very high rate of diabetes among Native Americans. In August, 2001, the U.S. Department and Health and Human Services announced that proper nutrition and exercise could reduce the risk of diabetes by 58 percent. Therefore, the committee directs USDA to take an active role in promoting effective nutrition within those programs utilized by Native American populations, such as the Food Distribution Program on Indian Reservations and the School Lunch Program, in an effort to curb the diabetes epidemic.

TITLE V—CREDIT

CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT LENDING AUTHORITY

The basic statutory authority for the farm loan programs is the Consolidated Farm and Rural Development Act, as amended (P.L. 87–128), which is commonly referred to as the Con Act. The federal government's farm loan programs are operated by the Farm Service Agency (FSA) of the U.S. Department of Agriculture. FSA provides financial assistance to farmers and ranchers through direct, government-funded loans and through guarantees on loans made by commercial lenders. To obtain a direct FSA loan, a farmer or rancher must be unable to obtain commercial credit at reasonable rates and terms. To obtain a loan guarantee, a lender must certify that it is unwilling to make the loan without a government-backed guarantee.

FSA provides various types of direct and guaranteed loans to the nation's farmers and ranchers. For example, direct farm ownership loans are made for buying farm and ranch real estate and making capital improvements. Guaranteed farm ownership loans are made for the same purposes and for refinancing existing debts. Also, the FSA makes direct farm operating loans for purposes such as buying feed, seed, fertilizer, livestock, and farm equipment; paying family living expenses; and, subject to certain restrictions, refinancing existing debts. Guaranteed farm operating loans are made for the same purposes but without restriction on refinancing existing debts. Additionally, natural disaster emergency loans are direct loans made to farmers and ranchers whose operations have been substantially damaged by adverse weather or other natural disasters.

When a borrower has problems repaying his or her direct farm loans, FSA has various tools to resolve the delinquency, including: (1) rescheduling or reamortizing loan terms, which may include changing interest rates and the repayment period; (2) restructuring the loans, which may include reducing (writing down) some of the outstanding debt, so that the borrower can continue in farming; (3) allowing a borrower who does not qualify for restructuring to pay an amount based on the value of collateral security, which is less than the outstanding debt and results in FSA's forgiving (writing off) the balance; and (4) reaching a final resolution of the debt that may or may not include a payment by the borrower, which also results in debt forgiveness. When a borrower defaults on a guaranteed loan and a commercial lender incurs a loss, FSA reimburses the lender for the guaranteed portion of the loss.

BEGINNING FARMERS AND RANCHERS

During the 1990s, Congress began to focus the farm loan programs to emphasize assisting beginning farmers and ranchers. The future of United States agriculture depends on the ability of new family farmers and ranchers to enter agriculture. In recent decades, farm entry rates have declined; in many States, the farmer "replacement" rate has fallen below 50 percent. There are twice as many farmers over 65 as under 35 years old. Traditional methods of farm entry and farm succession need to be augmented to meet current challenges. Many of the changes in the credit title follow on earlier Congressional efforts and maintain the goal of making it possible for more young people to begin farming.

The title authorizes the Secretary to guarantee loans made by State beginning farmer and rancher programs, which includes loans that use funds resulting from the issuance of tax-exempt Aggie bonds. These bonds include a qualified small issue agricultural bond for land or property described in Section 144(a)(12)(B)(ii) of the Internal Revenue Code of 1986. Providing a guarantee on these loans in addition to the tax-exempt status of the bonds would encourage additional funds at favorable terms to beginning farmers and ranchers. Under current tax law a State-issued bond that receives a guarantee from the U.S. government loses its tax-exempt status. Congress has granted exceptions to this rule, including allowing the tax-exempt bond issuance for student loans to receive a federal guarantee. This proposal takes the first step in granting this exception by amending the farm lending law to grant the Sec-

retary the authority to provide a guarantee to State beginning farmer programs. To effectuate this exception, there would need to be a corresponding change in the tax code.

The credit title also improves programs such as the beginning farmer down payment program. The number of beginning farmers participating in this program has declined over the last several years, with 287 participating in 1998, 260 in 1999, and 142 in 2000. The down payment program for beginning farmers is a preferred loan program. It establishes a relationship between the beginning farmer and the commercial lender, while the beginning farmer shares in the risk of the transaction with the down-payment requirement. Statistics show that beginning farmers in the down-payment program were delinquent 1.6 percent of the time while beginning farmers in the joint participation loan program, where both a bank and the USDA directly lend to the beginning farmer, were delinquent 6.3 percent of the time. For these reasons, the Committee recommends the changes made to the beginning farmer down payment program so more beginning farmers become involved with the program.

The down payment loan program has been an important innovation. Nonetheless, it has been utilized more in certain regions than others. Because of this, the Committee urges the Secretary to establish performance goals for each State with a significant volume of real estate loans under subtitle A, with a goal of attaining down payment loan volumes consistent with section 346(b)(2)(A)(i)(II) within three years of the date of enactment of this subsection.

In another effort to increase beginning farmers' and ranchers' access to farm land, the title increases the time period in which a beginning farmer or rancher receives a preference to purchase inventory farmland from the Secretary from 75 days to 135 days and provides that the Secretary can combine or divide parcels of inventory property to maximize opportunities for beginning farmers and ranchers to acquire such properties. The current 75-day time period has constrained the actual time period in which the Secretary has offered these inventory lands for sale to beginning farmers and ranchers. Extending the time to 135 days ensures that beginning farmers and ranchers have a reasonable time period in which to obtain notice of the sale of these lands and gain financing for their purchase. Also, allowing the Secretary to combine or divide tracts of farmland provides additional opportunities for beginning farmers and ranchers to acquire such property.

The title also requires the Secretary to consider selling easements on inventory land for the purpose of farmland preservation. By providing the Secretary the ability to sell development rights, she possesses a greater ability to preserve farmland that is inventory property and sold for agricultural purposes.

As an example of innovative ways to provide assistance to beginning farmers, the Committee directs the Secretary to create a pilot program in which the Secretary will guarantee loans made by a private seller of a farm or ranch to a qualified beginning farmer on a contract land sale basis. The Secretary will guarantee up to five loans per State in 10 geographically dispersed States per year through 2006, after she has made a determination that this type of guarantee involves comparable risk to current guarantees to commercial lenders. Many farms are sold on a contract land sale

basis, which in effect makes the seller the financier of the loan. Current law does not allow the Secretary to guarantee these transactions. Because of tax considerations, this option may be attractive to those farmers considering selling to a beginning farmer or rancher.

NATIVE AMERICAN FARMERS

The title recognizes special situations faced by certain farmers. For example, the title requires a 95 percent guarantee of an operating loan made to a Native American farmer on an Indian Reservation and allows the Secretary to waive the seven-year term limit for direct operating loans made to Native American farm operations on tribal lands if she determines that commercial credit is not generally available for such operations. Because of the special legal status of some tribal lands, many creditors lack confidence that they will be able to enforce security agreements and, thus, choose not to lend to farmers on the tribal land. The result is that many Native American farmers find it very difficult or impossible both to find commercial credit and continue farming.

LIMITATION ON DIRECT OPERATING LOANS

The title also provides the Secretary authority to waive the term limitation on direct operating loans to allow all farmers to obtain loans for two years beyond the current seven-year limit. This change applies to all farm operations and provides the Secretary the ability to waive the term limitations on direct operating loans one time per lifetime for a borrower for two years. This change recognizes that certain borrowers that have viable farm operations may need this extension given the low commodity prices of the past few years.

SHARED APPRECIATION AGREEMENTS

In another example of adapting the law to meet changed circumstances, the title provides those who owe recapture amounts on shared appreciation agreements or those who have amortized the recapture amounts, the option of providing farmland protection easements on their land in return for forgiveness of the recapture amount. Many borrowers who owe significant amounts of money under the recapture provisions of shared appreciation agreements feel pressed to sell the land to meet the obligation. This is especially true in areas where the land values have greatly increased because of development pressure. This change allows farmers who want to stay on the land to exchange the development rights for their farmland for a period of 25 years in return for the forgiveness of the recapture amount. With this restriction, the Committee does not intend to discourage farmers from undertaking processing, storage, or value-added activities on the land directly related to the crop produced, in which other producers may take a part to make the processing, storage, or value-added activity economically viable for the landowner. The Secretary may define the extent of such activities by regulation.

LOW DOCUMENTATION LOANS

The title also makes using federal farm credit programs easier for all types of borrowers. The title raises the low documentation loan amount for a farmer program guaranteed loan from $50,000 to $100,000. Under current law, the low documentation loan program allows commercial lenders to streamline the paperwork involved with qualifying for a loan guarantee if the loan amount is $50,000 or less. This amount has not been increased since 1992. By raising the limit to $100,000, many more loans would qualify for this streamlined status. In fiscal year 2000, a total of 2,707 qualified for the low documentation program; another 3,070 would have qualified if the limit had been set at $100,000. Raising the limit to $100,000 is not likely to increase the delinquency rates on these loans based on historical evidence. In 2000, loans which qualified for the low-doc program had a delinquency rate of 4.3 percent compared to loans between $50,000 and $100,000, which had a delinquency rate of 4.1 percent.

INTEREST RATE REDUCTION

In another example of improving upon successful programs, the title makes permanent the interest rate reduction program and provides that beginning farmers receive an additional one percent interest rate subsidy (capped at four percent) over non-beginning farmers (capped at three percent) who participate in the program. The title also increases the maximum amount of funds for this program to $750 million and provides that 25 percent of the program's subsidized funds are reserved for assisting beginning farmers and ranchers until April 1 of each fiscal year.

FARM CREDIT ACT LENDING AUTHORITY

The basic statutory authority for the Farm Credit System (FCS) and for Federal Agricultural Mortgage Corporation (Farmer Mac) Farmer Mac is the Farm Credit Act of 1971, as amended (P.L. 92–181). These two government-sponsored enterprises provide credit assistance to agriculture.

FCS was created by Congress in 1916 as a nationwide financial cooperative that lends to agriculture and rural America. Overall FCS supplies about 26 percent of the credit provided to American farmers and ranchers and about 85 percent of the credit provided to agricultural cooperatives. FCS comprises six regional Farm Credit Banks and a specialized lending bank with a national charter to finance, among other things, agricultural cooperatives, rural utility systems, and other rural businesses. Another key element of FCS is the Federal Farm Credit Banks Funding Corporation, which obtains funds for FCS to lend through the sale of bonds and notes in the nation's capital markets. Unlike commercial banks, FCS banks and associations do not take deposits. The debt securities of FCS are the joint and several liability of all the FCS banks. In addition, the Farm Credit System Insurance Corporation, which was established in 1988, insures the timely payment of principal and interest on FCS debt securities.

Farmer Mac was created by the Agricultural Credit Act of 1987 to promote the development of a secondary market for agricultural real estate and rural housing loans. Farmer Mac does this pri-

marily by purchasing qualified loans from lenders, thereby replenishing their source of funds to make new loans.

The Farm Credit Administration (FCA) is the independent federal regulator responsible for examining and ensuring the safety and soundness of FCS. FCA also regulates and examines Farmer Mac.

Current law, adopted in 1992, authorizes Farm Credit System lenders to purchase interests in certain loans made by non-Farm Credit System lenders to customers who are not otherwise directly eligible to borrow from the System. This authority was provided to enable System institutions to better manage the risk in their narrowly focused portfolios. The authority has the added benefits of providing an additional source of capital for certain businesses and fostering partnerships between commercial and System lenders.

These multi-lender transactions involve mostly larger customers (i.e., businesses with credit needs large enough that multiple lenders are needed to spread the risk among financial institutions). Such loans are originated by commercial lenders and then syndicated or sold to groups of lenders. For System institutions to participate in these transactions, the loans must involve businesses that are similar to the businesses directly eligible to borrow from the System. In addition current law provides limits on the volume of such loans the System can hold (no more than 15 percent of an institution's assets) and the percentage of the total financing package that is made available to any one borrower (the combined total financing from all System participating lenders must be less than one-half of the total financing package). These limitations ensure that commercial lenders continue to play the predominant role in financing businesses not directly eligible to borrow from the System.

Recognizing the growing sophistication of the secondary market for agricultural loans, this title would increase the number of Farmer MAC Board of Directors from 15 to 17 so as to include two additional management directors. It also would provide that the Board of Directors elect its chairperson. These changes would bring the Farmer MAC Board of Directors organization in line with other government-sponsored enterprises such as Fannie Mae, Freddie Mac and Sallie Mae. These changes would also recognize the sophistication and complexity of managing the risks associated with the functioning of a secondary market for agricultural loans and the need for operational expertise on the Farmer Mac Board

TITLE VI—RURAL DEVELOPMENT

About 55 million people reside in Rural America, almost a fifth of the nation's population. And, in 1997, rural areas lagged behind urban areas by about $9,000 in real per capita income. Earnings per job shows an even larger discrepancy: $35,151 in urban areas compared to $23,619 in rural areas (in 1998 dollars). The Rural Poverty rate, 14.3 percent, is higher than urban poverty, 11.2 percent (for 1999). A significant number of counties, particularly in the upper Midwest, have seen declining populations decade after decade, some for over a century.

Costs for a wide variety of infrastructure per person in rural areas are higher. That is true for transportation, sewer systems, drinking water, electricity, telephone service, and now broadband

communications. The rural economic infrastructure is also in many ways at a disadvantage compared to urban areas. That may not be true for some routine financing of common activities, but it is clearly the case for larger less common business enterprises, and it is most clearly true regarding equity financing, which is so important for business growth at the beginning of the 21st Century.

The Federal Government has played a crucial role in rural economic development from the nation's early days with the development of canals, railroads and 1862 Homestead Act. Land Distribution and transportation infrastructure defined rural policy to the beginning of the 20th Century. In the 1930s, the Congress established programs within the Department of Agriculture for the electrification of rural America, and the first loans for homes and businesses.

A large number of agencies of the federal government have some programs which focus on rural economic development. But, since the 1972 Rural Development Act, USDA has been the lead agency for coordinating federal programs that target rural areas. USDA programs have focused on a number of crucial areas. Grants and loans for infrastructure development for electricity, telephones, sewer and drinking water systems, and most recently, support for bringing broadband access to rural areas, have been crucial for creating the backbone that allows businesses to exist and grow, as well as providing for an improved quality of life for rural Americans.

EQUITY PROGRAMS

It has become apparent in recent years that one of the major factors limiting economic growth is the lack of equity capital in rural America. The reasons are many. But, some relate to distance from those with equity expertise and resources to invest. And, some relate to the relative expectation of profit that can be expected. For many manufacturing, particularly value added manufacturing through cooperative ventures, the level of profit is not considered to be competitive to the profit potential expected in the private equity markets. To overcome those difficulties, the Rural Development title has included two significant equity mechanisms that could spark considerable economic development.

The first is Section 601, establishing the National Rural Cooperative and Business Equity Fund. This proposal was introduced in an earlier form by Senators Harkin and Craig in the 106th Congress and reintroduced as part of a larger measure by Senator Daschle as a part of S. 20 at the beginning of this Congress. The measure has enjoyed broad support within the rural financial community, including both banking and farm credit system organizations.

It authorizes the appropriation of $150 million in funds to be matched by at least an equal amount contributed by private investors. USDA will guarantee 50 percent of each investment made by a private investor, with a maximum total guarantee of $300 million in private investments in the Fund. Debentures issued by the fund and guaranteed by USDA shall not exceed $500 million. The Fund will make equity and semi-equity investments in rural businesses. Investments in retail businesses will not be allowed. The fund will be managed by a 14 member board, three appointed by the Secretary and 11 from the investors. The goal is to have a board that

operates in a way that has a strong goal of increasing economic development in rural areas. But, it will also be motivated by profit. The Board is expected to hire a staff that fully meets the standards in quality and quantity that is expected in the private equity investment industry.

There is a limitation on the investment in a single investment of no more than the greater of 7 percent of the funds capital or $2 million. The expectation is that all of the investments would be far smaller than 7 percent of the fund if the fund is of a magnitude near its authorized size. The measure allows the Secretary to waive these limits in cases where additional funds may be necessary to preserve an existing investment. The expectation is that the Secretary would only grant this authority in very limited circumstances where the need is clear and the expectation that the additional funding is reasonably likely to result in a successful recovery. It is expected that many of the investments will be in cooperative enterprises, important to rural America although those investments often have a lower rate of return. It is not expected that the fund will be engaged in traditional loan activities, but there are occasions when equity providing funds provide nonequity assistance. Section 383(a)(B)(ii) is designed to place an absolute limit in that area.

Section 602 creates the Rural Business Investment Program which is designed on the Small Business Investment Company (SBIC) model. Unfortunately, SBICs have not provided the degree of equity investment in rural America desired. The Committee has provided several incentives beyond those provided for SBICs to attract capital to Rural Business Investment Companies (RBIC). These include grants to RBICs to be used to assist entities that they invest in, and an increase in the ability of the Secretary to provide guarantees on up to 300 percent of an entities capital, as opposed to 200 percent. However, the expectation is that guarantees will only be made to that level when there is comfort with the quality of the RBIC. RBICs are designed to provide equity type investments to rural small businesses and are not intended to directly compete with conventional rural lenders. As a result, the Secretary shall prohibit an RBIC from making a loan to an eligible entity unless one or more banks have declined the entity for a loan.

Since the Small Business Administration has considerable experience with equity firms receiving government support, it is in the Government's expertise to fully use that resource. The Secretary is expected to maintain policy controls, within the intent of the law, regarding both equity provisions; but the expectation is that the professional staff of the SBA will make judgements where delegated and otherwise provide recommendations in regard to financial issues.

OTHER PROGRAMS

Section 603 provides the resources necessary to allow USDA to fund the backlog of community facility, sewer, drinking water and certain other loan and grant applications. The provision requires that the funds in the FY 02 Agriculture, Rural Development, FDA and Related Agencies Appropriations measure are first used. For too long, large number of important projects important to rural America have languished, unfunded. This provision will allow the

Department to remove this backlog. However, this section requires that the Secretary follow the rules that are in effect on the date of this measure's enactment. Projects that do not meet the requirements of those regulations will not receive support.

Section 604 establishes a Rural Endowment Program. A large number of Rural communities lack the resources that are necessary to attract business to provide good jobs and necessary facilities to allow for a good quality of life for the area's citizens.

The Rural Endowment Act provides grants for the development of comprehensive plans for what a rural area may need to help it achieve economic growth. The strategy would provide a road map for loans or investments. In those cases where an organization, governmental or non-profit has developed a comprehensive community development strategy of considerable quality that is likely to result in a significant improvement in the area's ability to improve its economy and community development, the Secretary should carefully consider providing funds for an endowment. Endowments of up to $6 million, matched with local funds are to be invested. And over a period of 10 years, the endowment will be used to accomplish the comprehensive plan. Funds may be used to finance affordable housing, infrastructure, and community facilities and economic development projects. It is the Committee's hope that a number of excellent successful plans will have a major effect on the areas involved and will be models for future efforts using non-categorical funding. It is expected that the Secretary shall award all of the endowment funds to specific applicants in fiscal year 2003. An additional authorization is provided for fiscal years 2004 through 2006 if the Congress determines that the initial experience demonstrates that this is an effective model for economic development and the resources are available.

Section 605 provides for $100 million per year in assistance for broadband access. Just like the availability of electricity was crucial for rural areas in the last century, the availability of broadband is necessary for economic development in this century. Funds may be made available for communities of less than 20,000 people. But, the expectation is that resources are most needed for communities that are far smaller, perhaps those smaller than 2,500 people. These funds can be in the form of grants. But, the Secretary may convert a portion of these resources into loans, which is expected to be logical in many cases. It is expected that many projects will receive both grants and loans, which is the pattern for a number of Rural Utilities Service (RUS) programs. It is the expectation of the committee that the RUS will give the highest priority for grant and loan applications for areas that do not have any broadband service. Clearly, unlike RUS water, sewer and electric programs, not every eligible user is expected to actually acquire broadband service. But, the availability of this service is crucial for both economic development and to provide a service that a growing number of Americans are starting to view as essential. The Secretary is required to periodically review and when necessary change the definition of broadband service. The Committee expects the Administrator will apply a flexible definition of broadband services to encourage new broader bandwidth technologies that provide significant progress towards higher bandwidth services in rural areas and that the program will foster the development of a variety

of technological applications including terrestrial and satellite wireless services. This is a critical function since this is a rapidly changing technology. The Committee has taken no position on particular technologies and believes that the it is very important for the Department not to chose among adequate technologies. The Committee expects the Secretary to participate in any FCC proceedings or Department of Commerce study of the future of broadband services and the markets for such services.

Section 606 provides funding for Value Added Product Development Grants. These were first funded in the Agricultural Risk Protection Act of 2000 and have proven to be an excellent mechanism to assist agricultural producer based groups acquire crucial resources so they can successfully develop value added enterprises that help producer income and rural development generally.

The Committee defines the term "value-added agricultural product" to mean any agricultural commodity or product that has: (1) undergone a change in physical state; (2) been produced in a manner that enhances the value of the agricultural commodity or the product, as demonstrated through a business plan that shows enhanced value; (3) as a result of the change in physical state or the manner in which the agricultural commodity or product was produced, the customer base for the product has been expanded; and, (4) a greater portion of the revenue derived from the processing of the agricultural commodity or product is available to the producer of the commodity or product. The Committee intends for USDA to fund value-added marketing and labeling projects in instances where the product is produced in a manner that enhances its value to the consumer or end user, provided there is an adequate business plan.

The Committee notes that the Value-Added Grant Program has demonstrated success towards ensuring that agricultural producers retain a higher dollar value for agricultural products. While "value-added" agriculture is often identified with a processed commodity, producers are finding new opportunities and higher values for products that do not initially change the physical state of the crop. For example, identity preserved grains are ineligible under the original program. However, growers are producing commodities with inherent characteristics that have increased value to end-users and which can increase the portion of the value received by the producer. Once the value is identified, producers expend resources to meet the need. At this point the crop has increased value in the marketplace. The program should seek to fund sound business plans that will match producers with processors/end users for products or commodities in this type of value-added circumstance.

Five purposes for this section are included: (1) to increase the share of the food and agricultural system profit received by agricultural producers; (2) to increase the number and quality of rural self-employment opportunities in agriculture and agriculturally-related businesses; (3) to help maintain a diversity of size in farms and ranches by stabilizing the number of small and mid-sized farms; (4) to increase the diversity of food and other agricultural products available to consumers, including nontraditional crops and products and products grown or raised in a manner that enhances the value of the products to the public; (5) to conserve and enhance

the quality of land, water, and energy resources, wildlife habitat, and other landscape values and amenities in rural areas. It is the intent of the Committee that USDA operate the program in a manner consistent with these purposes. The ability of a proposal to meet the purposes of the program should be very significant factors in the awarding of grants including the number and degree of the purposes met.

Grants recipients are independent eligible producers (as determined by the Secretary) and non-profit organizations. Producers shall use the grant to: (1) develop a business plan or perform a feasibility study for viable marketing opportunities for the value develop strategies that are intended to create marketing opportunities for the producer or to create a marketing opportunity for the producer. Non-profit organizations shall use the grant to: (1) assist the entity to develop a business plan for viable marketing opportunities in emerging markets for a value-added agricultural product; and (2) to develop strategies that are intended to create marketing opportunities in emerging markets for the value-added agricultural product. It is the intent of the Committee that nonprofit organizations shall also receive grants to assist in the formation of value-added ventures and alliances that will broaden the market for producers.

A five percent setaside of the grant funds is made for certified organic products that expand the customer base of the product and increases the portion of product revenue available to producers. If there are insufficient appropriate grants received under this subsection, the Secretary may release the funds for other value added grants after March 31 of the fiscal year except that the Secretary should act to provide reasonable opportunity for applicants under this section to benefit in fiscal year 2002.

Section 621 enlarges the annual authorization of the crucial rural water and wastewater program within the Rural Utilities Service. It also provides authorization for the establishment of revolving loan funds for the financing of small water and wastewater projects through non-profit organizations. The selected organizations may make grants and loans of up to $100,000 for predevelopment costs for potential projects, replacement equipment, small scale extension projects and other projects that are not part of the regular operation and maintenance activities of existing systems. It is the Committee's intent that these funds not be used to provide grants that are in addition to other USDA financial support for the same project.

Section 625 Certified Organizations Sharing Expertise is a new program through which non-profit organizations with experience in specific areas of economic or community development may apply to be placed on lists of such organizations certified by USDA. The expectation is that such organizations will be listed at the State level, except for organizations involving specialized expertise in narrow categories where the certification may more logically occur at the national level. Such organizations may be able to share their expertise significantly reducing the costs to rural communities and organizations. Funds may be appropriated to provide additional resources for organizations willing to help those beyond their normal boundary of activity.

Section 626 provides that the Rural Utilities Service may provide financial assistance for projects that receive support through tax exempt bonds. The Committee believes that this ability would be useful. However, for the section to be in used, a companion change will need to be made in the tax code.

Section 627 provides for a new program to provide training for firefighters and emergency personnel in rural areas. While the FEMA FIRE program is providing increased assistance for firefighters, only a small portion of those funds go to training, which is so crucial to the safety of firefighters and emergency personnel and to their ability to protect people and property. In many cases, those in rural areas are volunteers in small departments with very limited resources for training. At least 60 percent of the funds are to be devoted to partial scholarships for training at approved centers. The expectation is that the Department will certify those centers whenever logical by following the certification of approved organizations or those that have received funding in the past from FEMA or other federal agencies for training purposes. The Committee believes that travel costs should be minimized with the understanding that some areas are more remote than others, and a higher cost of travel from a more remote area should not be a detriment for funding. However, the use of more localized centers of good quality rather than training at distant centers should be promoted. Up to 40 percent of the funds provided may be allocated for the direct support of State or regional training centers, with no center receiving more than $2 million in a year.

Section 633 provides a number of changes in the Business and Industry loan and loan guarantee program. It is the Committee's desire to maximize the use of guaranteed loans under this program with a recognition that care must be taken to minimize losses. As losses increase, the amount of loans that can be guaranteed with each dollar of budget authority will decline. The Committee has provided for a considerable expansion of loan guarantees for cooperatives and for producers needing assistance to buy stock in cooperatives. These provisions will provide increased support for agricultural producers to own processing and other facilities that will enable them to acquire increased income through the value being added to their production and at the same time creating an incentive for facilities to be in rural areas where they will provide additional jobs and other benefits to the rural economy as a whole.

Reports have reached the Committee that USDA has received some appraisals under the program that considerably overvalued property to the program's detriment. The bill provides that the Department shall acquire appraisals from those who are properly qualified to make appraisals regarding the property in question. The Committee also has placed a cap on the initial fee applied to a loan guarantee principal at the current rate of 2 percent. Reluctantly, no prohibition is set on annual fees that may be assessed because of the understanding that the program level per dollar of budget authority of the program would be seriously eroded in the future with such a prohibition.

Section 636 provides for the simplification of a number of applications and loan guarantee applications. The Department needs to acquire information so that sound decisions can be made regarding requested financial assistance. But it is essential that the Depart-

ment work to minimize the paperwork burdens on applicants for Rural Development assistance within that constraint. The Department is urged to make an analysis of its application and other forms to see what can be done to further reduce the paperwork burden.

Section 638 establishes a microenterprise program designed to provide the skills that are necessary for individuals to start, and in a healthy percentage of cases, succeed at starting small businesses important to the individuals involved and the rural economy as a whole. It is expected that low- and moderate-income individuals will be the main recipients to the skills, training and access to capital and credit as well as continuing assistance as individuals begin operating their small businesses. The expectation is that the Department will focus the resources at those organizations and those models that have had a high level of success in related government programs.

Section 639 establishes an interagency coordinating committee to examine the special problems of rural seniors chaired by the Undersecretary for Rural Development. While USDA has been the lead agency in government regarding rural economic development, programs of importance to rural elderly individuals is highly fractured among the departments and agencies of the federal government. It is believed that has resulted in both considerable inefficiencies and in needs not being met. Substantive. Recommendations from the interagency task force is expected.

$25 million is authorized for grants to nonprofit organizations including cooperatives for projects of special merit that will particularly benefit senior citizens in rural areas. The grants under this section may equal up to 20 percent of a project's cost in addition to assistance that may be available through other federal programs. The intention that a high priority will be given to projects that will result in examples that may be widely duplicated.

The section also provides for a reserve within the community facility program of not less than 12.5 percent of the resources in that program for appropriate projects that meet the standards of the program that are for senior citizens or mainly benefit them. The Department must maintain this reserve through April 1 of each fiscal year.

Section 640 establishes a reserve within the community facility program of not less than 10 percent of the programs resources for developing and constructing day care facilities. The lack of adequate day care is very significant in most rural areas. This prevents many parents from working or leaves their children with inadequate care during those periods. Experiences in recent years have shown that relatively small sums from the community facilities program can be significantly leveraged to have a far greater effect per government dollar provided. And, the Department is directed to maximize efforts to acquire significant leverage to maximize the use of funds.

Section 641 provides for an authorization to establish rural telework centers where those in rural areas will be able to continue to live in small communities while working for companies whose offices are distant. Many rural institutions, from community colleges to some area chambers of commerce, could organize such centers. While many talk about teleworking from home, there is consider-

able material that suggests that a formal office setting with the resources that can be made available at such locations may prove an important alternative. A rural telework institute is also authorized. The institute will provide as a center for assisting telework centers and those who are developing such centers in best practices, estimations of costs as well as working to develop new methods to best use the structure of telework centers. The center may be a consortia of organizations, probably with strong educational ties.

Section 646 authorizes SEARCH grants through which State developed councils shall provide grants to small rural communities with populations of less than 2500 which face significant difficulties meeting environmental requirements. Clearly, a large number of communities do have such difficulties. It is expected that States will give a priority to projects that USDA connected projects and to those where the solutions found may be of use to a number of communities in the State and the nation.

Section 647 Authorizes the Great Plaines Regional Authority in the State of North Dakota, South Dakota, Nebraska, Minnesota and Iowa. The Authority shall develop a series of comprehensive an coordinated plans for the economic development of the region.

The authority is also authorized to receive appropriations for the purpose of making grants particularly to those counties which are distressed with a special emphasis on transportation, telecommunications, and basic infrastructure such as sewer and water facilities. The Committee recognizes the ongoing rural development efforts that have evolved from the recommendations of the Northern Great Plains Rural Development Commission. The Commission was established in 1994 through the passage of P.L. 103–318 to prepare a 10 year rural development strategy for the Northern Great Plains Region. The Committee supports the efforts of the Northern Great Plains, Inc to implement the Commission's recommendations and urges the Department with this organization to continue to advance the findings of the Commission. However, further efforts must be made to assure that staff resources of that organization are allocated in a balanced manner to the benefit of all parts of the region.

Section 652 Telemedicine and Distance Learning. This section extends the authorization of the very effective Telemedicine and Distance Learning Services in Rural Areas program through fiscal year 2006. The Committee directs that public television entities are eligible to receive assistance under this section for high speed telecommunication services in rural areas to provide educational programming for schools and communities in rural areas.

Section 662 authorizes a revised program to fund the Rural Economic Loan and Grant program that was first enacted in 1987 and which has provided approximately $185 million in economic development assistance to rural communities. The funding will occur through the payment of an annual 30 basis point fee by private lenders that issue bonds or notes guaranteed by the Administrator of RUS. These fees are placed in a sub-account for the purpose of providing the budget authority for eligible economic development projects through intermediaries. The provision provides for safety and soundness and permits the Administrator of RUS to deny the request of a lender for a guarantee if the lender does not have the expertise to or experience in rural utility lending or issues bonds

that without the guarantee would not be financially sound and of investment grade quality. As used in this section, the term "project" means any electrification or telephone purpose eligible for assistance under the Rural Electrification Act, including any purpose specified in section 4 and section 201. This provision requires that a private lender make payment on the bonds or notes even if a loan made using the proceeds of such bond or note is not repaid to the lender. This effectively places the lender between the RUS and the borrower minimizing the risk to the government.

Bonds and notes may not be used for electric generation or to finance electric generation projects. The proceeds of the bonds are to be used to provide private capital for rural electric and telephone purposes that would otherwise qualify for direct loans under the Rural Electrification Act and to refinance bonds or notes used for such purposes. The amount of bonds or notes that may be guaranteed for a lender may not exceed the amount of outstanding loans of the lender that were made concurrently with loans approved under the Rural Electrification Act. Up to one-third of the fees collected may be used for the cost of providing the guarantee although it is expected to be far less than that portion of the fees charged.

TITLE VII—RESEARCH

OVERVIEW

Food and agriculture research is the backbone upon which the vitality of our rural communities depends, the security of our food supply rests, and the health of our environment is protected. The challenges in food and agriculture related research are great. The world today is a challenging place to attain these objectives. The world's population continues to grow rapidly, placing a strain on a whole range of resources, from food and water, to energy, to green spaces and our natural environment. Farmers and ranchers are being asked to produce more, yet they are also seeking to protect and restore land, water, air and wildlife resources. American agriculture faces an increasingly competitive international marketplace. Biotechnology is presenting challenges that we are just beginning to understand and address. If these challenges are ignored today, they will cost much more to address in the future.

The U.S. agricultural research program has evolved over the past 150 years into a $2.1 billion collection of programs. While most organizations agree that investment in food and agricultural research should be a high priority for public funding, this agreement has rarely been translated into meaningful increases in funding. Federal spending on agricultural research, extension and education has been flat the past several decades. Federally funded research is allocated among intramural (or Agricultural Research Service) funds, formula funds to universities, competitive grants, and special grants.

BACKGROUND

The Secretary of Agriculture coordinates USDA research, education, and extension. Federal funds are distributed to four agencies under the direction of the Under Secretary for Research, Extension and Economics: the Cooperative State Research, Education, and Extension Service (CSREES), the Agricultural Research Serv-

ice (ARS), the Economic Research Service (ERS), and the National Agricultural Statistics Service (NASS). Of the approximately $2.1 billion in federal money spent in fiscal 2001 on agricultural research, education, and extension programs, about 46 percent is spent on State-level formula programs and competitive grant programs through CSREES, 43 percent is spent on in-house research programs conducted by the ARS, three percent is directed to economic research conducted in-house by ERS, five percent is spent on statistical services conducted by the NASS, and three percent is used for buildings and facilities.

Congress identified agricultural research as an important issue in the 1850's. Starting in the 1860's, Congress passed a series of bills designed to promote agricultural development: the Morrill Act of 1862, the Second Morrill Act of 1890, the Hatch Act of 1887, and the Smith-Lever Act of 1914. Together, these acts established our land-grant system.

The land-grant philosophy has been the foundation of America's agricultural productivity for over 130 years. The three cornerstones of the land-grant approach—teaching, research, and extension—have improved the economic well being and quality of life for millions of Americans.

Congress passed the First Morrill Act in 1862, which authorized the establishment of a land-grant institution in each State to educate citizens in agriculture, home economics, mechanical arts, and other practical professions. Under this Act, each State was given public lands, provided that the lands be sold or used for profit, and the proceeds used to establish at least one agricultural college (land grants for the establishment of colleges of agriculture, home economics, and mechanical arts were also later given to U.S. territories and the District of Columbia). Public universities existed already in some States; however, most States responded to the First Morrill Act by legislating new colleges rather than endowing existing State institutions. The act gave rise to a network of often poorly financed colleges known as "1862's."

The Second Morrill Act passed in 1890, however, provided for an annual appropriation to each State to support its land grant college. In addition to providing funds for education at land grant colleges, the act of 1890 specifically forbade racial discrimination in admissions. A State could escape the discrimination clause only if separate institutions were maintained and the funds divided in a "just" manner. Thus, the Second Morrill Act led to the establishment of a group of historically African-American land grant institutions (1890s). Today, there are 19 1890s (including Tuskegee University and West Virginia State College) located mostly in southern States.

Over the decades, as the U.S. economy grew and changed, so did the nature and demands for education and scientific pursuit. As more and more U.S. citizens began to attend college, most colleges of agriculture were transformed into full-fledged universities. Today, although many land grant universities are still known for their agricultural college roots, others have little agricultural identity and students are rarely from farm families. Currently, in addition to the 59 1862's and 19 1890's, there are 15 non-land-grant colleges that obtain USDA funds primarily through forestry and natural resource programs authorized under the McIntire-Stennis

Act, and 30 tribal colleges which were afforded land grant college status under the Elementary and Secondary Education Re-authorization Act of 1994.

The 1862 Morrill Act gave land grant colleges their mandate to teach. In 1887, recognizing the need for research in the agricultural sciences, Congress passed the Hatch Act to provide money to each State for the purpose of establishing, within the land-grant college, an agricultural experiment station.

Today, State Agricultural Experiment Stations (SAES's) operate in conjunction with and, in almost all cases, on locations at colleges of agriculture. Most faculty at land grant colleges of agriculture have SAES appointments. This grants them access to Hatch research funds administered by USDA's CSREES and distributed to the SAES's on a formula basis.

In 1914, extension joined teaching and research as the third major mission when Congress passed the Smith-Lever Act. Under this act, a Cooperative Extension Service was created to aid in disseminating to the public useful and practical information about subjects relating to agriculture and home economics and to encourage its application. Under the authority of this act, the land-grant colleges and USDA were to cooperate in extension work, which was to consist of instruction and practical demonstration in agriculture and home economics to persons not attending the land-grant college. Information was to be supplied through field demonstration. Agricultural extension was designed at the outset to be a cooperative program. As a result, funding for these programs has been a joint venture between the Federal Government, State and local governments, and the land-grant universities. While there is certainly variation among individual States, funding is roughly one-third from each of the Federal, State and local governments.

Under the authority of the Smith-Lever Act, there are three Federal funding mechanisms. Section 3(b) of the Smith-Lever Act provides that each State and the Federal Extension Service shall be entitled to receive annually a sum of money based on a formula that takes into consideration the rural population of each State; Section 3(c) provides funding to seven results-oriented base programs; and Section 3(d) are national initiatives, intended to be established for limited time

The Secretary of Agriculture established the ARS in 1953 under the authority of the Reorganization Act of 1949. Pursuant to the Agricultural Reorganization Act of 1994, ARS includes functions previously performed by the Human Nutrition Information Service and the National Agricultural Library. ARS is USDA's in-house research agency, and as such, conducts basic and applied research in the fields of animal sciences, plant sciences, entomology, soil and water conservation, agricultural engineering, utilization and development, human nutrition and consumer use, marketing, development of integrated farming systems, and development of methods to eradicate narcotic-producing plants.

The National Agricultural Research, Extension, and Teaching Policy Act of 1977 amended the research act of 1965 to authorize a Competitive Research Grant Program. This program was further modified in the 1990 Farm Bill in order to create a National Research Initiative (NRI), which was first proposed by the National Academy of Sciences. The NRI is currently authorized at $500 mil-

lion per year. While the NRI has received enthusiastic support from the research community, funding has averaged approximately $100 million/year.

The National Agricultural Research, Extension, and Education Reform Act of 1998 established peer and merit review requirements for USDA funded research and extension projects, and requirements for integrated and multi-State research. This Act also required institutions receiving formula funds from USDA to prepare annually a Plan of Work insuring adequate input from stakeholder organizations for current and future research and extension programs. The Committee has found that implementation of the stakeholder input provisions has been mixed throughout the country. This Act requires the Secretary to establish minimum standards to ensure transparency and openness in the priority-setting process.

The Agricultural Research, Education and Extension Reform Act of 1998 also established a research program using mandatory funding: the Initiative for Future Agriculture and Food Systems (IFAFS) to award competitive grants integrating research, education and extension in emerging issues of national scope in agriculture.

PURPOSE AND NEED

The Committee recognizes that central purposes of this Act include ensuring the security and vitality of the nation's agricultural and rural communities. As has been previously noted, research plays an essential, but often unappreciated, role in accomplishing this. The fact that resources devoted to agricultural research have been insufficient to keep pace with the increasing needs of farms and rural communities has been of great concern to the Committee. In this Act, therefore, the Committee takes a variety of actions to bolster the nation's agricultural research capacity.

The Committee recognizes that it has been given the authority to allocate Federal funds to address the needs of farmers, ranchers, and their communities. While it is true, that a majority of the economic assistance required by farmers, ranchers, and their communities is provided in the form of economic and income assistance, the Committee also finds that unmet agricultural research needs are a significant roadblock to improving farm and rural communities.

A far larger portion of the U.S. agricultural research expenditures today comes from the private sector than in past decades. This reflects the private sector's recognition of the importance of research and development to ensure the productivity, efficiency, and ultimately, profitability of food and agriculture industries, and therefore they have stepped in to fill the gap left by decades of essentially level federal funding.

INITIATIVE FOR FUTURE AGRICULTURE AND FOOD SYSTEMS

However, this private sector funding is mostly targeted toward a relatively limited set of goals leaving the needs of many other areas of the agricultural and rural sector unaddressed. The Committee finds that the only way to meet these unfulfilled needs is through devoting a portion of the funds allocated to the Committee for this legislation to research programs. This bill therefore reauthorizes

the Initiative for Future Agriculture and Food Systems through 2006 and increases its level of funding to $145 million a year.

RURAL POLICY RESEARCH

The Committee finds that there are many unmet research needs related to the special needs of rural communities. It therefore provides $15 million annually in funding for a competitive grants program focused on rural policy research. This program will provide research grants for rural policy research on topics such as: rural sociology; effects of demographic change; needs of groups of rural citizens; rural community development; rural infrastructure; rural business development; rural education and extension programs; and rural health issues.

BEGINNING FARMERS AND RANCHERS

The Committee recognizes that the changing nature of agriculture has created a great need for beginning farmers and ranchers to be able to utilize a wide-range of tools such as risk management, precision farming, crop protection, and business planning. It therefore provides $15 million annually in funding for a competitive grants program focused on helping beginning farmers and ranchers with the knowledge they need to succeed.

The Committee is concerned that the increasing privatization of agricultural research means that valuable public expertise is being lost in fields such as biotechnology and agricultural genomics. The Committee is also concerned that increasingly, more and more of the animal and plant genome may no longer be public domain which presents serious issues for food security—both domestically and worldwide. The Committee expects USDA to heighten its reviews of technology transfer and funding for agricultural biotechnology to ensure that public funding is sufficient to maintain public availability of animal and plant genomics, and that public funding does not lead to concentration of animal and plant genomics in private sector entities.

The Committee recognizes that the end of the cold war, along with recent tragic terrorist attacks, have focused national attention on U.S. vulnerability to biological and chemical terrorism. Agriculture is widely considered to be a vulnerable target for bioterrorism, also called agroterrorism. Production of food and fiber accounts for approximately 13 percent of the gross domestic product and the employment of 24 million Americans. In 1997, the food and agriculture industry generated over $1 trillion worth of business from its two million farms according to Iowa State University.

A large scale biological attack on our food supply could imperil our food supply and cause tens or hundreds of billions of dollars in economic losses that would devastate our economy and rural America. The Committee has therefore included in this title several new authorizations to bolster the Federal government's biosecurity planning and response capabilities and response. The Committee expects the Department to utilize these authorizations to ensure that U.S. food safety and animal systems are prepared to address threats to our food and agriculture systems from acts of terrorism.

The Committee strongly supports the enhanced and expanded use of programs called for in the Conservation Title of the bill to improve water quality in the Great Lakes system. To support this

effort, the committee believes that wider use of advanced information, geo-spatial and decision support technologies is needed and will improve both the cost-effectiveness and positive impact of these conservation programs on Great Lakes water quality. The Committee therefore encourages the Secretary of Agriculture to initiate an integrated study that will: (1) assess the impact and efficacy of current and pending USDA conservation programs on the Great Lakes; (2) determine how advanced information technologies will promote more efficient management and use of these conservation and resource programs as tools for improving water quality in the Great Lakes and; (3) make specific recommendations concerning the design and deployment of an integrated information technology tool that will maximize the impact of conservation programs in the Great Lakes region.

The Committee has noted the increasing significance of the organic sector of agricultural production. While organic production only accounts for about one percent of overall food production, it represents a very significant contribution to value-added and sustainable agriculture. The Committee expects the Department to increase its efforts to promote organic agriculture and ensure that it receives resources proportional to its contribution to agriculture nationally. Specific actions the Committee expects USDA to undertake are to increase the resources available for organic on-farm research and development through the Initiative for Future Agriculture and Food Systems, the Federal agricultural laboratories, and Federal organic research programs.

The Committee is concerned about efforts to provide the Secretary with additional authority to determine, at the request of State, local or tribal authorities, whether certain methyl bromide treatments should be authorized. The Committee believes that existing authority provides adequate means to prevent the introduction, establishment or spread of plant pests, plant diseases, or noxious weeds, and therefore has included no corresponding provision in the Senate bill.

TITLE VIII—FORESTRY

FORESTRY IN THE FARM BILL

Forestry concerns, particularly those relating to non-Federal forests, have been included in past farm bills for some time. In 1990, a number of new forestry initiatives were included, such as the Office of International Forestry and Forest Legacy Program. Similarly, the 1996 bill covered forestry issues. This year's bill continues to strengthen national forestry efforts.

FORESTS AND PRIVATE FOREST LANDOWNERS

Sustainable management of America's non-industrial private forest lands is important to Americans future. The majority of wood produced in the United States comes from private forest lands. These lands provide many benefits to society, including air and water quality, fish and wildlife habitat, protection of soils and wetlands, and opportunities for recreation and solitude. The products and services resulting from stewardship of these forests contribute greatly to the economic and environmental health of the country. Yet despite the importance of these lands, their full public benefit

and private value are not being captured. Only ten percent of these lands are managed in accordance with professional forestry advice. The long term investments needed for sustainable management of these lands pose a financial challenge to landowners. In addition, non-industrial forest lands are faced with many threats, including the threats of forest fragmentation, catastrophic wildfires, and invasive species. Society depends more than ever on private, non-industrial forest landowners to provide the market commodities and environmental benefits required to maintain a high quality of life for the American people.

FORESTRY PROGRAMS

There are nearly ten million non-industrial private forest landowners in the United States. These individuals own nearly half of the nation's 747 million acres of forest land. Yet as mentioned above, only a small portion of these landowners receive professional forestry assistance. The forestry title addresses this issue by establishing a new Sustainable Forest Management Program for the nation's private forest landowners and participating States. This program will provide assured funding for States to address a variety of multiple resource objectives, including forest health and productivity, soil, air and water quality, agroforestry, preservation of aesthetic quality and opportunities for outdoor recreation.

The Committee recommends the Sustainable Forest Management program be administered jointly by the Forest Service and the Natural Resources Conservation Service. If the Secretary chooses either the Forest Service or Natural Resources Conservation Service individually to administer the program, the Committee expects that the program will be run in close coordination with the other agency.

Few private forest landowners, on their own, have the financial and technical resources to manage their forests. The Committee believes that cooperatives provide landowners with the tools and market leverage necessary for cost-effective forest land management, as well as the economic incentives to do so. Because cooperatives are owned by their members, landowners enjoy the benefits of collaboration, while retaining individual ownership and control of their lands. Sustainable forestry cooperatives have demonstrated success in helping private forest landowners improve the income earning potential and environmental health of their woodlands. Therefore the title includes a sustainable forestry cooperative program to support their development.

Due to the interdisciplinary nature of forestry cooperatives, the Committee recommends the program be administered jointly by the Forest Service, through the Cooperative Forestry Landowner Assistance Programs, to provide expertise and guidance on sustainable management of woodlots, and by the Rural Cooperative-Business Service to provide expertise and guidance on cooperative organization and development.

The Committee recognizes that the severity and intensity of wildland fires have increased dramatically over the past few decades. Decades of aggressive fire suppression, combined with rural residential development, have drastically changed the look and fire behaviors of forests and rangelands. While wildland fires burning under the right conditions can be beneficial and sometimes essen-

tial to the health of forests and rangelands, catastrophic wildfires are devastating, costly to control, and can trigger a wide array of detrimental impacts. In the urban-wildland interface, these fires not only cause damage to the forests and environment, but also pose serious risks to human lives, personal property, and other resources. There are numerous at- risk communities across the country intermingled in the urban-wildland interface.

To address these threats, the title includes authorization for at least two forest fire research centers in western States. The centers are to conduct research into ecologically sound fire control methods and then to transfer the findings to fire and land managers. Additionally, the title establishes a wildfire prevention and hazardous fuel purchase program. This provision provides grants to entities to use forest biomass (near communities with significant risk of fires) to generate electricity. It also authorizes contracts to remove hazardous fuel from forests, focusing on the urban-wildland interface. The Committee also recognizes that protecting people and structures in the urban-wildland interface demands close coordination between local, State, tribal, and Federal firefighting resources. Thus, the title creates a community and private land fire assistance program.

The Forestry title also adds authorization for a sustainable forestry outreach initiative to provide educational assistance to forest landowners; increases the authorization for the Renewable Resources Extension Act; authorizes a watershed forestry initiative to provide cost-share and technical assistance to protect watersheds and water quality in forested areas; and reauthorizes the Forestry Incentives Program and Office of International Forestry.

TITLE IX—ENERGY

ENERGY AND THE FARM BILL

This farm bill includes a comprehensive energy title for the first time. The title's presence reflects the increasing importance that energy plays in the nation's business, as well as the economic, social, public health and environmental opportunities that exist for agricultural producers throughout the United States.

It is worth noting, however, that energy matters have been addressed periodically in past agricultural legislation. Most recently, the 1996 Farm Bill included provisions related to energy and global climate change. The Food, Agriculture, Conservation and Trade Act of 1990 contained language pertaining to biomass energy. The Food Security Act of 1985 included a biofuels initiative. Finally, the Food and Agriculture Act of 1977 included several energy related provisions, including those pertaining to renewable energy generation.

RENEWABLE ENERGY AND ENERGY EFFICIENCY

Renewable energy development and increased energy efficiency hold great promise for the agricultural sector and the nation's farmers and ranchers. Agricultural energy sources can increase farmer income, create new jobs, revitalize rural communities, add to the nation's energy security, and reduce pollution. In addition, cost-effective energy efficiency improvements in farm operations can save farmers money which they can then invest in other useful

ways. This title establishes new initiatives to promote agriculturally based renewable energy and energy efficiency opportunities.

Currently, most farmers do not own or market renewable-based electricity. Some farmers are leasing land for the placement of wind turbines or other renewable energy generation to large energy companies. However, many would like to produce and market electricity derived from renewable sources. This title establishes a renewable energy development grant and loan program to support utility-scale farmer or rancher owned cooperatives or other business ventures to produce electricity from renewable sources.

Rural communities rely on rural electric cooperatives or other electric utilities for their electricity supply. Many of these utilities are well situated geographically to produce clean energy from renewable sources for their customers or members. The title assists such utilities in developing renewable energy to serve the needs of rural communities and provide attendant public health or environmental benefits.

Agriculture is an energy intensive industry. Equipment and various farm processes require significant use of electricity, fuel, and other energy sources. Given that many in the agricultural community are having difficulty earning sufficient income, it is critical that new avenues are pursued to reduce costs and increase farmer energy self-sufficiency. The energy title meets these needs by creating an energy audit and renewable energy assessment competitive grant program. This program would allow eligible entities around the country to provide farmers, ranchers, and rural small businesses with comprehensive energy audits, including assessments of renewable energy generation potential. The audits could spur substantial savings, and increase on-farm clean energy generation and independence. The Committee notes that audit reimbursements may be made either directly to farmers, ranchers or rural small businesses, or through entities administering the program for the Department.

Often the biggest obstacle to investing in on-farm renewable energy or making energy efficiency improvements is the lack of capital or ready financing. A grant and loan program is established to assist eligible farmers, rancher and rural small businesses to purchase renewable energy systems like wind turbines, photovoltaic systems, and methane digesters, as well as to make energy efficiency improvements including motor pump, crop drying or lighting retrofits.

Additional opportunities exist for farmers and rural communities to become energy self-sufficient through the use of hydrogen and fuel cell technologies. Fuel cells powered by hydrogen hold the potential to provide vast quantities of power and heat in a cost effective manner with little environmental impact. In addition to fuel cells, hydrogen as well as methane produced on farms can be used in emerging advanced energy technologies like microturbines and stirling engines. In rural areas, hydrogen could ultimately be produced from renewable resources including biomass, wind, solar, and geothermal technologies. The title provides financial support for projects and studies related to hydrogen and fuel cell technologies to further promote farm-based and rural clean energy opportunities.

BIOBASED PRODUCT DEVELOPMENT

Biobased products create additional markets for agricultural resources, leading to greater stability in the farm economy. These products are manufactured near the source of the raw materials, creating new industries and jobs in rural locations. Many biobased products also have reduced impacts on human health and the environment, including reduced air emissions and impacts on marine environments compared to competing products.

The Federal Government is the nation's single largest consumer, purchasing in excess of $200 billion in products each year. As such, it can help stimulate markets for agricultural products by purchasing biobased products, including fuels, chemicals, adhesives, lubricants, coatings, plastics, cleaning products and building materials. These purchases would afford substantial benefits to farmers, rural communities, national security and the environment.

The intent of the title's biobased product purchasing requirement is to stimulate the production of new biobased products and to energize emerging markets for those products by requiring the Federal Government to purchase such products listed by the Department of Agriculture.

The Department of Agriculture, in consultation with the Environmental Protection Agency and the National Institute of Standards and Technology, will serve as the final arbitrator of what is or is not considered a biobased product to be listed and afforded Federal procurement preference.

The Committee believes there are tremendous opportunities to reduce the use of oil by converting domestic sources of biomass into petroleum substitutes. Just as petroleum is refined into a broad array of products, the nation should refine biomass, including agricultural wastes and residues into biofuels, chemicals, and electricity.

The energy title includes a program to help foster the development of large-scale plants that produce multiple products from biomass. By producing fuels, chemicals and in some cases electricity a biorefinery will maximize the economics of biomass and minimize the environmental footprint. The Department of Agriculture and Department of Energy currently carry out research, development, and demonstration initiatives in support of biorefineries. This provision would add to the resources available at the Department of Agriculture to support technologies that produce multiple products from biomass.

In carrying out this provision of the title, the Department should coordinate its new resources with existing efforts and with related activities at the Department of Energy. The Biomass Research and Development Board, created pursuant to the Biomass Research and Development Act of 2000, should be engaged in the coordination effort, in addition to its consultative role under this section.

In making selections for competitive awards, the Secretary should give particular weight to projects that produce multiple products—fuels, chemicals, and power—and do so in a cost effective and environmentally sound manner. The Secretary should also emphasize different kinds of feedstocks, including cellulosics and conversion processes. Additionally, the Secretary should seek geographic diversity across the projects selected. Finally, the Secretary

should give consideration to supporting the expansion of existing biorefineries so that they may produce new and emerging technologies for converting biomass into useful products.

In addition to biorefinery support, the Committee believes biomass research and development also need to be aggressively pursued. Thus, the energy title funds the Biomass Research and Development Act of 2000 to promote research and development leading to the production of biobased industrial products. This legislation requires the Secretaries of Agriculture and Energy to competitively award grants, contracts and financial assistance to eligible entities to carry out research and development of low cost and sustainable biobased industrial products.

It should be noted that the term biomass, in the definition provision of the title and elsewhere, is not intended to allow lands set aside for conservation purposes to be used for biomass harvest if such use would limit the water quality protection, soil erosion prevention, or wildlife habitat enhancement purposes for which the land was primarily set aside.

CARBON SEQUESTRATION, RESEARCH, DEVELOPMENT AND DEMONSTRATION

Farming as an economic activity is highly vulnerable to changes in weather patterns. Recent studies estimate that total worldwide crop production could decline significantly over the next century as the global average temperature continues to increase. The U.S. agricultural sector has a vested interest in attempting to forestall such a severe change, and carbon sequestration in soils and plants could be an important aspect of this strategy.

In preliminary estimates, USDA and academic scientists found that U.S. farmers can sequester additional carbon, between 75 and 208 million metric tons of carbon per year, by adopting conserving agricultural and forestry practices on a wide basis.

A crucial step in developing an understanding of sequestration uncertainties and opportunities will be to devise practices to measure, monitor and verify carbon and other greenhouse gas accumulation in soils and plants that are both accurate and cost-effective. This title provides the U.S. Department of Agriculture with the authority to undertake necessary research, development and demonstration projects to attain such an objective.

The Committee recognizes that in order to assist land managers to select conservation management systems to increase soil and plant carbon sequestration, field scale models or decision support systems that predict the site-specific carbon impact of management alternatives will be needed. This technology will also be required to incorporate carbon benefits into an environmental benefits index.

SECRETARIAL DISCRETION AND PRIORITY SETTING

The Committee believes that the development and implementation of renewable energy and energy efficiency initiatives should be a Department priority. In order to implement the provisions of the title, the Committee directs the Secretary to provide it with a strategy for accomplishing the goals and objectives of the title no later than 90 days after the date of enactment. This strategy should identify the ways in which the Secretary will accomplish the objec-

tives of this title, including the lead organization or individual in the Secretary's office who will coordinate this strategy, the points of contact in each agency responsible for implementing the programs and strategies in this title, and the manner in which the Department will coordinate and collaborate with other departments and agencies in the Federal Government in implementing this renewable energy and energy efficiency strategy.

TITLE X—MISCELLANEOUS

CROP INSURANCE PROVISIONS

The vast majority of crop insurance policy holders appear to be satisfied to buy their coverage in five percent increments. Consequently, Section 1011 extends the prohibition from last year's Agricultural Risk Protection Act against continuous coverage, barring purchase of crop insurance coverage except at five percentage point intervals, starting at 50 percent of the record or appraised average crop yield. This provision, while providing budgetary savings, did not appreciably affect the operation of the federal crop insurance system in 2001. Its extension should not be different.

For certain crops, loss of crop quality in recent years due to bad weather has been nearly as problematic as loss of production. Farmers have long raised concerns about quality loss adjustment procedures in use in the federal crop insurance program. Section 1012 clarifies the quality loss provisions of the Agricultural Risk Protection Act of 2000, requiring that after appropriate review, changes in quality loss adjustment procedures be completed prior to the 2003 reinsurance year. Thus, it provides a date certain for revised quality loss provisions to be included in crop insurance policies

In general, in order to remain eligible for a range of USDA benefits, producers are required to develop conservation plans for highly erodible lands and then to carry out those plans. Likewise, producers are expected to conserve wetlands to preserve eligibility. The list of federal programs covered by these conservation rules is broad. It includes AMTA contract payments, marketing assistance loans and any type of price support or payment. Also included are farm storage facility loans, disaster payments, FSA direct or guaranteed loans, EQIP payments, CRP payments and other conservation payments.

Until the 1996 farm bill, crop insurance was also included on that list. For the sake of consistency, conservation requirements should apply to the entire range of USDA programs in USDA that provide direct and indirect benefits to farmers, which clearly includes crop insurance. For the small number of insured farmers who do not currently have conservation plans but do farm highly erodible lands, USDA permits them a grace period to develop one. Section 1013 restores crop insurance to the list of programs under which conservation compliance requirements must be observed.

COUNTRY OF ORIGIN LABELING

Many American consumers want to know the country of origin of their food. This Act therefore requires retailers to notify consumers of the country of origin of beef, pork, lamb, fish, fruits, vegetables, and peanuts. This provision provides consumers with greater infor-

mation about the food they buy. Most of the products U.S. consumers purchase today are already labeled, with the notable exception of many food products. This provision brings the United States in line with many of its current trade partners, who already have country of origin labeling. These countries include Canada, Japan, and the countries of the European Union. The Committee expects the Secretary to look to verification programs currently used by the USDA in enforcing the new provision.

NONAMBULATORY LIVESTOCK

The Committee finds that the transport and marketing of downed livestock can be inhumane, and that meat from downed livestock may involve increased food safety risks. This Act therefore makes it unlawful for any stockyard owner, market agency, or dealer to buy, sell, give, receive, transfer, market, hold, or drag any nonambulatory livestock unless the nonambulatory livestock has first been humanely euthanized. This provision will not apply to farms not subject to the authority of the Grain Inspection, Packers, and Stockyards Administration, nor will it apply in a case in which nonambulatory livestock receive veterinary care intended to render the livestock ambulatory. The Committee intends that veterinary care intended to return a downed animal to an ambulatory state must be administered by a veterinarian and must not include coercive actions such as the use of electric prods, pushing or dragging the animal. If veterinary care is insufficient to make the animal ambulatory, then the animal must be humanely euthanized immediately. The Committee expects that this provision will be enforced pursuant to Section 312 of the Packards and Stockyards Act, along with other pertinent sections.

ANIMAL WELFARE ACT AMENDMENTS TO ANIMAL FIGHTING PROVISIONS

Sections 1024 and 1025 seek to close loopholes in the Animal Welfare Act that have made it difficult for law enforcement personnel to enforce laws relating to animal fighting. Section 1024 increases the penalties for violations of the animal fighting provisions of the Animal Welfare Act and broadens the definition of the term "interstate or foreign commerce" to include movement from any State into any foreign country. Section 1025 removes language from the Animal Welfare Act that has allowed birds to be moved in interstate or foreign commerce for purposes of animal fighting as long as they are taken to a State in which cockfighting is legal. These changes will make it illegal for anyone to transport birds across State lines for fighting purposes, regardless of whether the State or foreign country to which they are being sent allows cockfighting.

The Committee notes that there are 142 State and local law enforcement agencies that have endorsed the effort to close the loopholes in the animal fighting provisions of the Animal Welfare Act. Law enforcement officials have indicated to the Committee that the current Federal law, which allows shipment of birds to States and countries where cockfighting is legal, has undermined the effectiveness of their State bans against cockfighting.

FOOD SAFETY COMMISSION

Food-borne illness continues to be a public health concern in the United States. Even though the U.S. food supply is as safe as any in the world, every year millions of Americans become sick, and many die from food borne pathogens. Changes in the ways food is produced, distributed, and consumed present new challenges for ensuring the safety of our food. Americans are eating a wider variety of foods. While eating a variety of foods is beneficial to health, it presents new food safety challenges and may lead to different patterns of exposure to food-borne illness. More consumers desire a wide variety of foods year round, making food safety issues surrounding importation, transportation and refrigeration increasingly important.

Americans are also eating more of their meals away from home. In fact, fifty cents of every food dollar is spent on food prepared outside the home. This food is obtained not only from restaurants and grocery stores, but is also consumed in institutional settings such as schools, hospitals, and nursing homes. This creates a situation where comparatively few people are involved in preparing large numbers of meals for others such that the potential impact of disease-producing errors increases.

The United States has a fragmented Federal food safety system as documented by the Congressionally-mandated study of the National Academy of Sciences. At the Federal level, at least twelve agencies are involved in the key functions of food safety such as monitoring, surveillance, inspection, enforcement, outbreak management, research, and education.

The Committee therefore believes that a commission should be established to develop recommendations for how the disparate food safety statutes and approaches can be harmonized with one another to improve public health, improve coordination of the Federal food safety system, minimize inefficiencies, and reduce gaps in the system. The Committee expects this work to build upon the recommendations of the report of the National Academy of Sciences entitled "Ensuring Safe Food from Production to Consumption".

NATIONAL ORGANIC COST-SHARE CERTIFICATION PROGRAM

The Committee has noted the increasing significance of the organic sector of agricultural production. While organic production only accounts for about one percent of overall food production, it represents a very significant contribution to value-added and sustainable agriculture. To assist organic producers and help implement USDA's National Organics Program, the Committee therefore provides in this Act that organic farmers may receive up to $500 each from the CCC to help cover the cost of obtaining organic certification.

IV. SECTION-BY-SECTION ANALYSIS

TITLE I—COMMODITY PROGRAMS

Section 100. Definitions

This section defines terms necessary for implementation of this title, including considered planted, contract acreage, contract com-

modity, contract payment, loan commodity, oilseed, payment yield, and producer.

Subtitle A—Direct and Counter-Cyclical Payments

Section 111. Direct and counter-cyclical payments

This section authorizes the Secretary to enter into contracts with eligible owners or producers on a farm. The section establishes contract requirements including conservation compliance, wetlands protection, planting flexibility restrictions, and agricultural use. The section requires the Secretary to protect the interests of tenants and sharecroppers and to provide for fair and equitable sharing of contract payments among the eligible producers on a farm. The section establishes eligible cropland and contract acreage and provides the methodology to establish the payment yield for each contract commodity. The section allows producers on a farm to update contract acreage and payment yields or to retain the current base acres and yields and add recent oilseed production experience on up to 100 percent of available cropland.

The Secretary is directed, to the extent practicable, to begin entering into contracts not later than 45 days after the date of enactment and to complete contracts within 180 days of enactment. However, at the beginning of each fiscal year the Secretary shall allow an eligible producer to enroll land from expiring or terminated conservation reserve contracts. The section establishes the duration of the contract as beginning with the 2002 crop and extending through the 2006 crop, unless earlier terminated by the producer.

The section provides for direct payments for each of the 2002 through 2006 fiscal years. The section establishes direct payment rates for each contract commodity for each fiscal year. The payment amount for each contract commodity on the farm is equal to the product of the direct payment rate times the contract acreage times the payment yield. Producers may elect to receive an initial payment equal to 50 percent of the annual payment on or after December 1 of the fiscal year. The Secretary will make the final payment not later than September 30 of the fiscal year.

The section provides for counter-cyclical payments for each of the 2002 through 2006 crop years. The counter-cyclical payment rate is equal to the difference between the income protection price as established for each of the contract commodities and the sum of the higher of the average price of the contract commodity during the first 5 months of the marketing year and the loan rate for the contract commodity plus the applicable direct payment for the contract commodity. The payment amount for each contract commodity on the farm is equal to the product of the counter-cyclical payment rate times the contract acreage times the payment yield. Finally, the section provides for counter-cyclical payments to be made not later than 190 days after the beginning of the marketing year for the crop of the covered commodity.

Section 112. Violations of contracts

This section establishes a penalty for first time violations of planting flexibility restrictions equal to twice the amount otherwise

payable under the contract for the applicable crop year on each acre that is inadvertently planted to a restricted crop.

Section 113. Planting flexibility

This section prohibits the planting of the following crops on contract acreage: fruits, vegetables (other than lentils, mung beans, dry peas, and chickpeas); and, beginning with the 2003 crop, wild rice.

Subtitle B—Nonrecourse Marketing Assistance Loans and Loan Deficiency Payments

Section 121. Nonrecourse marketing assistance loans and loan deficiency payments

This section makes marketing assistance loans and loan deficiency payments available through the 2006 crops for loan commodities—wheat, corn, grain sorghum, barley, oats, upland cotton, extra long staple cotton (no loan deficiency payment), rice, oilseeds, wool, mohair, honey, dry peas, lentils, and chickpeas. The section provides for adjustments to the prevailing world market price for upland cotton and special marketing loan provisions for upland cotton and extra long staple cotton through July 31, 2007.

Section 122. Eligible production

This section makes any quantity of a loan commodity produced on the farm eligible for a marketing loan provided the producer complies with applicable conservation and wetland protection requirements.

Section 123. Loan rates

This section establishes loan rates for each loan commodity. The section allows the Secretary to make appropriate adjustments in the loan rates for any loan commodity for differences in grade, type, quality, location and other factors.

Section 124. Term of loans

This section establishes a loan term of 9 months beginning on the first day of the first month after the month in which the loan is made.

Section 125. Repayment of loans

This section requires the Secretary to permit producers to repay loans at the lesser of the loan rate plus interest or a rate that the Secretary determines will minimize potential loan forfeitures; minimize the accumulation of stocks; minimize the cost incurred by the Federal Government in storing the commodity; allow the commodity to be marketed freely and competitively; and minimize discrepancies in marketing loan benefits across State boundaries and across county boundaries. The above repayment criteria apply to all loan commodities except upland cotton, extra long staple cotton, and rice.

Section 126. Loan deficiency payments

This section provides for loan deficiency payments for producers on a farm that produce a loan commodity (except extra long staple

cotton), agree to forgo obtaining a loan, and have a beneficial interest in the loan commodity. The section requires the Secretary to determine the amount of the payment on the earlier of the date on which the producers on the farm marketed or otherwise lost beneficial interest in the loan commodity or the date the producers on the farm request the payment.

Subtitle C—Other Commodities

CHAPTER 1—DAIRY

Section 131. Milk price support program

This section extends the milk price support program at the support price of $9.90 per hundredweight and requires the Secretary to allocate the rate of price support between the purchase prices for nonfat dry milk and butter in a manner that will result in the lowest level of expenditures by the Commodity Credit Corporation.

Section 132. National Dairy Program

This section establishes a national program that will stabilize the production, price and marketing of milk and other dairy products in the United States and directs the Secretary to carry out the program during each of calendar years 2002 through 2006. The provisions of the amended section 142 are as follows:

Subsection (a) sets forth the purpose of the program.

Subsection (b) defines the terms used throughout the section, including eligible production, which is capped at 500,000 pounds of milk per producer per month; Federal milk marketing order; marketing area; and producer.

Subsection (c) requires the Secretary to amend Federal milk marketing orders to establish a minimum price per hundredweight for Class I milk that is not less than the sum of the adjusted Class I milk differential and at least $14.25.

Subsection (d) requires the Secretary to provide for uniform national pooling among producers of milk under all Federal milk marketing orders of all funds equal to the difference between the price of Class I milk and the price of Class I milk if this section were not in effect. The Secretary is required to distribute the amounts in the national pool to all producers covered by Federal milk marketing orders, based on eligible production.

Subsection (e) provides for payment of administrative costs; any increased costs of nutrition programs, both Federal and State; and to reimburse the Commodity Credit Corporation for any additional costs to carry out the milk price support program.

Subsection (f) provides that during each month when the average Class III price falls below $14.25 per hundredweight, the Secretary shall use the funds of the Commodity Credit Corporation (CCC) to make a payment to each producer for eligible production of Class II, III and IV milk. The subsection establishes the payment rate equal to 25 percent of the difference between $14.25 per hundredweight and the average price for Class III milk during the month. Payments under this subsection cannot exceed $300,000,000 per fiscal year.

Section 133. Dairy Export Incentive and Dairy Indemnity Programs

This section extends the dairy export incentive and dairy indemnity programs until 2006.

Section 134. Fluid milk promotion

This section amends the Fluid Milk Promotion Act of 1990 by defining fluid milk processor as any person who processes and markets commercially more than 3,000,000 pounds of fluid milk products in consumer-type packages per month.

Section 135. Dairy product mandatory reporting

This section amends the Agricultural Marketing Act of 1946 to define "dairy products" as manufactured dairy products and substantially identical products designated by the Secretary that are used by the Secretary to establish minimum prices for Class III and Class IV milk under a Federal milk marketing order.

Section 136. Funding of dairy promotion and research program

This section amends the Dairy Production Stabilization Act of 1983 by defining the term "imported dairy product"; adding not more than 2 members who represent importers of dairy products to the National Dairy Promotion and Research Board; imposing an assessment on imported dairy products; and allowing importers to vote in the referendum.

CHAPTER 2—SUGAR

Section 141. Sugar program

This section reauthorizes the sugar program through 2006 with amendments.

Subsection (a) allows the Secretary to adjust loan rates, if support for foreign competitors is reduced more than is required under the Uruguay Round Agreement on Agriculture.

Subsection (b) requires the Secretary to pay loan benefits to a producer of sugar beets or sugarcane if the processor has filed for bankruptcy or is otherwise insolvent. The subsection prohibits the Secretary from imposing any administrative requirement that has the effect of preventing a processor from electing to forfeit the loan collateral.

Subsection (c) terminates the marketing assessment on sugar effective October 1, 2001.

Subsection (d) eliminates the penalty for forfeiture of sugar under loan.

Subsection (e) authorizes nonrecourse loans on in-process sugars and syrups.

Subsection (f) requires the Secretary to operate the sugar program, to the extent practicable, at no cost to the Federal Government and authorizes the Commodity Credit Corporation to accept bids from processors (acting in conjunction with producers) for the purchase of sugar inventory in exchange for reduced production.

Subsection (g) requires producers of sugarcane in a State with more than 250 producers of sugarcane to report yields and acres and allows the Secretary to require similar reports from each producer of sugarcane and sugar beets. The subsection requires importers of sugars, syrups, or molasses to be used for human con-

sumption, other than quantities that are within the tariff-rate quota, to report.

Subsection (h) makes the sugar program available through the 2006 crop.

Subsection (i) reduces the CCC interest rate on sugar loans by 100 basis points.

Section 142. Storage facility loans

This section establishes a sugar storage facility loan program to provide financing for processors of domestically-produced sugarcane and sugar beets to construct or upgrade storage and handling facilities for raw sugars and refined sugars.

Section 143. Flexible marketing allotments for sugar

This section amends the Agricultural Adjustment Act of 1938 to require the Secretary to establish marketing allotments for the 2002 through 2006 crops of domestically grown sugar to eliminate loan forfeitures.

Subsection (a) repeals repetitive reporting provisions.

Subsection (b) provides for estimates of the quantity of sugar that will be consumed in the United States and the total U.S. sugar supply.

Subsection (c) updates the allotment formula for current U.S. import obligations, assigns allotments between sugarcane and sugar beets, and provides for the suspension of allotments whenever imports are estimated to exceed a certain level.

Subsection (d) updates the base period and other factors applicable to the allocation of sugarcane and sugar beet allotments among sugarcane and sugar beet processors, respectively.

Subsection (e) establishes procedures for the Secretary to reassign allotments if a processor cannot meet the allocation.

Subsection (f) prescribes the manner in which allotment disputes are settled and provides for certain adjustments in the event a processor closes.

Subsection (g) defines mainland state and offshore state and allows the Secretary to preserve certain acreage base history for a period of not more than 5 consecutive years.

CHAPTER 3—PEANUTS

Section 151. Peanut program

This section, in subsection (a), amends Subtitle D of the Federal Agriculture Improvement and Reform Act of 1996 by adding at the end a new chapter which establishes a revised peanut program. Under the chapter, the peanut program will more closely resemble the program established by the bill for other program commodities. Specifically, the new peanut program provides producers with marketing loan assistance, including loan deficiency payments, and both direct and counter-cyclical payments. The new program will terminate the marketing quota system and compensate quota holders for the value of the lost quota. The peanut provisions of the new chapter 3 are as follows:

Section 158A defines terms as used in the chapter

Definitions are provided for counter-cyclical payment, direct payment, effective price, historical peanut producers on a farm, income protection price, payment acres, peanut acres, payment yield, and peanut producer. Importantly, the term payment acres defined in paragraph (6) means 85 percent of the peanut acres on a farm. Under the bill, direct payments and counter-cyclical payments are made on payment acres as so defined.

Section 158B, in subsection (a), establishes procedures and requirements for the Secretary to determine for each historical producer the appropriate payment yields and payment acres. The average yield is to be determined on all farms of the historical producer for the 1998 through 2001 crop years, excluding any year when peanuts were not produced. Average acreage for the historical producer is to be based on the four year average of acreage planted during 1998 through 2001.

Subsection (b) requires the Secretary to allow each historical producer to assign the average peanut yield and average acreage determined under subsection (a) to cropland on a farm. The average of all the yields, and the total number of acres, assigned to the farm will be considered to be the payment yield and peanut acres, respectively, for the farm for the purpose of making direct and counter-cyclical payments.

Subsection (c) requires a historical peanut producer to notify the Secretary of the assignments of yield and acres not later than 180 days after the date of enactment of the bill.

Subsection (d) limits payment acres for peanuts on a farm to 85 percent of the peanut acres assigned to the farm.

Subsection (e) requires the Secretary to reduce the peanut acres for a farm, or the base acres for some other covered commodity, such that the total of the peanut acres, contract acreage, and acreage on the farm enrolled in a conservation program for which payments are made in exchange for not producing a crop, does not exceed the actual cropland acreage of the farm. In making this determination, the Secretary must take into account additional acreage as a result of an established double cropping practice.

Section 158C requires the Secretary to make, for each of the 2002 through 2006 fiscal years, direct payments to peanut producers on a farm with peanut acres and payment yields, as established under section 158B. The payment rate for direct payments is $0.018 per pound. The payment amount is figured by multiplying the payment rate times the payment acres times the payment yield. The section provides the Secretary guidance with respect to when direct payments must be made, and the option of producers to receive advance payments.

Section 158D, in subsections (a) through (c), requires the Secretary, for each of the 2002 through 2006 crops of peanuts, to make counter-cyclical payments if the effective price is less than the income protection price. The effective price is defined, based on a 12 month marketing year, as the sum of the greater of the national average market price, or the national average loan rate, and the payment rate for peanuts established for the purpose of making direct payments. The income protection price is set at $520 per ton.

Subsection (d) provides that the payment amount of the counter-cyclical payment is to be determined by multiplying the payment

rate times the payment acres on the farm times the payment yield for the farm. The payment rate is defined as the difference between the income protection price and the effective price.

Section 158E, in subsection (a), provides that peanut producers must comply with certain conservation (highly erodible land, and wetland provisions of the Food Security Act), planting flexibility, and agriculture or conserving use requirements in order to receive either direct or counter-cyclical payments. The Secretary may issue regulations to ensure compliance with this subsection.

Subsection (b) provides that, in the event of foreclosure, peanut producers will not be required to repay a direct or counter-cyclical payment if the Secretary finds that forgiving the repayment is appropriate and fair.

Subsection (c) involves the transfer or change of interest in a farm. Generally, the transfer or change in the interest of a peanut producer in a farm for which direct or counter-cyclical payments are made will result in the termination of payments, unless the transferee or owner agrees to assume the obligations described under subsection (a). The Secretary may not impose any restrictions on the transfer of peanut acres or payment yield of a farm as part of a transfer or change in ownership.

Subsection (d) provides that as a condition of receiving payments, the Secretary must require acreage reports for the farm.

Subsection (e) requires the Secretary to provide adequate safeguards to protect the interests of tenants and sharecroppers.

Subsection (f) requires the Secretary to provide for the sharing of payments among peanut producers on a farm on a fair and equitable basis.

Section 158F restricts planting flexibility as it relates to peanut acres on a farm. Generally, any commodity or crop may be planted on peanut acres, except fruits, vegetables (other than lentils, mung beans, and dry peas), and wild rice (but only after the 2002 crop). Special provisions are made in situations where there is a history of double-cropping of peanuts with other crops, on farms with a history of planting crops that would otherwise be prohibited by this section.

Section 158G provides for marketing assistance loans and loan deficiency payments. Subsection (a) requires the Secretary to make available, for each of the 2002 through 2006 crops, non-recourse marketing assistance loans. Loans are to be made under such terms and conditions as determined by the Secretary. As appropriate, the Secretary may provide for loan benefits to be made available to producers through a designated marketing association of peanut producers, the Farm Service Agency, or a loan servicing agent approved by the Secretary.

Subsection (b) establishes the loan rate at $400 per ton.

Subsection (c) provides that marketing assistance loans will be for a term of 9 months, and that loans may not be extended.

Subsection (d) requires the Secretary to permit repayments of marketing assistance loans at a rate (loan repayment rate) that is the lesser of the loan rate (plus interest) or a rate that will minimize forfeitures, accumulation of stocks, storage costs, and allow peanuts to be marketed freely and competitively both domestically and internationally.

Subsection (e) authorizes the Secretary to make loan deficiency payments available to producers in lieu of marketing assistance loans. Generally, the amount of the loan deficiency payment is determined by multiplying the loan payment rate (amount by which the loan rate exceeds the loan repayment rate) by the quantity of peanuts produced on the farm.

Subsections (f) and (g) require compliance with highly erodible land and wetland conservation provisions of the Food Security Act, and allows the Secretary to implement reimbursable agreements or to otherwise provide for the payment of expenses of the program in a manner that is consistent with other commodities.

Section 158H is effective beginning with the 2002 crop. Subsection (a) requires that all peanuts placed under a marketing assistance loan must be officially inspected and graded by a Federal or State inspector. Peanuts not placed under loan may be graded at the option of the producer.

Subsection (b) terminates the Peanut Administrative Committee.

Subsection (c) requires the Secretary to establish a Peanut Standards Board for the purpose of assisting in the establishment of quality standards with respect to peanuts. The Secretary will appoint members to the Board that reflect all regions and segments of the peanut industry.

Section 151 of the bill, in subsection (b), makes certain conforming amendments to the Federal Agriculture Improvement and Reform Act of 1996.

Section 152 of the bill, in subsection (a), repeals existing authority for marketing quotas for peanuts, effective beginning with the 2002 crop.

Subsection (b) provides for the compensation of quota holders affected by the termination of marketing quotas for peanuts; defines terms used in the subsection; and requires the Secretary to offer contracts with peanut quota holders for the purpose of providing compensation for the lost value of quota. The Secretary is to make payments to eligible quota holders for each of the fiscal years 2002 through 2006. Payments are to be made in 5 equal installments and not later than September 30 of each fiscal year. The amount of the payment for a fiscal year will be determined by multiplying $0.10 per pound times the established farm poundage quota (previously in effect). Assignments of payments made to quota holders are subject to existing law. The Secretary must be informed of the assignment of payments made under this section.

Subsection (c) makes conforming amendments to the Agricultural Adjustment Act of 1938.

Subsection (d) provides that section 152 and the amendments made by the section will apply beginning with the 2002 crop of peanuts.

Subtitle D—Administration

Section 161. Adjustment authority related to Uruguay Round compliance

This section allows the Secretary to adjust the amount of expenditures if the Secretary determines that expenditures will exceed total allowable domestic support levels under the Uruguay Round Agreement on Agriculture.

Section 162. Suspension of permanent price support authority

This section suspends certain permanent price support authority of the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 for the 2002 through 2006 crops.

Section 163. Commodity purchases

This section requires the Secretary to use funds of the Commodity Credit Corporation to purchase additional commodities, including specific minimum purchases of specialty crops. Of the funds, not less than $50,000,000 each fiscal year will be made available to the Secretary of Defense to purchase fresh fruits and vegetables for distribution to schools and service institutions, and not less than $40,000,000 each fiscal year to purchase agricultural commodities for distribution under the Emergency Food Assistance Act of 1983.

Section 164. Hard white wheat incentive payments

This section requires the Secretary to use $40,000,000 of funds of the Commodity Credit Corporation to provide incentive payments to producers of hard white wheat during the 2003 through 2005 crop years. The program offers wheat producers an alternative crop to meet a growing international market opportunity.

Section 165. Payment limitations

This section establishes a limitation of $100,000 for the total of direct payments and counter-cyclical payments to a person for all contract commodities during any fiscal year, and a separate limitation of $100,000 for direct and counter-cyclical payments for peanuts. The section establishes a limitation of $150,000 for marketing loan gains and loan deficiency payments for all contract commodities during any crop year, and separate limitations of $150,000 for wool and mohair, honey and peanuts.

Section 166. Regulations

This section allows the Secretary to promulgate regulations to implement this title without regard to notice and comment provisions of section 553 of title 5 United States Code.

Section 167. Effect of amendments

This section provides that, except as specifically provided, the Secretary of Agriculture may carry out existing programs for any of the 1996 through 2001 crop, fiscal or calendar years under a provision of law in effect immediately before the date of enactment of this Act.

TITLE II—CONSERVATION

Section 201. Conservation Security Program

This section amends Subtitle D of title XII of the Food Security Act of 1985 by establishing a conservation incentive program that pays producers to adopt or maintain conservation practices on lands in production, as follows:

Section 1238. Definitions

This section defines terms used in the program.

Section 1238A. Conservation Security Program

Subsection (a). This subsection requires the Secretary to establish a conservation security program beginning in fiscal year 2003 that provides producers a payment to implement practices that protect and enhance natural resources, including soil, water, air, energy, wildlife habitat, wetlands, biodiversity, carbon sequestration, and management of invasive species.

Subsection (b). This subsection defines eligible providers and eligible lands. It allows the Secretary to develop conservation security plans with all willing producers with lands in agricultural lands in production, including forest land integrated in an agricultural operation. Lands enrolled in CRP and WRP are not eligible for enrollment in the conservation security program. To further the advancement of conservation on lands in production, the Secretary shall allow a producer to continue economic uses of the land consistent with the objectives of the conservation security plan.

Subsection (c). This subsection outlines the contents of the conservation security plan, including the land enrolled, resources protected, practices adopted or maintained, schedule for implementation, and payment. Also, to encourage maximum local participation, local and State conservation priorities shall be developed and given priority in forming conservation security plans. The section also requires the Secretary to provide base and bonus payments upon approval of a contract.

Subsection (d). This subsection describes the eligible conservation practices, including land management, vegetative, and structural practices, and establishes the three tiers of practices that may be adopted or maintained. Including payment for maintaining practices ensures proper recognition of those producers who already maintain conservation practices. The program establishes three tiers of participation to ensure maximum participation and flexibility for producers. Tier I covers the basic level of practices, including nutrient, pest, and air quality management, water conservation, and wildlife habitat management that may apply to all or part of an operation. Tier II includes practices that focus on systems based approaches to land management, including partial field practices, and wetland, grass and prairie restoration and protection. Tier II practices must cumulatively address at least one local resource of concern across the entire operation. To qualify for Tier III a producer must adopt practices that address all resources of concern on the entire operation. In determining eligible practices, the Secretary shall encourage the adoption of the lowest cost alternative, but not in a manner that limits the adoption of innovative practices. Producers with contracts at Tier II or Tier III may participate in approved on-farm research and demonstration projects. In determining eligible practices, the Secretary shall use the National Handbook of Conservation Practices and the field office technical guides of the Natural Resources Conservation Service. To further develop new technologies, the Secretary may approve pilot programs and research projects.

Subsection (e). This subsection describes the requirements for a conservation security contract, including the term which shall be five years for a Tier I contract and five-to-ten years for a Tier II or Tier III contract, at the option of the producer. Also, it describes the circumstances under which the contract may be modified or ter-

minated by the Secretary or the producer. It further provides the conditions for renewal of a conservation security contract.

Subsection (f). This subsection provides that a producer shall not be in violation of a conservation security contract for failure to comply due to circumstances beyond the producer's control.

Section 1238B. Duties of Producers

This section describes the producer's duty to implement the conservation security contract, to not violate the terms of the contract directly or indirectly and to keep and provide to the Secretary records showing implementation of practices required under the contract.

Section 1238C. Duties of the Secretary

This section requires the Secretary to provide the producer an advance payment of the greater of $1,000, or 20 percent of the annual payment for Tier I, the greater of $2,000 or 20 percent of the annual payment for Tier II, or the greater of $3,000 or 20 percent of the annual payment for Tier III at the option of the owner or operator.

Subsection (b). This subsection establishes the payment levels under each of the three Tiers. Payments may reach $20,000 for Tier I, $35,000 for Tier II, and $50,000 for Tier III. Payments are based on a combination of factors, including a percentage of the average county rental rate or another appropriate rate to ensure regional equity based on the 2001 rate. For the land enrolled under a CSP contract, a producer automatically receives an average county rate equivalent to 6 percent for Tier I, 11 percent for Tier II and 20 percent for Tier III.

In addition, a producer may receive a bonus payment for practices that provide increased environmental benefits, including practices that address national priority concerns, participation in research projects, and the extent practices exceed local priority concerns, and for participating in watershed projects. A bonus payment is also provided to beginning farmers and ranchers.

In addition, the legislation covers the cost of practices based on the 2001 cost. The producer receives 100 percent of the costs of adopting or maintaining management practices, 100 percent of the costs of maintaining land-based structural practices and 75 percent of the cost of adopting new land-based structural practices. To encourage increased conservation, the total of the base rate plus costs cannot exceed 75 percent of the maximum payment under the applicable tier. To ensure that practices focus on land-based management practices, payments are not provided for the cost of purchasing equipment or for waste storage or treatment facilities. The payments under this subsection shall not duplicate payments from other conservation programs run by the Secretary. To be eligible for payment the producer must meet the requirement of commensurate share.

Subsection (c). This subsection requires producers who must meet conservation requirements under USDA run farm programs, payments on the lands subject to those requirements cover only those practices that exceed the minimal requirements for the payments under the other programs.

Subsection (d). This section requires the Secretary to issue regulations to ensure payments are made in accordance with the objectives of the conservation security program.

Subsection (e). This subsection allows a producer in good standing to terminate a conservation security contract without penalty.

Subsection (f). This subsection requires the termination of a conservation security contract upon transfer of ownership in the land under contract, unless the transferee notifies the Secretary in writing of his intention to continue the contract.

Subsection (g). This subsection provides up to 20 percent for technical assistance.

Subsection (h). This subsection authorizes the Secretary to establish a program in one eligible State for the State to run the conservation security program in the selected State.

Section 202. Funding

This section provides that funds for the Conservation Security Program shall come from the CCC.

Section 203. Partnerships and Cooperation

This section amends Section 1243 of the Food Security Act of 1985 by authorizing the Secretary to designate special projects to reflect local needs. Projects may focus on environmental concerns including water conservation, irrigation methods, conversion to non-irrigated crops, and nutrient reduction. The Secretary may enter into special agreements with States to specifically address local needs. The Secretary may provide incentives to producers to encourage participation in established special projects. In addition, the Secretary shall use five percent of EQIP funds for the same special projects.

Section 204. Administrative Requirements for Conservation Programs

This section amends Subtitle E of title XII of the Food Security Act of 1985 as follows:

Subsection (a). This subsection authorizes the Secretary to provide relief to producers who relied in good faith on inaccurate advice from an employee of the Secretary.

Subsection (b). This subsection requires the Secretary to provide and coordinate administration (including contracting with third parties) of the conservation programs to carry out education, outreach, monitoring and evaluation under all conservation programs, including socially disadvantaged, beginning farmers and ranchers, Indian tribes, and limited resource producers.

Subsection (c). This subsection authorizes the Secretary to provide special incentives to limited resource producers, Indian tribes and beginning farmers and ranchers.

Subsection (d). This subsection requires the Secretary to maintain data to facilitate program administration.

Subsection (e). This subsection requires the Secretary to offer mediation and informal hearings to producers adversely affected by a decision under a conservation program.

Subsection (f). This subsection requires the Secretary to provide technical assistance under all conservation programs and authorizes the Secretary to contract directly with qualified third parties

to provide assistance, including cooperative agreements with State, local or private organizations. This subsection requires the Secretary to establish criteria for third party certification and allows the Secretary to contract with eligible third parties to provide education, outreach, monitoring and evaluation and technical assistance. To build upon existing certification programs, the Secretary may grant a full or partial waiver for certification and fee payment for individuals accredited through an equivalent conservation program, as determined by the Secretary. The Secretary may also provide assistance to non-private providers, but only if the provision will lead to increasing the base of conservation technical assistance provided under the conservation programs.

Subsection (g). This subsection prohibits the Secretary (and other federal agencies) from releasing information gathered from producers through participation in conservation programs, including information from conservation plans, unless the information is provided in an aggregate form that does not provide information specific to individual producers.

Subsection (h). This subsection requires the Secretary to work with Indian tribes to ensure, to the maximum extent possible, that conservation programs are administered in a fair and equitable manner.

Section 205. Reform and Assessment of Conservation Programs

This amends the Food Security Act of 1985 as follows:

Subsection (a). This subsection requires the Secretary to develop a plan for coordinating conservation programs to ensure better implementation and delivery. It specifically requires the Secretary to improve delivery of programs for Indian tribes, including coordinating with the Secretary of the Interior.

Subsection (b). This subsection requires the Secretary to issue a report on the plan developed in subsection (a) no later than 180 days after the enactment of this bill.

Subsection (c). This subsection requires the Secretary to prepare a plan and budget for implementing the appraisal of the soil, water and related resources contained in the National Conservation Program. The Secretary must provide the plan to Congress within 180 days after the enactment of this bill and to provide Congress with a status report on the National Conservation Program plan by April 30, 2005.

Section 206. Conservation Security Program Regulations

This subsection requires the Secretary to begin working on implementation of the Conservation Security Program immediately upon enactment of this legislation.

Section 207. Conforming Amendments

This section amends chapter 1 of subtitle D of title XII of the Food Security Act of 1985 by renaming the Environmental Conservation Acreage Reserve Program (ECARP) the Comprehensive Conservation Enhancement Program (CCEP).

Section 211. Comprehensive Conservation Enhancement Program (CCEP)

Subsection (a). This subsection authorizes CCEP (replacing ECARP) through 2006.

Subsection (b). This subsection provides that priority under programs should go to areas that would facilitate the most rapid completion of on-going projects.

Subsection (c). This subsection provides funding for conservation programs, including technical assistance, through fiscal year 2006.

Section 212. Conservation Reserve Program (CRP)

This section amends Chapter 4 of Subtitle D of Title XII of the Food Security Act of 1985.

Subsection (a). This subsection extends the CRP through fiscal year 2006.

Subsection (b). This subsection limits enrollment of highly erodible lands that do not have a cropping history during the last 3 of 6 years. This subsection also amends the continuous enrollment program to allow lands without a cropping history to be enrolled and allows full tracts of lands to be enrolled as buffer if more than 50 percent of the land in the tract is eligible for enrollment and the remaining acreage is not feasible to farm. It codifies the continuous sign-up program and Conservation Reserve Enhancement Program (CREP). It further extends priority enrollment of lands that would facilitate completion of ongoing projects.

Subsection (c). This subsection increases the maximum enrollment from 36.4 million acres to 40 million acres.

Subsection (d). This subsection authorizes the Secretary to extend hardwood tree contracts for 15 additional years with a 50 percent reduction in payment.

Subsection (e). This subsection authorizes the Pilot Program through 2006 for enrollment of wetland and buffer acreage in the CRP and modifies it to allow enrollment of 10-acre tracts, but continues to provide payment for no more than five acres.

Subsection (f). This subsection waives the requirement for planting hardwood trees on marginal pasture land if native prairie grass may be restored or maintained. It further allows haying and grazing for management purposes for lands enrolled through the CREP and the continuous sign-up program. It further prohibits landowners with lands enrolled in CRP from breaking out new highly erodible lands without a cropping history unless the land is being used as a homestead or a building site at the time of purchase of the land.

Subsection (g). This subsection authorizes the Secretary to permit wind turbines on lands enrolled in the CRP with the exception of lands enrolled through the continuous sign-up or CREP.

Subsection (h). This subsection requires the Secretary to provide full and equal signing and practice incentive payments on all lands enrolled through CREP and continuous CRP sign-up (at the highest rate currently paid).

Subsection (i). This subsection excludes lands enrolled in the CREP and continuous sign-up program from being included in the 25 percent cap on lands enrolled in a county.

Subsection (j). This subsection requires the Secretary to provide Congress with a report on the economic impacts of the CRP on rural communities no later than 270 days after enactment.

Section 213. Wetlands Reserve Program (WRP)

This section amends the Food Security Act of 1985.

Subsection (a). This subsection amends the provision on funding to include technical assistance.

Subsection (b). This subsection raises the total acreage cap by 1.25 million acres and requires the Secretary to enroll 250,000 acres annually, to the maximum extent possible.

Subsection (c). This subsection reauthorizes the WRP through fiscal year 2006.

Subsection (d). This subsection authorizes the Secretary to enroll up to 25,000 acres annually in a Wetlands Reserve Enhancement Program. The Wetlands Reserve Enhancement Program authorizes the Secretary to coordinate with State and local governments and private organizations to focus resources on critical environmental needs.

Subsection (e). This subsection authorizes the use of technical assistance to include monitoring and maintenance.

Section 214. Environmental Quality Incentives Program (EQIP)

This amends the Food Security Act of 1985.

Section 1240. Purposes

This subsection defines the purposes of EQIP.

Section 1240A. Definitions

This section provides the definition of terms used in EQIP.

Section 1240B. Establishment and Administration of Environmental Quality Incentives Program

Subsection (a). This subsection reauthorizes EQIP through fiscal year 2006 to allow the Secretary to provide technical assistance, cost-share, and incentive payments to eligible producers, defines the eligible practices, and authorizes the Secretary to provide education to producers.

Subsection (b). This subsection changes the minimum contract length to three years (from five years), but limits the number of contracts for structural practice involving livestock nutrient management to one contract during the fiscal years 2002–2006.

Subsection (c). This subsection requires the Secretary to establish a process for selecting applications and eliminates bidding down of their contracts.

Subsection (d). This subsection provides for up to 75 percent cost share for practices in general, but provides cost-share assistance of 90 percent to limited resource and beginning producers.

Subsection (e). This subsection authorizes the Secretary to provide incentives to producers.

Subsection (f). This subsection authorizes the Secretary to provide technical assistance, including provision of payment to a producer to get third party technical assistance. This subsection also provides special certification provisions for technical assistance under EQIP.

Subsection (g). This subsection provides terms and conditions for modification or termination of EQIP contracts.

Section 1240C. Evaluation of Offers and Payments

Subsection (a). Provides priority for accepting offers under EQIP.

Section 1240D. Duties of Producers

This section provides the duties of the participating producers, including implementing a conservation plan.

Section 1240E. Environmental Quality Incentives Program Plan

Subsection (a). This subsection requires producers to submit a plan to be eligible for payments under EQIP.

Subsection (b). This subsection requires the Secretary to eliminate duplication in planning.

Section 1240F. Duties of the Secretary.

This subsection spells out the obligations of the Secretary.

Section 1240G. Limitation of Payments

The legislation provides cost-share assistance to all producers, including all livestock producers and increases the total amount a producer may receive under a contract to $150,000, with an annual limit of $50,000. The Secretary must make all efforts to ensure that payment limitations are followed.

Section 1240H. Conservation Innovation Grants

Subsection (a). This authorizes the Secretary to provide up to $100 million annually for fiscal years 2003–2006, in conservation innovation grants.

Subsection (b). This subsection authorizes the Secretary to award grants under subsection (a) to governmental and non-governmental organizations on a competitive basis.

Subsection (c). This subsection limits federal cost-share to 50 percent.

Subsection (d). This subsection requires that unused funds be available for use under EQIP.

This subsection provides the following funding levels for EQIP: for fiscal year 2002: $500 million; for fiscal year 2003: $1.05 billion; for fiscal year 2004: $1.2 billion; for fiscal year 2005: $1.2 billion; and for fiscal year 2006: $1.25 billion.

Section (c). Reimbursements. This section amends Section 11 of the Commodity Credit Corporation Charter Act to allow funding for conservation technical assistance.

This section amends Subtitle H of title XV of the Agriculture and Food Act of 1981 as follows:

Section 1528. Definitions

This section defines term used in this section.

Section 1529. Resource Conservation and Development Program

This section permanently authorizes the Resource Conservation and Development program.

Section 1530. Selection of Designated Areas

This section authorizes the Secretary to designate areas for assistance.

Section 1531. Powers of the Secretary

This section authorizes the Secretary to provide technical and financial assistance and enter into agreements with the councils.

Section 1532. Eligibility; Terms and Conditions

Subsection (a). This subsection authorizes the Secretary to provide assistance for carrying out an approved project if specific criteria are met, at the discretion of the Secretary.

Subsection (b). This subsection authorizes the Secretary to provide loans.

Subsection (c). This subsection requires provision of assistance conditioned on approval of a plan by the Secretary.

Subsection (d). This subsection allows the Secretary to withdraw assistance.

Subsection (e). This subsection allows the Councils to obtain outside assistance.

Section 1533. Resource Conservation and Development Policy Advisory Board

Subsection (a). This subsection requires the Secretary to establish a resource conservation and development policy advisory board.

Subsection (b). This subsection provides for the composition of the board in subsection (a).

Subsection (c). This subsection provides for the duties of the board.

Section 1534. Evaluation of Program

Subsections (a) and (b). These subsections require the Secretary to evaluate the program and provide Congress with a report no later than June 30, 2005.

Section 1535. Limitation of Assistance

This section limits the number of councils to 450.

Section 1536. Supplemental Authority of the Secretary

This section authorizes the Secretary to retain additional authorities beyond what is provided in this section.

Section 1537. Authorization of Appropriations

Subsections (a), (b) & (c). This subsection authorizes appropriations of sums necessary to carry out the program and up to $15,000,000 for loans.

Section 216. Wildlife Habitat Incentives Program

This section amends Chapter 5 of subtitle D of title XII of the Food Security Act of 1985 as follows:

Section 1240M. Wildlife Habitat Incentive Program

Subsection (a). This subsection defines the terms used in this section.

Subsection (b). This subsection establishes the wildlife habitat incentive program.

Subsection (c). This subsection reauthorizes the provisions for cost-share and requires the Secretary to reserve not less than 15 percent of funds for projects focusing on threatened and endangered species.

Subsection (d). This subsection authorizes a pilot program to use up to 15 percent of the available funds to enroll lands for 15 years or longer for critical habitat or species.

Subsection (e). This subsection provides for funding. For fiscal year: 2002: $50 million; for fiscal year 2003: $100 million; for fiscal year 2004: $100 million; for fiscal year 2005: $125 million; and for fiscal year 2006: $125 million.

Section 1240N. Watershed Risk Reduction

This section amends the Food Security Act of 1985 as follows:

Subsection (a). This subsection authorizes the Secretary to provide assistance, including the ability to purchase flood plain easements, in watersheds impaired by natural occurrences in order to safeguard lives and property.

Subsection (b). This subsection requires the Secretary to give priority to impacted areas adjacent to a major river.

Subsection (c). This subsection prohibits use of funds for the same projects from any Federal disaster relief program.

Subsection (d). This subsection authorizes the appropriation of $15,000,000 annually for each of the fiscal years 2002 through 2006.

Section 1240O. Great Lakes Basin Program for Soil Erosion and Sediment Control

This section amends the Food Security Act of 1985 as follows:

Subsection (a). This subsection authorizes the Secretary to carry out the Great Lakes Basin Program for Soil Erosion and Sediment Control.

Subsection (b). This subsection authorizes the Secretary to provide grants, technical assistance, and education programs.

Subsection (c). This subsection authorizes the appropriation of $5,000,000 annually for each of the fiscal years 2002 through 2006.

Section 1240P. Conservation of Private Grazing Land Initiative (CPGL)

This section amends the Food Security Act of 1985 by reauthorizing the CPGL through fiscal year 2006 for $60 million annually.

Section 217. Farmland Protection Program (FPP)

Subsection (a). This section amends Chapter 2 of the Food Security Act of 1985 as follows:

Section 1238H. Definitions

This section provides for definition of terms used in FPP. It expands FPP to allow private non-profit organizations to participate.

Section 1238I. Farmland Protection

Subsections (a) and (b). These subsections establish FPP and also establish the requirement that highly erodible land have a conservation plan.

This subsection authorizes the Secretary to use up to $10 million annually for Farm Viability Grants for participating farms and ranches to develop business plans.

Subsection (b). This subsection provides for program funding of $150 million for fiscal year 2002; $200 million for fiscal years 2003 and 2004; $225 million for fiscal year 2005; and $250 million for fiscal year 2006.

Subsection (c). This subsection repeals FPP from the 1996 FAIR Act.

Section 218. Grassland Reserve Program (GRP)

This section amends Chapter 2 of the Food Security Act of 1985.

Section 1238N. Grassland Reserve Program

Subsection (a). This subsection establishes a new Grassland Reserve Program.

Subsection (b). This subsection provides for enrollment of up to 2 million acres of natural grassland through 30-year and permanent easements and 30-year rental agreements.

Subsection (c). This subsection makes eligible natural grassland that can be restored or protected.

Section 1238O. Easements or Agreements

Subsection (a). This subsection sets out the requirements for a landowner to participate in the program.

Subsection (b). This subsection provides for allowed and prohibited practices.

Subsection (c). This subsection provides for ranking of applications.

Subsection (d). This subsection provides the terms for restoration of grass or shrubland.

Subsection (e). This subsection provides for terms or conditions upon violation of an easement or restoration agreement.

Section 1238P. Duties of Secretary

Subsection (a)–(e). These subsections provide for the duties of the Secretary, including rental and easement payments, provision of technical assistance, and payment for cost of restoration.

Subsection (f). This subsection allows for payments from additional federal programs.

Subsection (g). This subsection requires the Secretary to issue regulations.

(b) Funding. This section provides for funding from the Commodity Credit Corporation.

Section 219. State Technical Committees

This section amends Subtitle G of title XII of the Food Security Act of 1985.

Section 1261. Establishment

Subsection (a). This subsection requires the Secretary to establish in each State a technical committee.

Subsection (b). This subsection requires the Secretary to develop standards for the technical committees.

Subsection (c). This subsection describes the composition of the State technical committees.

Section 1262. Responsibilities

Subsection (a). This subsection requires the technical committees to provide recommendations to the Secretary and provide for public participation at meetings.

Subsection (b). This subsection provides for duties and responsibilities of the technical committees.

Subsection (c). This subsection provides for the advisory capacity of the committees.

Subsection (d). This subsection provides that the technical committees shall be exempt from FACA (this is current law).

Subsection (e). This subsection provides for the establishment and responsibilities of subcommittees.

Section 220. Use of Symbols, Slogans, and Logos

This section amends the 1996 Farm Bill to authorize the Secretary to use, license or transfer symbols, slogans and logos of the Department and use all revenues to carry out conservation programs.

TITLE III—TRADE

Subtitle A

Section 301. U.S. Policy

This section amends the Agricultural Trade Development and Assistance Act by adding conflict resolution as a policy objective for U.S. food aid programs.

Section 302. Provision of Agricultural Commodities

This section amends Section 202(b) of the Agricultural Trade Development and Assistance Act as follows:

Program Diversity—In paragraph (1), the Administrator of the U.S. Agency for International Development is required to consider proposals for PL–480, Title II projects that address any of the program objectives established in law, including famine, malnutrition, economic and community development, sound environmental practices, and feeding programs.

Paragraph (2) changes the amount of administrative expenses that may be compensated for such projects from a dollar range ($10 million to $28 million) to a range of percentages (between 5 and 10 percent) of the value of commodities used.

Certified Institutional Partners—Paragraph (3) requires the Administrator of US–AID or the Secretary to develop regulations to permit private voluntary organizations (PVO's) to be certified as institutional partners by providing evidence of their organizational capacity. Once certified, such PVO's would be eligible to submit a

single proposal for programs in countries in which such capacity has been documented, and receive expedited review.

Section 303. Generation and Use of Currencies by Private Voluntary Organizations and Cooperatives

This section amends the Agricultural Trade Development and Assistance Act by permitting proceeds of sales of commodities for Title II food aid projects to be denominated in currencies other than the local currency. Such sales may be conducted in one or more countries.

Section 304. Levels of Assistance

This section amends the Agricultural Trade Development and Assistance Act by increasing the minimum authorized tonnage for Title II from 2.025 million tons annually to 2.5 million tons annually by the end of the bill.

Paragraph (2) defines crude degummed soybean oil as an eligible value-added commodity for shipment under Title II non-emergency programs.

Section 305. Food Aid Consultative Group

This section amends the Agricultural Trade Development and Assistance Act by clarifying what kinds of documents governing the program must be reviewed by the consultative group.

Paragraph (3) extends the authority for the group for the life of the farm bill.

Section 306. Maximum Level of Expenditures

This section amends the Agricultural Trade Development and Assistance Act by raising the cap on food aid spending under that Act from $1 billion annually to $2 billion annually.

Section 307. Administration

This section amends Section 207(a) of the Agricultural Trade Development and Assistance Act as follows:

Recipient Countries—Paragraph (1) requires that proposals for non-emergency food aid projects identify the country or countries in which the project is to be conducted. It also requires the Administrator of US–AID to act on project proposals within 120 days of submission.

Paragraph (2) adds guidelines to the type of documents which US–AID must submit to the Federal Registry for public comment.

Paragraph (3) permits PVO's to directly schedule delivery of commodities under approved agreements from the Commodity Credit Corporation.

Timely Approval—Paragraph (4) adds at the end of Section 207 a new subsection which requires the Administrator to finalize program agreements before the beginning of each fiscal year, and submit a report on those approvals to the appropriate Congressional Committees no later than December 1 of that fiscal year.

Direct Delivery—Under paragraph (5), in addition to other established practices, the Secretary may approve direct delivery of eligible commodities to mills or other processing facilities in recipient countries which are majority-owned by U.S. citizens. The proceeds

of such transactions are to be transferred to eligible organizations to carry out approved projects

Section 308. Assistance for Stockpiling and Rapid Transportation, Delivery, and Distribution of Shelf-stable Pre-Packaged Foods

This section amends the Agricultural Trade Development and Assistance Act by extending this program through 2006. Under this provision, the Administrator may make grants to eligible organizations to prepare and store shelf-stable prepackaged foods for carrying out food aid projects. This program is authorized for appropriations at $3 million annually.

Section 309. Sales Procedure

This section amends Section 403 of the Agricultural Trade Development and Assistance Act by adding the following:

In General—Paragraph (1) requires that sales of commodities for food aid projects conducted under Section 416(b) of the Agricultural Act of 1949, and section 1110 of the Food for Progress Act avoid disruption of local farmers and markets.

Currencies—Paragraph (2) allows commodities to be monetized in dollars or other currencies under Title II programs.

Sale Price—Paragraph (3) requires that sales be made at prices that are reasonable for that particular market, as determined by the Administrator or Secretary, as appropriate.

Section 310. Prepositioning

This section amends the Agricultural Trade Development and Assistance Act by extending the Administrator's authority to use funds to store commodities in locations that are more convenient for quick shipment under emergency conditions.

Section 311. Expiration Date

This section amends the Agricultural Trade Development and Assistance Act by extending the authority for appropriations for projects and assistance under Titles I and II of PL–480.

Section 312. Micronutrient Fortification Program

Paragraphs (1) and (2) section amends the Agricultural Trade Development and Assistance Act by ending this program's pilot status.

Paragraph (3) extends the program until 2006.

Section 313. Farmer to Farmer Program

This section amends the Agricultural Trade Development and Assistance Act by increasing the share (from 0.4 percent to 0.5 percent) of Title I and Title II funding which can be assigned for support of this program. Paragraph (2) extends the authority for the Farmer-to-Farmer program, which funds technical exchanges between U.S. farmers and farmers in developing countries.

Subtitle B

Section 321. Export Credit Guarantee Program

This section amends the Agricultural Trade Act as follows:

Term of Supplier Credit—Subsection (a) extends the potential length of loans under the Supplier Credit Program from 6 months to 12 months.

Processed and High-Valued Products—Subsection (b) extends through 2006 the requirement that not less than 35 percent of products exported under U.S. agricultural export credit programs be processed or high-valued products.

Report—Subsection (c) requires the Secretary to submit an annual report to the appropriate Congressional Committees on the status of multilateral negotiations on agricultural export credit programs under the auspices of the Organization for Economic Cooperation and Development. Such negotiations have been held in keeping with Article 10.2 of the Uruguay Round Agreement on Agriculture. The report shall be submitted in unclassified form, but may contain a classified annex.

Reauthorization—Subsection (d) extends authority for Export Credit Guarantee Programs through 2006.

Section 322. Market Access Program

This section amends the Agricultural Trade Act of 1978 as follows:

In general—Subsection (a) increases funding for the Market Access Program, at the following levels: not less than $100 million for fiscal year 2002, $120 million for fiscal year 2003, $140 million for fiscal year 2004, $160 million for fiscal year 2005, and $190 million for fiscal year 2006.

Program priorities—Paragraph (2) establishes priority for new program participants and programs in emerging markets for amounts available above existing level of $90 million.

United States Quality Export Initiative—Subsection (b) contains findings, including that: (1) the market access program and foreign market development program target generic and value-added agricultural products, with little emphasis on the high quality of a United States product; and (2) new promotional tools are needed to enable United States products to compete in higher margin, international markets on the basis of quality.

Paragraph (2) creates a quality export initiative program under which the Secretary develops program under which, on a competitive basis, several high-quality U.S. agricultural products are identified. U.S. agricultural products so identified will be permitted to carry the 'U.S. Quality' seal, and promoted at trade fairs and through electronic and print media. This initiative is subject to the availability of appropriations.

Section 323. Export Enhancement Program

This section amends the Agricultural Trade Act of 1978 by extending the Export Enhancement Program through 2006. Subsection (a) makes up to $478 million available annually from the Commodity Credit Corporation for the purpose of encouraging commercial sales of U.S. agricultural commodities.

Unfair Trade Practices—Subsection (b) expands the definition of unfair trade practices to include defines exchange rate manipulation by competing exporters and questionable pricing practices by State trading enterprises. Under the Act, use of such practices by

competing exporters may trigger use of the Export Enhancement Program, although it is not limited to such purposes.

Section 324. Foreign Market Development Cooperator Program

This section amends the Agricultural Trade Act of 1978 by increasing funds available to the Foreign Market Development Cooperator Program out of mandatory money at the following levels: $37.5 million for fiscal year 2002, $40 million for fiscal year 2003, $42.5 million for fiscal year 2004 and subsequent years.

Program Priorities—Subsection (b) establishes priority for new program participants and programs in emerging markets for amounts available above $35 million.

Section 325. Food for Progress and Education Programs

This section amends the Agricultural Trade Act of 1978 by adding a Food for Progress and Education Program title at the end of the statute, as follows:

Section 801 includes definitions

Food for Progress and Education Programs. Section 802 authorizes these programs under which donated commodities are provided to eligible organizations which agree to conduct development projects in recipient countries. It establishes the Food for Progress Program, which may be entered into with the following organizations—

(1) governments of emerging democracies;
(2) private voluntary organizations;
(3) nonprofit agricultural organizations and cooperatives;
(4) intergovernmental organizations; and
(5) other private entities.

Considerations—Subsection (b) requires the Secretary to examine an emerging agricultural country before approving program agreements, including the following determinations:

(1) whether or not the country is committed to providing economic freedom; (2) whether or not the country carries out policies which promote private production of food for domestic consumption; and (3) whether or not the country is committed to the creation and expansion of efficient domestic markets for the purchase and sales of those commodities.

International Food for Education and Nutrition Program—This program is established in subsection (c), under which the Secretary may provide agricultural commodities and technical assistance in connection with education programs in recipient countries.

Paragraph (2) provides the Secretary the authority to enter into agreements with eligible organizations to purchase, acquire and donate commodities and to provide technical and nutritional assistance.

Under paragraph (3), the Secretary is required to encourage other donor countries to contribute goods and funds and provide technical and nutritional assistance to recipient countries.

Paragraph (4) urges the President and Secretary to encourage private sector participation in this program.

Paragraph (5) includes a graduation provision, in order to determine how benefits could be sustained in a recipient country when the program terminates.

Paragraph (6) requires the Secretary to report to the appropriate Congressional Committees on the results of implementing this section, and the level of commitment by other donor countries to the program.

Terms—In subsection (d), the Secretary may provide agricultural commodities under this title either on a grant basis or on credit terms. Credit is established on the same basis as under PL- 480, Title I concessional financing of agricultural exports.

Paragraph (3) bars making commodities available under this section if such action will reduce the amount of the commodity that is traditionally made available for domestic feeding programs.

Reports—Subsection (e) requires eligible organizations with agreements under this title to submit reports to the Secretary containing such information as is required relating to the use of commodities and funds provided for said agreements.

Coordination—Subsection (f) requires that assistance under this title shall be coordinated with other forms of foreign assistance under the mechanism designated by the President.

Quality Assurance—Subsection (g) requires the Secretary to ensure that each eligible organization is optimizing the use of donated commodities, as follows: (1) taking into account the needs of target populations in recipient countries; (2) working with recipient countries and institutions or groups within those countries to design mutually acceptable programs; (3) monitor and report on distribution and sale of eligible commodities using accurate and timely reporting methods;

(4) periodically evaluate the eligible organization's program effectiveness; and (5) consider means of improving program operation.

Paragraph (2) requires the Secretary to develop regulations to permit PVO's to be certified as institutional partners by providing evidence of their organizational capacity. Once certified, such PVO's would be eligible to submit a single proposal for programs in countries in which such capacity has been documented, and receive expedited review. The Secretary is encouraged to enter into multi-year agreements, if commodities are available and all other requirements of the program have been satisfied.

Transshipment and Re-Sale—In subsection (h), transshipment or re-sale within a country other than a recipient country are prohibited unless approved by the Secretary.

Under paragraph (2), eligible commodities may be sold or bartered only with the Secretary's approval within the recipient country or a nearby country. If the Secretary determines that such sales are not practicable, he or she may permit sales or barters within other countries if such sales will not disrupt commercial markets for the agricultural commodities involved. The Secretary may authorize the use of proceeds to reimburse costs incurred by an eligible organization for the following purposes: (1) programs targeted at hunger and malnutrition; (2) development programs involving food security or education; (3) transportation, storage, and distribution of eligible commodities; and (4) administration, sales, monitoring, and technical assistance.

As appropriate, the Secretary may provide commodities in a manner that will encourage development of private sector market infrastructure.

Displacement of Commercial Sales—Under subsection (i), to the maximum extent practicable, the Secretary is required to avoid: (1) displacing commercial sales of U.S. commodities; (2) disrupting world agricultural prices; or (3) disrupting normal commercial trade patterns.

Deadline for Program Announcements—In subsection (j), the Secretary is required to make program agreements and allocations and announce them before the beginning of each fiscal year (to the maximum extent practicable).

Paragraph (2) requires the Secretary to submit a list of those allocations to the appropriate Congressional Committees not later than November 1.

Program Limitations—In subsection (k), agricultural commodities shall be made available under this title without regard to political, geographic, ethnic, or religious identity of the recipient.

In paragraph (2), the Secretary is barred from providing commodities under any agreement that requires or permits the distribution or handling of those commodities by any military forces, except when non-military channels are not available and the Secretary deems that conditions require such distributions occur.

In paragraph (3), the Secretary is required to encourage all parties in such a conflict to permit safe passage for movement of relief supplies and safe zones for treatment and evacuation of wounded persons.

Budget—Under subsection (l) , the cost of commodities and related expenses under this title shall be in addition to the level of assistance provided under the Agricultural Trade Development and Assistance Act.

Paragraph (2) precludes such spending from being considered expenditures for international affairs and finance.

Commodity Credit Corporation—Under subsection (m), funds, facilities, and authorities of the Commodity Credit Corporation may be used to carry out this title.

Paragraph (2) provides for a minimum tonnage of 400,000 metric tons per year for this title.

Paragraph (3) allows additional funds to be appropriated for this title.

Paragraph (4) permits the Corporation to use funds appropriated for Title I programs to carry out this title.

Paragraph (5) allocates no more than $200,000,000 of available funds for each fiscal year to be used to carry out the International Food for Education and Nutrition Program. Tons not allocated by June 30 of each fiscal year shall be made available for proposals under Food for Progress.

Paragraph (6) allows commodities to be purchased for this program only if CCC inventories are insufficient to satisfy commitments under approved agreements.

Under Paragraph (7), the Secretary is authorized to pay the following costs for the program: (1) acquisition; (2) packaging and fortifying the commodity; (3) processing and handling before f.o.b. delivery; (4) ocean freight; (5) transport costs for landlocked or otherwise inaccessible countries; (6) transportation costs for moving commodities from designated points of entry to storage and distribution sites; (7) internal transport costs for the International Food for Education and Nutrition program for recipient countries which are

also low-income net food-importing countries and have demonstrated a commitment to education; (8) charges for general average contributions arising out of the ocean transport of commodities transferred; and (9) assistance for administration, monitoring, and technical assistance.

Except for the costs of acquiring the commodities, these costs may not exceed $80 million per year.

Conforming Amendment—Subsection (n) repeals section 1110 of the Food Security Act of 1985.

Section 326. Exporter Assistance Initiative

This section amends the Agricultural Trade Act of 1978, and contains findings in subsection (a), including the following: (1) information in the possession of Federal agencies other than USDA that is necessary for the export of agricultural products is available only from multiple, disparate sources; and (2) because exporters often need access to information quickly, exporters lack the time to search multiple sources to access necessary information, and exporters often are unaware of where the necessary information can be located.

Under subsection (b), the Secretary is required to develop a website that collects all pertinent information from the agencies of the Federal government to assist aspiring agricultural exporters learn all they need to know about getting started. Authorization of appropriations is provided, at the following levels: $1 million for fiscal years 2002 through 2004, and $500 thousand for fiscal years 2005 and 2006.

Subtitle C

Section 331. Emerging Markets

This section amends the Food, Agriculture, Conservation and Trade Act of 1990, by extending this program through 2006. This program which offers funding for technical assistance for developing market infrastructure in new market economies, such as the countries of the Former Soviet Union.

Section 332. Biotechnology and Agricultural Trade Program

This section amends the Food, Agriculture, Conservation and Trade Act of 1990 by establishing a program in USDA intended to assist exporters.

Paragraph (2) establishes the focus of the program, exporters facing market access, regulatory, and marketing problems in exporting biotech-based products.

Paragraph (3) determines that U.S. market development organizations concerning biotechnology shall target the following foreign groups: producers, buyers, consumers, media, government officials, scientists, and trade officials. This support may be used through the following programs: (1) the emerging markets program; (2) the Cochran Fellowship; or (3) the Foreign Market Development Program.

Under paragraph (4), the Secretary shall assist exporters of agricultural commodities in situations in which exporters are harmed by unwarranted and arbitrary barriers to trade due to marketing of biotechnology products, food safety, disease, or other sanitary or

phytosanitary concerns. These activities are authorized appropriations of $1 million for fiscal years 2002 through 2006.

Under paragraph (5), CCC funding shall be available at $15 million for each of fiscal years 2002 through 2006, except for paragraph (4).

Section 333. Surplus Commodities for Developing or Friendly Countries

This section amends Section 416(b) of the Agricultural Act as follows:

Use of Currencies—Subsection (a) permits sales of eligible commodities in recipient countries to be transacted in currencies other than the local currency.

Implementation of Agreements—Under subsection (b), in addition to other established practices, the Secretary may approve direct delivery of eligible commodities to mills or other processing facilities in recipient countries which are majority-owned by U.S. citizens. The proceeds of such transactions are to be transferred to eligible organizations to carry out approved projects.

Certified Institutional Partners—Requires the Secretary under subsection (c) to develop regulations to permit private voluntary organizations (PVO's) to be certified as institutional partners by providing evidence of their organizational capacity. Once certified, such PVO's would be eligible to submit a single proposal for programs in countries in which such capacity has been documented, and receive expedited review.

Section 334. Bill Emerson Humanitarian Trust

This section extends the Bill Emerson Humanitarian Trust Act through 2006. The Act provides for government purchase and storage of up to 4 million tons of commodities to maintain a food security reserve.

Section 335. Agricultural Trade with Cuba

This section amends the Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act, 2001, by striking restrictions on private financing of sales of food and medicine to Cuba.

Section 336. Sense of Congress Resolution Concerning Agricultural Trade

This section establishes Congressional priorities and concerns for bilateral and multilateral agricultural trade negotiations, as follows:

Agricultural Trade Negotiating Objectives—Subsection (a) establishes the sense of Congress that the principal negotiating objective of the United States with respect to agricultural trade in all multilateral, regional, and bilateral negotiations is to obtain competitive opportunities for the export of United States agricultural commodities in foreign markets substantially equivalent to the competitive opportunities afforded foreign exports in United States markets and to achieve fairer and more open conditions of agricultural trade in bulk and value-added commodities by—

(1) reducing or eliminating, by a date certain, tariffs or other charges that decrease market opportunities for exports of

United States agricultural commodities, giving priority to products that are subject to significantly higher tariffs or subsidy regimes of major producing countries;

(2) immediately eliminating all export subsidies on agricultural commodities while maintaining bona fide food aid and preserving United States agricultural market development and export credit programs that allow the United States to compete with other foreign export promotion efforts;

(3) leveling the playing field for United States agricultural producers by disciplining domestic supports such that no other country can provide greater support, measured as a percentage of total agricultural production value, than the United States does while preserving existing green box category to support conservation activities, family farms, and rural communities;

(4) developing, strengthening, and clarifying rules and effective dispute settlement mechanisms to eliminate practices that unfairly decrease United States market access opportunities for United States agricultural commodities or distort agricultural markets to the detriment of the United States, including—

- unfair or trade-distorting activities of State trading enterprises and other administrative mechanisms, with emphasis on—
  - requiring price transparency in the operation of State trading enterprises and such other mechanisms; and
  - ending discriminatory pricing practices that amount to de facto export subsidies so that the enterprises or other mechanisms do not (except in cases of bona fide food aid) sell in foreign markets at prices below domestic market prices or prices below the full costs of acquiring and delivering agricultural products to the foreign markets;
- unjustified trade restrictions or commercial requirements affecting new technologies, including biotechnology;
- unjustified sanitary or phytosanitary restrictions, including restrictions that are not based on scientific principles, in contravention of the Uruguay Round Agreements;
- other unjustified technical barriers to trade; and
- restrictive and nontransparent rules in the administration of tariff rate quotas;

(5) improving import relief mechanisms to recognize the unique characteristics of perishable agriculture;

(6) taking into account whether a party to the negotiations has—

- failed to adhere to the provisions of an existing bilateral trade agreement with the United States; or
- circumvented obligations under a multilateral trade agreement to which the United States is a signatory; or
- manipulated its currency value to the detriment of United States agricultural producers or exporters; and

(7) otherwise ensuring that countries that accede to the World Trade Organization—

- have made meaningful market liberalization commitments in agriculture; and

• make progress in fulfilling those commitments over time.

Priority for Agriculture Trade.—Subsection (b) further establishes that it is the sense of Congress that: (1) reaching a successful agreement on agriculture should be the top priority of United States negotiators in World Trade Organization talks; and (2) if the primary competitors of the United States do not reduce their trade distorting domestic supports and eliminate export subsidies in accordance with the negotiating objectives expressed in this section, the United States should take steps to increase the leverage of United States negotiators and level the playing field for United States producers in order to improve United States farm income and to encourage United States competitors to eliminate export subsidies and domestic supports that are harmful to United States farmers and ranchers.

Consultation with Congressional Committees.—Subsection (C) establishes the sense of Congress that:

(1) Before the United States Trade Representative negotiates a trade agreement that would reduce tariffs on agricultural products or require a change in United States agricultural law, the United States Trade Representative shall consult with the Committee on Agriculture, Nutrition and Forestry and the Committee on Finance of the Senate and the Committee on Agriculture and the Committee on Ways and Means of the House of Representatives.

(2) Not less than 48 hours before initialing an agreement relating to agricultural trade negotiated under the auspices of the World Trade Organization, the United States Trade Representative shall consult closely with the committees referred to in paragraph (1) regarding—

(A) the details of the agreement;

(B) the potential impact of the agreement on United States agricultural producers; and

(C) any changes in United States law necessary to implement the agreement.

(3) Any agreement or other understanding (whether verbal or in writing) that relates to agricultural trade that is not disclosed to the Congress before legislation implementing a trade agreement is introduced in either house of Congress shall not be considered to be part of the agreement approved by Congress and shall have no force and effect under Unites States law or in any dispute settlement body.

TITLE IV—NUTRITION

Subtitle A—Food Stamp Program

Section 411. Simplified definition of income

This section allows a State option to exclude, from food stamp eligibility determination, certain types of income if the State also excludes them in its Temporary Assistance for Needy Families (TANF) cash assistance or Medicaid programs. It also allows States to exclude two infrequently received types of income that are disregarded in other programs, including certain educational benefits and "complementary assistance" (such as payments for unusual circumstances, like transportation for the disabled). In addition, the

section requires that wages and salaries, social security benefits, regular payments from a government source, workers' compensation, and child support be counted as income. Finally, the section directs the Secretary to promulgate regulations to identify other sources of income that are essential to a fair determination of food stamp eligibility. States are not permitted to exclude from income calculations sources of income identified in USDA regulations, regardless of their TANF or Medicaid policies.

Section 412. Encouragement of payment of child support

Subsection (a) allows a State option to replace the current deduction from income for amounts paid in child support with an income exclusion in the same amount.

Subsection (b) states that a State is allowed to continue to provide a child support deduction, rather than an exclusion, and requires that if a State elects to provide a deduction, it must determine the deduction before computing the excess shelter expense deduction. The subsection also permits States to use information from child support enforcement agencies to determine the amount of child support paid and allows States to freeze the amount deducted or excluded for child support between eligibility reviews.

Section 413. Increase in benefits to households with children

This section increases the standard deduction by tying it to the Federal poverty income guideline, according to household size and indexes it for inflation. For fiscal years 2002–2007, it would be 8 percent; for fiscal year 2008, 8.25 percent; for fiscal years 2009–2010, 8.50 percent; and for fiscal year 2011, 9 percent. The standard deductions would not be less than those provided under current law, nor more than the appropriate applicable percentage of the poverty guideline for a household of six. Finally, special provisions are included to ensure that Guam's standard deduction level will be maintained.

Section 414. Simplified determination of housing costs

This section simplifies the determination of housing costs by allowing households to claim as shelter expenses any housing-related money they pay to their landlord on a regular basis. It also requires that, instead of an excess shelter expense deduction, a State may elect to give homeless households with some shelter expenses a flat $143 a month deduction without extensive documentation.

Section 415. Simplified utility allowance

This section simplifies a provision of current law that allows a State to determine utility expenses using a Standard Utility Allowance (SUA) instead of actual utility bills. The first simplification eliminates the current rules requiring that the SUA must be prorated, or disallowed, if an eligible household lives with another individual or family. The second eliminates the rule that specifies that the SUA may not be used by certain households in public housing whose utility costs are partially covered by the housing authority.

Section 416. Simplified procedure for determination of earned income

This section creates a new State option to multiply weekly paychecks by four and biweekly paychecks by two to determine monthly income for purposes of determining eligibility and benefits. In States taking the option the earned income deduction for all households (equal to 20 percent of all earned income) would be lowered to ensure cost neutrality.

Section 417. Simplified determination of deductions

This section allows States the option to disregard household changes in deductible expenses between scheduled reviews of eligibility. Two changes that may not be disregarded are reported changes of residence and changes in earned income.

Section 418. Simplified definition of resources

This section creates a State option to exclude from eligibility determination certain types of resources if the State also excludes them in its Temporary Assistance for Needy Families (TANF) cash assistance or Medicaid programs. The section also prohibits States from excluding cash, money in accounts that are readily available to the household, or any other assets the Secretary believes are essential to a fair determination of food stamp eligibility.

Section 419. Alternative issuance systems in disasters

This section provides the Secretary discretion to select the most practicable method of issuing emergency food stamps to disaster victims, including cash.

Section 420. State option to reduce reporting requirements

This section allows States the option to adopt semi-annual reporting systems for the entire caseload, except for those households or groups that are exempt even from periodic reporting to prevent undue hardship, such as the homeless; migrant workers; and households where everyone is elderly and/or disabled and has no earnings. Under semi-annual reporting, food stamp benefits may be frozen for six months at a time, with households required to report only if their income exceeds the program's gross income limit.

Section 421. Benefits for adults without dependents

This section changes the time-limit for participation for able-bodied adults without dependents. The current law rule limiting their food stamp participation to three out of 36 months without working or participating in a work program is changed to six out of 24 months. It also allows supervised job search activities to qualify as a work activity that meets the work requirement.

Section 422. Preservation of access to electronic benefits

This section prohibits States from taking recipients' EBT accounts away from electronic access unless the account has been inactive for at least 180 days, or approximately six months. If a State does close the account it is required to send the household a notice informing it how to reinstate those benefits and offering assistance to households having a difficult time accessing benefits.

Section 423. Cost neutrality for electronic benefit transfer systems

This section eliminates the current requirement that electronic benefit transfer (EBT) systems not cost the Federal Government more than paper issuance systems.

Section 424. Alternative procedures for residents of certain group facilities

This section allows States the option to provide a standardized monthly benefit to residents of group homes and substance abuse centers, rather than going through an individualized benefit calculation for each resident. Facilities that receive an allotment for a resident are to notify the State agency promptly if the resident leaves the facility. Facilities are also obligated to inform residents prior to their leaving the facility, that they are eligible to continue to participate in the Food Stamp Program and should contact the State immediately for information about continuing eligibility. An individual who leaves a facility would receive the standard monthly benefit for the month of and the month following his or her departure, unless the resident reapplies sooner to participate in the Food Stamp Program.

Section 425. Availability of food stamp program applications on the Internet

This section requires States that have a website for the State agency that administers food stamps to make Food Stamp Program applications available on-line in each language in which the State makes a printed application available.

Section 426. Simplified determinations of continuing eligibility

This section replaces fixed certification periods in which a recipient is required to reapply for the Food Stamp Program after a specific interval with a more flexible re-determination process. Households would continue to be considered eligible until the State makes a determination that the household has become ineligible, needs to be reviewed, or has failed to cooperate in a review of its eligibility. This change is consistent with procedures used in other programs that assist low-income individuals. The section makes clear that the interval between re-determinations of eligibility shall not exceed 12 months (or 24 months for elderly or disabled recipients).

Section 427. Clearinghouse for successful nutrition education efforts

This section requires the Secretary to request State agencies to submit to the Secretary descriptions of successful nutrition education programs designed for use in the food stamp and other nutrition assistance programs. It directs the Secretary to make the descriptions available on the USDA website and to publicize the availability of the website.

Section 428. Transitional food stamps for families moving from welfare

This section allows a household to receive six months of transitional food stamp benefits following termination of TANF cash assistance. During the transitional period, the household would receive the same amount of benefits received the month prior to the

end of TANF cash assistance, adjusted for loss of TANF cash assistance and any other changes that the household elects to report to the State agency that might increase the size of the benefits. The section allows re-certification to be postponed until the month preceding the end of the transitional period. Households that are sanctioned for a failure to perform an action required by law related to TANF cash assistance would be ineligible for this transitional benefit.

Section 429. Delivery of notices of adverse action to retailers

This section allows the Secretary to advise retailers of adverse action by any method the Secretary determines will provide evidence of delivery.

Section 430. Reform of quality control system

This section eliminates enhanced funding (bonus payments to States with error rates less than six percent) for performance after 2001. For performance in 2001, enhanced funding is retained at half the current level. The section requires the Secretary to investigate a State's administration of the Food Stamp Program if the Secretary determines there is a 95 percent statistical probability that the State is above the threshold of the national average error rate plus one percentage point. If the Secretary determines that the State agency has been seriously negligent (as determined under standards promulgated by the Secretary), then the Secretary may impose a sanction of up to five percent of the State's administrative funding. If the Secretary determines that a 95 percent statistical probability exists that the payment error rate of a State agency exceeds the national performance measure for payment error rates by more than one percentage point and the State agency was investigated or sanctioned for each of the two immediately preceding fiscal years, the State agency is penalized based on the value of over and underpayments relative to the threshold. This section also makes a technical adjustment to the formula for computing sanctions, which prevents individual States' sanctions from becoming more severe as the national average declines. The section also requires that the State agency to develop and implement corrective action plans to reduce payment errors. The Secretary is also required to adjust States' error rates to eliminate the impact of high or increasing numbers of low-income working households or immigrant households. After 2002, the Secretary may also add to the list of items for which States' error rates are adjusted.

Section 431. Improvement of calculation of State performance measures

This section extends the deadline for reporting and resolving States' quality control (QC) error rates to June 30.

Section 432. High performance bonus payments to States

This section provides a total of 30 annual incentive payments, totaling $30 million a year, to the six states with the highest and/or most improved performance with respect to each of five measures. The section requires that one of the measures assess participation among low-income working families. The four additional measures would be determined by the U.S. Department of Agri-

culture, the National Governor's Association, the American Public Human Services Association, and the National Conference of State Legislatures, within 180 days of the bill's enactment and one of the measures would have to relate to provision of timely and appropriate services to applications for and recipients of food stamp benefits. The final measures would have to be decided within six months from the bill's enactment and the bonuses would be allocated in a way that is proportional to caseload. State agencies subject to sanctions would not be eligible to receive bonus payments.

Section 433. Employment and training program

This section reduces the amount of unmatched Federal funds available for Food Stamp Employment & Training (FSE&T) to $90,000,000 but sets aside an additional $25,000,000 a year for states that pledge to offer a work slot to able-bodied adults without dependents. The section also expands State flexibility in spending on the FSE&T program by repealing: 1) the 80 percent set-aside to serve able-bodied adults without dependents, 2) the maintenance-of-effort requirement to access new unmatched funds, and 3) the limits on the amount states are reimbursed for each work slot offered. The section also increases from $25 to $50 the per month cap on the amount states may reimburse FSE&T participants for transportation and other work expenses with a Federal match.

Section 434. Reauthorization of food stamp program and food distribution program on Indian reservations

This section reauthorizes the Food Stamp Program and the Food Distribution Program on Indian Reservations Program.

Section 435. Coordination of program information efforts

This section allows states to use TANF or TANF maintenance of effort funds to pay for costs related to providing information about the food stamp program, as is currently allowed for information about other low-income assistance programs. This provision would not allow TANF or TANF maintenance-of-effort funds to be used as a match to obtain food stamp administrative funding.

Section 436. Expanded grant authority

This section clarifies the Secretary's ability to grant waivers to non-governmental entities to conduct research related to the Food Stamp Program.

Section 437. Access and outreach pilot programs

This section provides $3,000,000 by the Secretary to fund, on a 75 percent matching basis, competitive grants to states and non-government organizations to improve access and outreach to people who are eligible for the Food Stamp Program.

Section 438. Consolidated block grants and administrative funds

This section consolidates the funding structure for nutrition assistance in American Samoa and Puerto Rico. Funding levels are essentially unchanged, but both programs would be adjusted for food price inflation in future years. The provision also allows Puerto Rico to spend up to $6 million of its 2002 grant to help upgrade

and modernize its electronic data processing system and its electronic benefit transfer system.

Section 439. Assistance for community food projects

This section continues funding for Community Food Projects at $2.5 million each year. It also increases from 50 to 75 percent the Federal share of the costs of establishing or carrying out a community food project.

Section 440. Availability of commodities for The Emergency Food Assistance Program

This section reauthorizes the Emergency Food Assistance Program (TEFAP) and increases the mandatory funding available for TEFAP under the Food Stamp Act from $100 million to $110 million each year. The additional $10 million each year would be used to pay for State costs related to processing, storing, transporting, and distributing commodities.

Section 441. Innovative programs for addressing common community problems

This section establishes a Federal-local community partnership under which information about innovative ideas that have worked well in communities (to reduce the loss of farms, reduce hunger, help families leave food stamps, or to otherwise help communities help themselves) are provided to other communities where such local programs could be replicated. It provides $200,000 a year, for each of two years, to a non-profit organization selected by the Secretary that is experienced in gathering and providing such information and guidance to other communities. Such a non-profit would also contribute some of its own resources.

Section 442. Report on use of electronic benefit transfer systems

This section directs the Secretary to submit a report to Congress, within one year after enactment, on difficulties in using electronic benefit transfer (EBT) systems for food stamp issuance, including the extent and types of fraud, and efforts underway on the part of USDA, States, retailers, and EBT contractors to address the problems.

Section 443. Vitamin and mineral supplements

This section allows the use of food stamp benefits to purchase vitamin-mineral supplements and provides $3,000,000 to conduct an impact study to evaluate related nutritional, health, economic, and other consequences of the program's modification. At a minimum, the study is to examine: (a) the extent to which problems arise in the purchase of vitamin-mineral supplements with electronic benefit transfer cards; (b) the distinguishing at point-of-sale of vitamin-mineral supplements from herbal and botanical supplements for which food stamp benefits may not be used; (c) whether participants in the food stamp program spend more on vitamin-mineral supplements than nonparticipants; (d) to what extent vitamin-mineral supplements may be substituted for other foods purchased with food stamp benefits; (e) the proportion of the average food stamp allotment that is used to purchase vitamin-mineral supplements; and (f) the quality of the diets of participants in the food

stamp program has changed as a result of allowing participants to use food stamp benefits to purchase vitamin-mineral supplements.

Subtitle B—Miscellaneous Provisions

Section 451. Reauthorization of commodity programs

Subsection (a) reauthorizes the Secretary's ongoing authorities to provide commodities for nutrition assistance.

Subsection (b) reauthorizes the Commodity Supplemental Food Program and redistributes administrative and program funds within the Commodity Supplemental Food Program to provide an inflation-indexed grant per assigned caseload slot for administrative costs incurred by State and local agencies administering the program.

Subsection (c) extends authorization for administrative funding for The Emergency Food Assistance Program.

Section 452. Restoration of benefits to legal immigrants

Subsection (a) restores eligibility to all legal immigrant children, regardless of date of entry to the United States. This subsection also exempts children from sponsor-deeming rules.

Subsection (b) allows legal immigrants who are able to demonstrate 16 quarters of work history to qualify for benefits (instead of the current 40 quarters).

Subsection (c) restores full eligibility to refugees and asylum seekers for whom there is currently a seven-year limit on eligibility.

Subsection (d) restores eligibility to disabled legal immigrants who entered the United States after August 22, 1996 and are eligible for a disability benefit such as Supplemental Security Income (SSI).

Section 453. Commodities for school lunch programs

This section extends provisions suspending a requirement that any bonus commodities acquired for agricultural program purposes and donated to schools be counted toward the requirement that, at minimum, 12 percent of all school lunch assistance be in the form of commodities.

Section 454. Exclusion of certain military basic allowances for housing for determination of eligibility for free and reduced price meals

This section excludes from income calculations in determining eligibility for free and reduced-price meals, military basic allowances for housing (BAH) that are paid for private military housing, for 2002 and 2003.

Section 455. Eligibility for assistance under the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

This section excludes from income calculations in determining eligibility for the WIC Program, military basic allowances for housing (BAH) that are paid for private military housing.

Section 456. Senior Farmers' Market Nutrition Program

This section directs the Secretary to use $15 million from the Commodity Credit Corporation (CCC) for each of five years to carry out and expand the Seniors Farmers' Market Program and grants the Secretary authority to issue regulations.

Section 457. Fruit and vegetable pilot program

Subsection (a) directs the Secretary to carry out a pilot program during the 2002 school year through which fresh fruits and vegetables will be distributed, free-of-charge, to schoolchildren in each of four states (25 primary and secondary schools in each state) and on one American-Indian reservation.

Subsection (b) directs schools that participate in the program to publicize widely the availability of the free fruits and vegetables.

Subsection (c) directs the Secretary to conduct an evaluation of the results of the pilot program to determine: whether students took advantage of the pilot program; whether interest in the pilot program increased or lessened over time; and what effect, if any, the pilot program had on vending machine sales.

Section 458. Congressional Hunger Fellowship

This section establishes the Congressional Hunger Fellows Program to develop and train future leaders of the United States to pursue careers in humanitarian service.

Section 459. Nutrition information and awareness pilot program

Subsections (a) and (b) authorize the Secretary to establish a pilot program, in no more than 15 states, to increase the domestic consumption of fresh fruits and vegetables and convey related health promotion messages. The bill provides funds to States to assist eligible public and private sector entities with cost-share assistance to carry out the demonstration projects.

Subsection (c) indicates the Secretary is to give preference for participation to States in which the production of fruits and vegetables is a significant industry, as determined by the Secretary. It also directs the Secretary to base the program on strategic initiatives including: health promotion and education interventions; public service and paid advertising or marketing activities; health promotion campaigns relating to locally grown fruits and vegetables; and social-marketing campaigns.

Subsection (d) requires that, in selecting States to participate in the program, the Secretary shall take into consideration (1) experience in carrying out similar projects or activities; (2) innovation; and (3) the ability of the State to conduct marketing campaigns to promote and track increases in levels of produce consumption and to optimize the availability of produce.

Subsection (e) establishes the Federal share of the cost of any project carried out using funds provided under this section shall be 50 percent.

Subsection (f) directs that projects shall not be made available to any foreign for-profit corporation.

Subsection (g) authorizes appropriations of $25,000,000 for each of fiscal years 2002 through 2006.

Section 460. Effective date

This section provides that, unless otherwise noted within a particular section, all sections of this title take effect on September 1, 2002. At the option of a State agency, however, implementation of any or all provisions may be delayed until October 1, 2002.

TITLE V—CREDIT

Subtitle A—Amending Provisions Relating to Farm Ownership Loans in the Consolidated Farm and Rural Development Act Relating

Section 501. Direct loans

This section provides that direct farm ownership loans are available to a farmer or rancher who has participated in the business operations of a farm or ranch for not less than three years. Current law provides that direct farm ownership loans are available to a farmer or rancher who has operated, as opposed to merely participated in, a farm or ranch for not less than three years. This provision was originally intended to ensure that farmers and ranchers have some farming experience before taking on direct farm ownership loan debt. With this change, the Committee recognizes that some applicants for direct farm ownership loans may have actively participated and gained experience in operating a farm or ranch but may not have been solely responsible for its operations.

Section 502. Financing of bridge loans

This section provides the Secretary the authority to refinance "bridge loans" made by a commercial lender to a beginning farmer or rancher who has been approved for a USDA farm ownership loan but is awaiting funding for the program.

Section 503. Limitations on amount of farm ownership loans

This section increases the limit on direct farm ownership debt for a beginning farmer or rancher to $250,000 and indexes the amount to inflation.

Section 504. Joint financing arrangements

This section provides the Secretary the authority, as part of a joint financing arrangement for beginning farmers and ranchers, to make the USDA's portion of the financing at an interest rate that is 50 basis points less than the rate provided to non-beginning farmers and ranchers.

Section 505. Guarantee percentage for beginning farmers and ranchers

This section provides beginning farmers and ranchers, who participate in USDA's down payment loan program for acquiring farmland, with a 95 percent guarantee on ownership and operating loans. Current law allows, but does not require, the Secretary to provide a 95 percent guarantee on a farm ownership loan for acquiring a farm or ranch to a borrower who is participating in the down payment loan program. The section also allows a 95 percent guarantee on an operating loan during the period that a borrower who participates in this program has an outstanding direct owner-

ship loan. By specifying the guarantee at 95 percent, the Committee intends to help beginning farmers and ranchers obtain commercial credit.

Section 506. Guarantee of loans made under State beginning farmer or rancher programs

This section authorizes the Secretary to guarantee loans made by State beginning farmer and rancher programs, which includes loans that use funds resulting from the issuance of tax-exempt Aggie bonds.

Section 507. Down payment loan programs

This section provides that as part of the down payment program for beginning farmers and ranchers, USDA shall finance 40 percent of the loan (current law is 30 percent) and provide a repayment term of 20 years (current law is 10 years).

Section 508. Beginning farmer and rancher contract land sales program

This section directs the Secretary to create a pilot program in which the Secretary will guarantee loans made by a private seller of a farm or ranch to a qualified beginning farmer on a contract land sale basis.

Subtitle B—Amending Provisions Relating to Operating Loans in the Consolidated Farm and Rural Development Act

Section 511. Direct loans

This section provides that direct operating loans are available to a qualified beginning farmer or rancher who has operated a farm or ranch for not more than 10 years.

Section 512. Amount of guarantee of loans for tribal farm operations; waiver of limitations for tribal farm operations and other farm operations

This section requires a 95 percent guarantee of an operating loan made to a Native American farming on an Indian Reservation and allows the Secretary to waive term limits for Native American farm operations on tribal lands if she determines that commercial credit is not generally available for such operations. The section also provides the Secretary authority to waive the term limitation on direct operating loans to allow farmers to obtain loans for two years beyond the current seven-year limit.

Subtitle C—Amending Administrative Provisions in the Consolidated Farm and Rural Development Act

Section 521. Eligibility of limited liability companies for farm ownership loans, farm operating loans, and emergency loans

This section adds limited liability companies to the list of eligible entities able to receive farm ownership loans, farm operating loans, and natural disaster emergency loans.

Section 522. Debt Settlement

This section streamlines the debt settlement process by removing the county committees from having to review and make recommendations regarding the debt settlement agreement reached by the borrowers and FSA.

Section 523. Temporary authority to enter into contracts; private collection agencies

This section removes two USDA authorities to enter into contracts with private entities for the purpose of servicing loans and collecting delinquent debt.

Section 524. Interest rate options for loans in servicing

This section expands USDA's authority to allow the interest rate on a direct loan that is being rewritten to be the rate in effect on the date that a borrower applies for servicing. Current law provides that the interest rate on a loan being rewritten is to be either the original interest rate or the rate in effect at the time the loan is rewritten. The proposal provides a third option of the rate in effect on the date that the borrower applies for servicing.

Section 525. Annual review of borrowers

This section removes the requirement that county committees certify that FSA conducts annual reviews of the credit history of the borrowers.

Section 526. Simplified loan applications

This section raises the low documentation loan amount for a farmer program guaranteed loan from $50,000 to $100,000.

Section 527. Inventory property

This section increases the time period in which a beginning farmer or rancher receives a preference to purchase inventory farmland from the Secretary from 75 days to 135 days and provides that the Secretary can combine or divide parcels of inventory property to maximize opportunities for beginning farmers and ranchers to acquire such properties. The section also requires the Secretary to consider selling or granting easements on inventory land for the purpose of farmland preservation.

Section 528. Definitions

This section increases to 30 (from 25 percent) percent the amount of land that an applicant may own as a condition of meeting the definition of a qualified beginning farmer or rancher and excludes from the definition of "debt forgiveness" any write-down provided as part of a resolution of a discrimination complaint against the Secretary.

Section 529. Loan authorization levels

This section increases the loan authorization levels for the direct and guaranteed loan programs by authorizing $3.75 billion for each fiscal year. Direct loans are authorized $750 million annually—$200 million for farm ownership (FO) loans and $550 million for farm operating loans. Guaranteed loans are authorized $3 billion—$1 billion for FO loans and $2 billion for farm operating loans.

Section 530. Interest rate reduction program

This section makes permanent the interest rate reduction program and provides that beginning farmers and ranchers receive an additional one percent interest rate subsidy (capped at four percent) over non-beginning farmers (capped at 3 percent) who participate in the program. The section also increases the maximum amount of funds for this program to $750 million and provides that 25 percent of the program's subsidized funds are reserved for assisting beginning farmers and ranchers until April 1 of each fiscal year.

Section 531. Options for satisfaction of obligation to pay recapture amount for shared appreciation agreements

This section provides those who owe recapture amounts on shared appreciation agreements or those who have amortized the recapture amounts, the option of providing farmland protection easements on their land in return for forgiveness of the recapture amount.

Section 532. Waiver of borrower training certification requirement

This section allows the Secretary to waive the borrower training certification requirement if the Secretary determines that the borrower demonstrates adequate knowledge in this area and requires the Secretary to issue criteria for waivers.

Section 533. Annual review of borrowers

This section requires FSA to conduct an annual review of borrowers rather than a biannual review.

Subtitle D—Amending the Farm Credit Act

Section 541. Repeal of approval requirements

This section allows a Title I or II Farm Credit lender to participate in a "similar entity" loan originated by a commercial lender without the need to seek prior approval from the Title III lender that functions where the loan is being made. Current law requires System institutions to obtain permission from one another when participating in these multi-lender transactions. This section eliminates these requirements only as they pertain to multi-lender loans that the System does not originate.

Section 542. Banks for cooperatives

This section contains a provision to strengthen the System's international financing authorities. The bank vested with these authorities, CoBank, will be authorized to finance the export of agriculturally-related equipment and goods irrespective of whether these goods will be used on the farm in the importing country. Current provisions impose an "on-farm" use requirement. That requirement hinders export sales. In addition, this requirement curtails the bank's ability to participate in USDA's facilities credit guarantee program.

Section 543. Insurance Corporation premiums

This section provides the Farm Credit System Insurance Corporation the ability to recognize the lower risk associated with the

certain guaranteed loans and to adjust premiums charged accordingly. While government sponsored entity (GSE) guarantees, such as those issued by Fannie Mae, Freddy Mac, and Farmer Mac, do not equate to a federal guarantee, they do provide a measure of protection against loss. The change allows FCSIC to have the flexibility to weigh the diminished risk in these loans when setting its insurance premium.

Section 544. Board of Directors of the Federal Agricultural Mortgage Corporation

This section increases the number of Farmer MAC Board of Directors from 15 to 17, provides that the chairperson of the board will be elected by the board, and makes other changes to the board structure.

Subtitle E—General Provisions

Section 551. Inapplicability of finality rule

This section provides that a farm credit decision by a FSA county committee is not subject to the 90-day finality rule in the 1994 USDA Reorganization Act. Current law generally provides that decisions by FSA county committees become final within 90 days after the date that a person applies for benefits. This finality originally applied only to commodity programs, but inadvertently became applicable to credit programs as a result of the merger of the old Agriculture Stabilization and Conservation Service (ASCS) and Farmers' Home Administration (FmHA) county committees in the 1994 Reorganization Act. This change provides that this rule does not apply to credit decisions.

Section 552. Technical amendments

This section makes technical amendments to the Consolidated Farm and Rural Development Act.

Section 553. Effect of amendments

This section addresses the effect of these amendments on previous law.

Section 554. Effective date

This section provides the effective date of amendments.

TITLE VI—RURAL DEVELOPMENT

Subtitle A—Empowerment of Rural America

Section 601. National Rural Cooperative and Business Equity Fund

This section amends the Consolidated Farm and Rural Development Act by adding the new subtitle as follows:

Section 383A. Short title

This subtitle may be cited as the "National Rural Cooperative and Business Equity Fund Act."

Section 383B. Purpose

This section states that the purpose of this subtitle is to revitalize rural communities and enhance farm income through sus-

tainable rural business development by providing federal funds and credit enhancements to a private equity fund to encourage investments by institutional and noninstitutional investors for the benefit of rural America.

Section 383C. Definitions

This section defines terms used in this subtitle.

Section 383D. Establishment

Subsection (a). Authority:

Paragraph (1). This paragraph provides that on certification by the Secretary that, to the maximum extent practicable, the parties proposing to establish the Fund are broadly representative of groups of similar authorized private investors (as defined in Section 383C), the parties may establish a non-Federal entity under State law to purchase shares of, and manage, the National Rural Cooperative and Business Equity Fund (the "Fund") to generate and provide equity capital to rural businesses.

Paragraph (2). This paragraph provides that to the maximum extent practicable, equity ownership of the Fund will be distributed among authorized private investors. It prohibits the exclusion of any group of authorized private investors from equity ownership of the Fund if an authorized private investor representative of the group is able and willing to invest in the Fund.

Subsection (b). This subsection states that the purposes of the Fund are to strengthen the economy of rural areas; to further sustainable rural business development; to encourage start-up rural businesses, increased opportunities for small and minority-owned rural businesses; and the formation of new rural businesses; to enhance rural employment opportunities; to provide equity capital to rural businesses, many of which have difficulty obtaining equity capital; and to leverage non-Federal funds for rural businesses.

Subsection (c). This subsection provides that the articles of incorporation and by-laws of the Fund will set forth purposes of the Fund that are consistent with the purposes described in subsection (b).

Section 383E. Investment in the Fund

Subsection (a): This subsection provides that of the funds made available under section 383H, the Secretary will make available to the Fund $150,000,000; guarantee 50 percent of each investment made by an authorized private investor in the Fund; and guarantee the repayment of principal of, and accrued interest on, debentures issued by the Fund to authorized private investors.

Subsection (b). Private Investment:

Paragraph (1). This paragraph provides that the Secretary will make an amount available to the Fund only after an equal amount has been invested in the Fund by authorized private investors.

Paragraph (2). This paragraph provides that an insured depository institution may be an authorized private investor in the Fund; and that an investment in the Fund may be considered to be part of the record of an institution in meeting the credit needs of community in which the institution is located under any applicable Federal law. The total investment in the Fund of an insured depository institution is not to exceed five percent of the capital and sur-

plus of the institution. An appropriate Federal banking agency may, by regulation or order, impose on any insured depository institution investing in the Fund, any safeguard, limitation, or condition appropriate to ensure that the institution operates in a financially sound manner, and complies with all applicable law.

Subsection (c). Guarantee of Private Investments:

Paragraph (1). This paragraph provides that the Secretary will guarantee, under terms and conditions determined by the Secretary, 50 percent of any loss of the principal of an investment made in the Fund by an authorized private investor.

Paragraph (2). This paragraph provides that the aggregate potential liability of the Secretary with respect to all guarantees under paragraph (1) will not apply to more than $300,000,000 in private investments in the Fund.

Paragraph (3). This paragraph provides that an authorized private investor in the Fund may redeem a guarantee with respect to the total investments in the Fund and the total losses of the authorized private investor as of the date of redemption either on the date that is five years after the date of the initial investment by the authorized private investor, or annually thereafter. On redemption of a guarantee, the shares in the Fund of the authorized private investor will be redeemed and the authorized private investor will be prohibited from making any future investment in the Fund.

Subsection (d). Debt Securities:

Paragraph (1). This paragraph provides that the Fund may, at the discretion of the Board, generate additional capital through the issuance of debt securities and other means determined to be appropriate by the Board.

Paragraph (2). This paragraph requires the Secretary to guarantee 100 percent of the principal of, and accrued interest on, debentures issued by the Fund that are approved by the Secretary. The outstanding value of debentures issued by the Fund and guaranteed by the Secretary shall not exceed the lesser of the amount equal to twice the value of the assets held by the Fund or $500,000,000. If the Secretary makes a payment on a debt security issued by the Fund as a result of a guarantee of the Secretary under this paragraph, the Secretary will have priority over other creditors for repayment of the debt security.

Paragraph (3). This paragraph provides that an authorized private investor may purchase debt securities issued by the Fund.

Section 383F. Investments and other activities of the Fund

Subsection (a). Investments:

Paragraph (1). This paragraph provides that the Fund may make equity investments in a rural business that meets the requirements of paragraph (6) and such other requirements as the Board may establish, and extend credit to the rural business in the form of mezzanine debt or subordinated debt or any other form of quasi-equity. A single investment by the Fund shall not exceed the greater of an amount equal to seven percent of the capital of the Fund or $2,000,000. Except in the case of a project to assist a rural cooperative, the total amount of nonequity investments described in subparagraph (A)(ii) that may be provided by the Fund shall not exceed 20 percent of the total investments of the Fund in the project. The amount of any investment by the Fund in a rural business is

not to exceed the aggregate amount invested by other private entities in that rural business.

Paragraph (2). This paragraph provides that the Fund must implement procedures to ensure that the financing arrangements of the Fund meet the Fund's primary focus of providing equity capital and the Fund does not compete with conventional sources of credit.

Paragraph (3). This paragraph provides that the Fund must seek to make equity investments in a variety of viable projects, with a significant share of investments in smaller enterprises in rural communities of diverse sizes and in cooperative and noncooperative enterprises, and provides that the Fund must be managed in such a way as to diversify the risks to the Fund among a variety of projects.

Paragraph (4). This paragraph provides that the Fund shall not invest in any rural business that is primarily retail in nature, other than a purchasing cooperative.

Paragraph (5). This paragraph provides that returns on investments in and by the Fund and returns on the extension of credit by participants in projects assisted by the Fund are not subject to any State or Federal law establishing a maximum allowable interest rate.

Paragraph (6). This paragraph provides that any recipient of amounts from the Fund must make or obtain a significant investment from a source of capital other than the Fund. Rural business investment projects to be considered for an equity investment from the Fund must be sponsored by a regional, State, or local sponsoring or endorsing organization such as a financial institution, a development organization, or any other established entity engaging or assisting in rural business development, including a rural cooperative.

Subsection (b). This subsection requires the Fund to use not less than two percent of capital provided by the Federal Government to provide technical assistance to rural businesses seeking an equity investment from the Fund.

Subsection (c). This subsection requires the Board to authorize an annual audit of the financial statements of the Fund by a nationally recognized auditing firm using generally accepted accounting principles, and to make the results of the audit available to investors in the Fund.

Subsection (d). This subsection requires the Board to prepare and make available to the public an annual report that describes the projects funded with amounts from the Fund, specifies the recipients of amounts from the Fund, specifies the coinvestors in all projects that receive amounts from the Fund, and meets the reporting requirements, if any, of the State under the law of which the Fund is established.

Subsection (e). This subsection allows the Board to exercise such other authorities as are necessary to carry out this subtitle, and requires the Secretary to enter in to a contract with the Administrator of the Small Business Administration under which the Administrator of the Small Business Administration shall be responsible for the routine duties of the Secretary in regard to the Fund.

Section 383G. Governance of the Fund

Subsection (a). This subsection provides that the Fund will be governed by a board of directors that represents all of the authorized private investors in the Fund and the Federal Government and consists of a designee of the Secretary, two members who are appointed by the Secretary and are not Federal employees, eight members who are elected by the authorized private investors, and one member who is appointed by the Board and who is a community banker from an insured depository institution that has total assets of not more than $250,000,000 and has made an investment in the Fund.

Subsection (b). This subsection provides that no individual investor or group of authorized investors may control more than 25 percent of the votes on the Board.

Section 383H. Authorization of Appropriations

This section authorizes appropriation of such sums as are necessary to carry out the subtitle.

Section 602. Rural Business Investment Program

This section amends the Consolidated Farm and Rural Development Act as follows:

Section 384A. Definitions

This section defines terms used in this subtitle.

Section 384B. Purposes

This section states that the purposes of the subtitle are (1) to promote economic development and the creation of wealth and job opportunities in rural areas and among individuals living in those areas by encouraging developmental venture capital investments in smaller enterprises primarily located in rural areas, and (2) to establish a developmental venture capital program with the mission of addressing the unmet equity investment needs of small enterprises located in rural areas, by authorizing the Secretary to enter into participation agreements with Rural Business Investment Companies ("RBICs"), to guarantee debentures of RBICs to enable each RBIC to make developmental venture capital investments in smaller enterprises in rural areas, and to make grants to RBICs, and to other entities, for the purpose of providing operational assistance to smaller enterprises financed, or expected to be financed, by the RBICs.

Section 384C. Establishment

This section provides that the Secretary will establish a Rural Business Investment Program, under which the Secretary may enter into participation agreements with RBICs granted final approval, guarantee the debentures issued by RBICs, and make grants to RBICs and to other entities.

Section 384D. Selection of Rural Business Investment Companies

Subsection (a). This subsection provides that a company will be eligible to apply to participate as a RBIC in the program established under this subtitle if (1) the company is a newly formed for-profit entity, (2) the company has a management team with experi-

ence in community development financing or relevant venture capital financing, and (3) the company will invest in enterprises that will create wealth and job opportunities in rural areas, with an emphasis on smaller businesses.

Subsection (b). This subsection provides that to participate as a RBIC in the program established under this subtitle, a company meeting the eligibility requirements of subsection (a) must submit an application to the Secretary that includes (1) a business plan describing how the company intends to make successful developmental venture capital investments in identified rural areas, (2) information regarding the community development finance or relevant venture capital qualifications and general reputation of the management of the company, (3) a description of how the company intends to work with community organizations and to seek to address the unmet capital needs of the communities served, (4) a proposal describing how the company intends to use the grant funds provided under this subtitle to provide operational assistance to smaller enterprises financed by the company, including information regarding whether the company intends to use licensed professionals, when necessary, on the staff of the company or from an outside entity, (5) with respect to binding commitments to be made to the company under this subtitle, an estimate of the ratio of cash to in-kind contributions, (6) a description of the criteria to be used to evaluate whether and to what extent the company meets the objectives of the program established under this subtitle, (7) information regarding the management and financial strength of any parent firm, affiliated firm, or any other firm essential to the success of the business plan of the company, and (8) such other information as the Secretary may require.

Subsection (c). Issuance of License:

Paragraph (1). This paragraph requires each applicant for a license to operate as a RBIC to submit an application to the Secretary.

Paragraph (2). This paragraph provides that no later than 90 days after the initial receipt by the Secretary of an application, the Secretary must provide the applicant with a written report describing the status of the application and any requirements remaining for completion of the application. Within a reasonable time after receiving a completed application, the Secretary must either approve the application and issue a license for the operation, or disapprove the application and notify the applicant in writing of the disapproval.

Paragraph (3). This paragraph requires that in reviewing and processing an application, the Secretary must determine whether the applicant meets the requirements of subsections (d) and (e) and whether the management of the applicant is qualified and has the knowledge, experience, and capability necessary to comply with this subtitle. The Secretary must consider the need for and availability of financing for rural business concerns in the geographic area in which the applicant is to commence business, the general business reputation of the owners and management of the applicant, and the probability of successful operations of the applicant, including adequate profitability and financial soundness. The Secretary may not consider any projected shortage or unavailability of leverage.

Subsection (d). This subsection allows the Secretary to approve an applicant to operate as a RBIC and to designate the applicant as a RBIC if the Secretary determines that the application satisfies the requirements of subsection (b), if the area in which the company is to conduct its operations and the establishment of branch offices or agencies (if authorized by the articles) are approved by the Secretary, and if the applicant enters into a participation agreement with the Secretary.

Section 384E. Debentures

Subsection (a). This subsection allows the Secretary to guarantee the timely payment of principal and interest, as scheduled, on debentures issued by any RBIC.

Subsection (b). This subsection allows the Secretary to make guarantees under this section on such terms and conditions as the Secretary considers appropriate, except that the term of any debenture guaranteed under this section must not exceed 15 years.

Subsection (c). This subsection provides that the full faith and credit of the United States is pledged to the payment of all guarantees made under this subtitle.

Subsection (d). This subsection provides that the Secretary may guarantee the debentures issued by a RBIC only to the extent that the total face amount of outstanding guaranteed debentures of the company does not exceed 300 percent of the private capital of the company. The Secretary may provide for the use of discounted debentures.

Section 384F. Issuance and Guarantee of Trust Certificates

Subsection (a). This subsection allows the Secretary to issue trust certificates representing ownership of all or a fractional part of debentures issued by a RBIC and guaranteed by the Secretary under this subtitle, if the certificates are based on and backed by a trust or pool approved by the Secretary and composed solely of guaranteed debentures.

Subsection (b). Guarantee:

Paragraph (1). This paragraph allows the Secretary to guarantee the timely payment of the principal of and interest on trust certificates issued by the Secretary or agents of the Secretary for purposes of this section.

Paragraph (2). This paragraph limits each guarantee under this subsection to the extent of principal and interest on the guaranteed debentures that compose the trust or pool.

Paragraph (3). This paragraph provides that in the event a debenture in a trust or pool is prepaid, or in the event of default of such a debenture, the guarantee of timely payment of principal and interest on the trust certificates shall be reduced in proportion to the amount of principal and interest the prepaid debenture represents in the trust or pool. Interest on prepaid or defaulted debentures will accrue and be guaranteed by the Secretary only through the date of payment of the guarantee. At any time during its term, a trust certificate may be called for redemption due to prepayment or default of all debentures.

Subsection (c). This subsection provides that the full faith and credit of the United States is pledged to the payment of any guar-

antee of a trust certificate issued by the Secretary or agents of the Secretary under this section.

Subsection (d). This subsection provides that if the Secretary pays a claim under a guarantee issued under this section, the claim shall be subrogated fully to the rights satisfied by the payment. No Federal, State, or local law shall preclude or limit the exercise by the Secretary of the ownership rights of the Secretary in a debenture residing in a trust or pool against which one or more trust certificates are issued under this section.

Subsection (e). Management and Administration:

Paragraph (1). This paragraph requires the Secretary to provide for a central registration of all trust certificates issued under this section.

Paragraph (2). This paragraph allows the Secretary to maintain such commercial bank accounts or investments in obligations of the United States as may be necessary to facilitate the creation of trusts or pools backed by debentures guaranteed under this subtitle, and to issue trust certificates to facilitate the creation of those trusts or pools.

Paragraph (3). This paragraph requires any agent performing functions on behalf of the Secretary under this paragraph to provide a fidelity bond or insurance in such amount as the Secretary considers to be necessary to fully protect the interests of the United States.

Paragraph (4). This paragraph allows the Secretary to regulate brokers and dealers in trust certificates issued under this section.

Paragraph (5). This paragraph states that nothing prohibits the use of a book-entry or other electronic form of registration for trust certificates issued under this section.

Section 384G. Fees

Subsection (a). This subsection allows the Secretary to charge such fees as the Secretary considers appropriate with respect to any guarantee or grant issued under this subtitle.

Subsection (b). This subsection prohibits the Secretary from collecting a fee for any guarantee of a trust certificate under section 384F, except that any agent of the Secretary may collect a fee approved by the Secretary for certain functions listed in section 384F.

Subsection (c). This subsection allows the Secretary to prescribe fees to be paid by each applicant for a license to operate as a RBIC under this subtitle. Fees collected under this subsection must be deposited in the account for salaries and expenses of the Secretary, and are authorized to be appropriated solely to cover the costs of licensing examinations.

Section 384H. Operational Assistance Grants

Subsection (a). This subsection provides that the Secretary may make grants to RBICs and to other entities, as authorized by this subtitle, to provide operational assistance to smaller enterprises financed, or expected to be financed, by the entities. Grants made under this subsection will be made over a multi-year period not to exceed 10 years. The proceeds of a grant made under this paragraph may be used by the RBIC or entity receiving the grant only to provide operational assistance in connection with an equity investment in a business located in a rural area, or to pay oper-

ational expenses of the company. A RBIC shall be eligible for a grant under this section only if the company submits a plan for use of the grant. The amount of a grant made under this subsection to a RBIC will equal the lesser of 50 percent of the amount of resources raised by the RBIC, or $1,000,000. The amount of a grant made under this subsection to any entity other than a RBIC shall be equal to the resources raised by the entity in accordance with the requirements applicable to RBICs under this subtitle.

Subsection (b). This subsection allows the Secretary to make supplemental grants to RBICs and to other entities to provide additional operational assistance to smaller enterprises financed, or expected to be financed, by the RBICs and other entities. The Secretary may require, as a condition of any supplemental grant made under this subsection, that the RBIC or other entity receiving the grant match the supplemental grant funds with an equal amount from resources other than resources provided by the Secretary.

Section 384I. Rural Business Investment Companies

Subsection (a). This subsection requires that a RBIC must (1) be an incorporated body, a limited liability company, or a limited partnership organized and chartered or otherwise existing under State law solely for the purpose of performing the functions and conducting the activities authorized by this subtitle; (2) if incorporated, have succession for a period of not less than 30 years unless earlier dissolved by the shareholders of the company, or if a limited partnership or limited liability company, have succession for a period of not less than 10 years; and (3) possess the powers reasonably necessary to perform the functions and conduct the activities authorized by this subtitle.

Subsection (b). This subsection provides that the articles of any RBIC must specify in general terms the purposes for which the RBIC is formed, the name of the RBIC, the area or areas in which the operations of the RBIC are to be carried out, the place where the principal office of the RBIC is to be located, and the amount and classes of the shares of capital stock of the RBIC. The articles may contain any other provisions consistent with this subtitle that the RBIC may determine appropriate to adopt for the regulation of its business and the conduct of its affairs. The articles will be subject to the approval of the Secretary.

Subsection (c). This subsection provides that the private capital of each RBIC will be at least $5,000,000, or, with respect to RBICs authorized to issue participating securities to be purchased or guaranteed by the Secretary, $10,000,000. If the Secretary determines that it will not create an unreasonable risk of default or loss to the Federal Government to allow a RBIC authorized to issue participating securities to be purchased or guaranteed by the Secretary to have private capital of less than $10,000,000, the Secretary may require at least $5,000,000 in private capital from the RBIC rather than $10,000,000. The Secretary must also determine whether the private capital of each RBIC is adequate to ensure a reasonable prospect that the RBIC will be operated soundly and profitably, and managed actively and prudently in accordance with the articles of the RBIC, and whether the RBIC will be able to comply with the requirements of this subtitle. At least 75 percent of the capital of each RBIC must be invested in rural business concerns.

Subsection (d). This subsection requires the Secretary to ensure that the management of each RBIC is sufficiently diversified from, and unaffiliated with, the ownership of the RBIC so as to ensure independence and objectivity in the financial management and oversight of the investments and operations of the RBIC.

Section 384J. Financial institution investments

Subsection (a). This subsection provides that any national bank, any member bank of the Federal Reserve System, any Federal savings association, or any Farm Credit System institution described in section 1.2(a) of the Farm Credit Act of 1971 may invest in any RBIC or in any entity established to invest solely in RBICs. Any insured bank that is not a member of the Federal Reserve System may also invest in any RBIC or entity established to invest solely in RBICs to the extent permitted under applicable State law.

Subsection (b). This subsection provides that no bank, association, or institution described in subsection (a) may make investments described in subsection (a) that are greater than five percent of the capital and surplus of the bank, association, or institution.

Subsection (c). This subsection provides that if a Farm Credit System institution described in section 1.2(a) of the Farm Credit Act of 1971 holds more than 30 percent of the voting shares of a RBIC, the RBIC cannot provide equity investments in, or provide other financial assistance to, entities that are not otherwise eligible to receive financing from the Farm Credit System under the Farm Credit Act of 1971.

Section 384K. Reporting Requirement

Subsection (a). This subsection requires each RBIC that participates in the program established under this subtitle to provide to the Secretary certain information, including information relating to the measurement criteria that the RBIC proposed in its application to the program, and, in each case in which the RBIC makes an investment in, or a loan or grant to, a business that is not located in a rural area, a report on the number and percentage of employees of the business who reside in those areas.

Section 384L. Examinations

Subsection (a). This subsection makes each RBIC that participates in the program established under this subtitle subject to examinations made at the direction of the Secretary in accordance with this section.

Subsection (b). This subsection allows an examination under this section to be conducted with the assistance of a private sector entity that has the qualifications and the expertise necessary to conduct such an examination.

Subsection (c). This subsection allows the Secretary to assess the cost of an examination against the RBIC examined, and requires the RBIC to pay those costs.

Subsection (d). This subsection requires funds collected under this section to be deposited in the account that incurred the costs for carrying out this section, to be made available to the Secretary without further appropriation, and to remain available until expended.

Section 384M. Injunctions and other orders

Subsection (a). This subsection provides that whenever a RBIC or any other person has engaged or is about to engage in any act or practice that constitutes or will constitute a violation of a provision of this subtitle, the Secretary may apply to the appropriate district court of the United States for an order enjoining the act or practice, or for an order enforcing compliance with the provision. The court shall have jurisdiction over the action and, on a showing by the Secretary that the RBIC or other person has engaged or is about to engage in an act or practice described in this subsection, the court shall grant without bond a permanent or temporary injunction, restraining order, or other order.

Subsection (b). This subsection provides that in any proceeding under subsection (a), the court as a court of equity may, to such extent as the court considers necessary, take exclusive jurisdiction over the RBIC and its assets, wherever located. The court will have jurisdiction to appoint a trustee or receiver to hold or administer the assets.

Subsection (c). This subsection provides that the Secretary may act as trustee or receiver of a RBIC. On the request of the Secretary, the court shall appoint the Secretary to act as a trustee or receiver of a RBIC, unless the court considers the appointment inequitable or otherwise inappropriate by reason of any special circumstances involved.

Section 384N. Additional penalties for noncompliance

Subsection (a). This subsection provides that if a RBIC violates or fails to comply with this subtitle (including any rule, regulation, order, or participation agreement under this subtitle), the Secretary may void the participation agreement between the Secretary and the RBIC and make the RBIC forfeit all of its rights and privileges under this subtitle.

Subsection (b). This subsection provides that before the Secretary may cause a RBIC to forfeit rights or privileges under subsection (a), a court of the United States of competent jurisdiction must find that the RBIC committed a violation, or failed to comply, in a cause of action brought for that purpose in the district, territory, or other place subject to the jurisdiction of the United States, in which the principal office of the RBIC is located. Each cause of action brought by the United States under this subsection shall be brought by the Secretary or by the Attorney General.

Section 384O. Unlawful acts and omissions; breach of fiduciary duty

Subsection (a). This subsection provides that whenever any RBIC violates this subtitle (including any rule, regulation, order, or participation agreement under this subtitle), the violation shall also be deemed to be a violation and an unlawful act committed by any person that, directly or indirectly, authorizes, orders, participates in, causes, brings about, counsels, aids, or abets in the commission of any acts, practices, or transactions that constitute or will constitute, in whole or in part, the violation.

Subsection (b). This subsection provides that it will be unlawful for any officer, director, employee, agent, or other participant in the management or conduct of the affairs of a RBIC to engage in any

act or practice, or to omit any act or practice, in breach of the fiduciary duty of the officer, director, employee, agent, or participant if, as a result of the act or practice, the company suffers or is in imminent danger of suffering financial loss or other damage.

Subsection (c). This subsection makes it unlawful for any person to take office as an officer, director, or employee of any RBIC, or to become an agent or participant in the conduct of the affairs or management of a RBIC, if the person has been convicted of a felony, or any other criminal offense involving dishonesty or breach of trust, or has been found civilly liable in damages, or has been permanently or temporarily enjoined by an order, judgment, or decree of a court of competent jurisdiction, by reason of any act or practice involving fraud, or breach of trust. It will also be unlawful for any person to continue to serve in any of the capacities described in this subsection if the person is convicted of a felony, or any other criminal offense involving dishonesty or breach of trust, or the person is found civilly liable in damages, or is permanently or temporarily enjoined by an order, judgment, or decree of a court of competent jurisdiction, by reason of any act or practice involving fraud or breach of trust.

Section 384P. Removal or suspension of directors or officers

This section provides that the Secretary may remove or suspend any director or officer of any RBIC using the procedures established by the Secretary pursuant to this subtitle for removal and suspension.

Section 384Q. Contracting of Functions

This section requires the Secretary to enter into an interagency agreement with the Administrator of the Small Business Administration to carry out the day-to-day management and operation of the program authorized by this subtitle.

Section 384R. Regulations

This section allows the Secretary to promulgate regulations necessary to carry out this subtitle.

Section 384S. Funding

This section provides that the Secretary of the Treasury shall transfer to the Secretary of Agriculture such sums as may be necessary for the cost of guaranteeing $350,000,000 of debentures under this subtitle, and $50,000,000 to make grants under this subtitle.

Section 603. Full funding of pending rural development loan and grant applications

Subsection (a). This subsection defines the term "application" to include an application for a loan, loan guarantee, or grant that, as of the date of enactment of this Act, is in the preapplication phase of consideration under regulations of the Secretary of Agriculture in effect on the date of enactment of this Act.

Subsection (b). This subsection establishes in the Treasury of the United States an account to be known as the "Rural America Infrastructure Development Account" (referred to in this section as the "Account") to fund rural development loans, loan guarantees, and

grants described in subsection (d) that are pending on the date of enactment of this Act.

Subsection (c). This subsection provides that not later than 30 days after the date of enactment of this Act, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary of Agriculture such sums as are necessary to carry out this section, to remain available until expended. The Secretary will be entitled to receive, will accept, and will use to carry out this section the funds transferred under this subsection, without further appropriation.

Subsection (d). This subsection requires the Secretary to use the funds in the Account to provide funds for applications that are pending on the date of enactment of this Act for (A) community facility direct loans under section 306(a)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(1)); (B) community facility grants under paragraph (19), (20), or (21) of section 306(a) of that Act (7 U.S.C. 1926(a)); (C) water or waste disposal grants or direct loans under paragraph (1) or (2) of section 306(a) of that Act (7 U.S.C. 1926(a)); (D) rural water or wastewater technical assistance and training grants under section 306(a)(14) of that Act (7 U.S.C. 1926(a)(14)); (E) emergency community water assistance grants under section 306A of that Act (7 U.S.C. 1926a); (F) business and industry guaranteed loans authorized under section 310B(a)(1)(A) of that Act (7 U.S.C. 1932(a)(1)(A)); and (G) solid waste management grants under section 310B(b) of that Act (7 U.S.C. 1932(b)). Funds in the Account will be available to the Secretary to provide funds for pending applications for loans, loan guarantees, and grants described in this subsection only to the extent that funds for the loans, loan guarantees, and grants appropriated in the annual appropriations Act for fiscal year 2002 have been exhausted. The Secretary may use the Account to provide funds for a pending application for a loan, loan guarantee, or grant described in this subsection only if the Secretary processes, reviews, and approves the application in accordance with regulations in effect on the date of enactment of this Act.

Section 604. Rural Endowment Program

This section amends the Consolidated Farm and Rural Development Act as follows:

Section 385A. Purpose

This section states that the purpose of this subtitle is to provide rural communities with technical and financial assistance to implement comprehensive community development strategies to reduce the economic and social distress resulting from poverty, high unemployment, outmigration, plant closings, agricultural downturn, declines in the natural resource-based economy, or environmental degradation.

Section 385B. Definitions

This section defines terms used in this subtitle.

Section 385C. Rural Endowment Program

Subsection (a). Establishment.

Paragraph (1). This paragraph provides that the Secretary may establish a program, to be known as the Rural Endowment Program, to provide approved program entities with assistance in developing and implementing comprehensive community development strategies for eligible rural areas.

Paragraph (2). This paragraph provides that the purposes of the Program are (A) to enhance the ability of an eligible rural area to engage in comprehensive community development; (B) to leverage private and public resources for the benefit of community development efforts in eligible rural areas; (C) to make available staff of Federal agencies to directly assist the community development efforts of an approved program entity or eligible rural area; and (D) to strengthen the asset base of an eligible rural area to further long-term, ongoing community development.

Subsection (b). Applications.

Paragraph (1). This paragraph provides that to receive an endowment grant under the Program, the eligible entity must submit an application at such time, in such form, and containing such information as the Secretary may require.

Paragraph (2). This paragraph provides that where appropriate, the Secretary must encourage regional applications from program entities serving more than one eligible rural area. To be eligible for an endowment grant for a regional application a program entity that submits an application must demonstrate that a comprehensive community development strategy for the eligible rural area is best accomplished through a regional approach, and the combined population of the eligible rural area covered by the comprehensive community development strategy is 75,000 inhabitants or less. For the purpose of the limit on the amount of an endowment grant an approved entity may receive, two or more program entities that submit a regional application shall be considered to be a single program entity.

Paragraph (3). This paragraph requires the Secretary to give preference to a joint application submitted by a private, nonprofit community development corporation and a unit of local government.

Subsection (c). This subsection requires the Secretary to approve a program entity to receive grants under the Program, if the entity meets criteria established by the Secretary, including the following: (1) the entity serves a rural area that suffers from economic or social distress resulting from poverty, high unemployment, outmigration, plant closings, agricultural downturn, declines in the natural resource-based economy, or environmental degradation; (2) the entity demonstrates the capacity to implement a comprehensive community development strategy; (3) the goals described in the application are consistent with this section; and (4) the entity demonstrates the ability to convene and maintain a multi-stakeholder, community-based participation process.

Subsection (d). This subsection provides that the Secretary may award supplemental grants to approved program entities to assist the entities in the development of a comprehensive community development strategy under this subtitle. In determining whether to award a supplemental grant to an approved program entity, the Secretary must consider the economic need of the approved pro-

gram entity. Supplemental grants under this subsection may not exceed $100,000.

Subsection (e). Endowment Grant Award:

Paragraph (1). This paragraph provides that to be eligible for an endowment grant under the Program, an approved program entity must develop and obtain the approval of the Secretary for a comprehensive community development strategy that (A) is designed to reduce economic or social distress resulting from poverty, high unemployment, outmigration, plant closings, agricultural downturn, declines in the natural resource-based economy, or environmental degradation; (B) addresses a broad range of the development needs of a community, including economic, social, and environmental needs, for a period of not less than 10 years; (C) is developed with input from a broad array of local governments and business, civic, and community organizations; (D) specifies measurable performance-based outcomes for all activities; and (E) includes a financial plan for achieving the outcomes and activities of the comprehensive community development strategy that identifies sources for, or a plan to meet, the requirement for a non-Federal share under this section.

Paragraph (2). This paragraph provides that an approved program entity will receive final approval if the Secretary determines that (i) the comprehensive community development strategy of the approved program entity meets the requirements of this section; (ii) the management and organizational structure of the approved program entity is sufficient to oversee fund and development activities; (iii) the approved program entity has established an endowment fund; and (iv) the approved program entity will be able to provide the non-Federal share required under this section. As part of the final approval, the approved program entity must agree to achieve, to the maximum extent practicable, performance-based benchmarks, and to comply with the terms of the comprehensive community development strategy for a period of not less than 10 years.

Subsection (f). Endowment Grants:

Paragraph (1). This paragraph provides that under the Program, the Secretary may make endowment grants to approved program entities with final approval to implement an approved comprehensive community development strategy.

Paragraph (2). This paragraph provides that an endowment grant to an approved program entity shall be in an amount of not more than $6,000,000, as determined by the Secretary based on (A) the size of the population of the eligible rural area for which the endowment grant is to be used; (B) the size of the eligible rural area for which the endowment grant is to be used; (C) the extent of the comprehensive community development strategy to be implemented using the endowment grant award; and (D) the extent to which the community suffers from economic or social distress resulting from poverty, high unemployment, outmigration, plant closings, agricultural downturn, declines in the natural resource-based economy, or environmental degradation.

Paragraph (3). This paragraph provides that on notification from the Secretary that the program entity has been approved under subsection (c), the approved program entity shall establish an endowment fund. Federal funds provided in the form of an endow-

ment grant under the Program will be deposited in the endowment fund, will be the sole property of the approved program entity, will be used in a manner consistent with this subtitle, and will be subject to oversight by the Secretary for a period of not more than 10 years. Interest earned on Federal funds in the endowment fund will be retained by the grantee and treated as Federal funds are treated under this paragraph. The Secretary will promulgate regulations on matching funds and returns on program-related investments only to the extent that such funds or proceeds are used in a manner consistent with this subtitle.

Paragraph (4). This paragraph provides that each endowment grant award will be disbursed during a period not to exceed five years beginning during the fiscal year containing the date of final approval of the approved program entity. The Secretary may disburse a grant award in one lump sum or in incremental disbursements made each fiscal year. If the Secretary elects to make incremental disbursements, for each fiscal year after the initial disbursement, the Secretary will make a disbursement only if the approved program entity has met the performance-based benchmarks of the approved program entity for the preceding fiscal year, and has provided the non-Federal share required for the preceding fiscal year under this paragraph. The Secretary may make disbursements under this paragraph notwithstanding any provision of law limiting grant disbursements to amounts necessary to cover expected expenses on a term basis. For each disbursement under this paragraph, the Secretary will require the approved program entity to provide a non-Federal share in an amount equal to 50 percent of the amount of funds received by the entity under the disbursement. In the case of an approved program entity that serves a small, poor rural area (as determined by the Secretary), the Secretary may reduce the non-Federal share to not less than 20 percent and allow the non-Federal share to be provided in the form of in-kind contributions. For the purpose of meeting the non-Federal share requirement with respect to the first disbursement of an endowment grant award to the approved program entity under the Program, an approved program entity must have, at a minimum, binding commitments to provide the non-Federal share required with respect to the first disbursement of the endowment grant award, and if the Secretary is making incremental disbursements of a grant, must develop a viable plan for providing the remaining amount of the required non-Federal share. Of each disbursement, an approved program entity will use not more than 10 percent for administrative costs of carrying out program-related investments, not more than 20 percent for the purpose of maintaining a loss reserve account, and the remainder for program-related investments contained in the comprehensive community development strategy. If all disbursed funds available under a grant are expended and the grant recipient has no expected losses to cover for a fiscal year, the recipient may use funds in the loss reserve account for program-related investments for which no reserve for losses is required. Under the Program, the Secretary will provide and coordinate technical assistance for grant recipients by designated field staff of federal agencies.

Subsection (h). This subsection provides that the Secretary may make grants to qualified intermediaries to provide technical assist-

ance and capacity building to approved program entities under the Program. A qualified intermediary that receives a grant under this subsection must provide assistance to approved program entities in developing, coordinating, and overseeing investment strategy, provide technical assistance in all aspects of planning, developing, and managing the Program, and facilitate Federal and private sector involvement in rural community development. To be considered a qualified intermediary under this subsection, an intermediary must be a private, nonprofit community development organization, have expertise in Federal or private rural community development policy or programs, and have experience in providing technical assistance, planning, and capacity building assistance to rural communities and nonprofit entities in eligible rural areas. A qualified intermediary may receive a grant under this subsection of not more than $100,000. Of the amounts made available under section 385D, the Secretary may use to carry out this subsection not more than $2,000,000 for each of not more than 2 fiscal years.

Section 385D. Funding

This section provides $82 million in mandatory funds to carry out the Rural Endowment Program during fiscal years 2002 and 2003, with not more than $5 million to be obligated for planning grants, not less than $75 million for endowment grants and not less than $2 million for technical assistance. It authorizes such appropriations as are necessary to carry out the program for each of fiscal years 2004 through 2006.

Section 605. Enhancement of access to broadband service in rural areas

This section amends the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.) as follows:

Section 601. Access to broadband telecommunications services in rural areas.

Subsection (a). This subsection states that the purpose of this section is to provide grants, loans, and loan guarantees to provide funds for the costs of the construction, improvement, and acquisition of facilities and equipment for broadband service in eligible rural communities.

Subsection (b). This section defines terms used in this section.

Subsection (c). This subsection provides that the Secretary will make grants to eligible entities described in subsection (e)(1) to provide funds for the construction, improvement, or acquisition of facilities and equipment for the provision of broadband service in eligible rural communities.

Subsection (d). This subsection provides that the Secretary will make or guarantee loans to eligible entities described in subsection (e)(2) to provide funds for the construction, improvement, or acquisition of facilities and equipment for the provision of broadband service in eligible rural communities.

Subsection (e). Eligible Entities.

Paragraph (1). This paragraph provides that to be eligible to obtain a grant under this section, an entity must (A) be a nonprofit entity; (B) be eligible to obtain a loan or loan guarantee to furnish, improve, or extend a rural telecommunications service under this

Act; and (C) submit to the Secretary a proposal for a project that meets the requirements of subsection (g).

Paragraph (2). This paragraph provides that to be eligible to obtain a loan or loan guarantee under this section, an entity must (A) be eligible to obtain a loan or loan guarantee to furnish, improve, or extend a rural telecommunications service under this Act; and (B) submit to the Secretary a proposal for a project that meets the requirements of subsection (g).

Subsection (f). This subsection provides that the Secretary shall, from time to time as advances in technology warrant, review and recommend modifications of rate-of-data transmission criteria for purposes of the identification of broadband service technologies under subsection (b).

Subsection (g). This subsection provides that for purposes of determining whether or not to make a grant, loan, or loan guarantee for a project under this section, the Secretary will not take into consideration the type of technology proposed to be used under the project.

Subsection (h). This subsection provides that a loan or loan guarantee under subsection (d) will (1) be made available in accordance with the requirements of the Federal Credit Reform Act of 1990 (2 U.S.C. 661 et seq.); (2) bear interest at an annual rate of, as determined by the Secretary, 4 percent per annum, or the current applicable market rate; and (3) have a term not to exceed the useful life of the assets constructed, improved, or acquired with the proceeds of the loan or extension of credit.

Subsection (i). This subsection provides that notwithstanding any other provision of this Act, the proceeds of any loan made by the Secretary under this Act may be used by the recipient of the loan for the purpose of refinancing an outstanding obligation of the recipient on another telecommunications loan made under this Act if the use of the proceeds for that purpose will further the construction, improvement, or acquisition of facilities and equipment for the provision of broadband service in eligible rural communities.

Subsection (j). Funding:

Paragraph (1). This paragraph provides that not later than 30 days after the date of enactment of this Act, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury will transfer to the Secretary of Agriculture to carry out this section $100,000,000, to remain available until expended.

Paragraph (2). This paragraph provides that the Secretary will be entitled to receive, will accept, and will use to carry out this section the funds transferred under paragraph (1), without further appropriation.

Paragraph (3). This paragraph provides that from amounts made available for each fiscal year under paragraph (1), the Secretary will establish a national reserve for grants, loans, and loan guarantees to eligible entities in States under this section, and will allocate amounts in the reserve to each State for each fiscal year for grants, loans, and loan guarantees to eligible entities in the State. The amount of an allocation made to a State for a fiscal year will bear the same ratio to the amount of allocations made for all States for the fiscal year as the number of communities with a population

of 2,500 inhabitants or less in the State bears to the number of communities with a population of 2,500 inhabitants or less in all States, as determined on the basis of the last available census. Any amounts in the reserve established for a State for a fiscal year that are not obligated by April 1 of the fiscal year will be available to the Secretary to make grants, loans, and loan guarantees under this section to eligible entities in any State, as determined by the Secretary.

Subsection (k). This subsection provides that no grant, loan, or loan guarantee may be made under this section after September 30, 2006, but that any grant, loan, or loan guarantee made under this section before that date shall be valid.

Section 606. Value-added agricultural product market development grants

This section amends Section 231 of the Agricultural Risk Protection Act of 2000 (7 U.S.C. 1621 note; Public Law 106–224) as follows:

Subsections (b) through (d) are redesignated subsections (c) through (e) and a new subsection (a) and subsection (b) are added.

Subsection (a). This subsection adds a new definition of "value-added agricultural product." Currently, there is no statutory definition of this term. The term "value-added agricultural product" means any agricultural commodity or product that (1) has undergone a change in physical state, or was produced in a manner that enhances the value of the agricultural commodity or product, as demonstrated through a business plan that shows the enhanced value, as determined by the Secretary; and (2) as a result of the change in physical state or the manner in which the agricultural commodity or product was produced, the customer base for the agricultural commodity or product has been expanded, and a greater portion of the revenue derived from the processing of the agricultural commodity or product is available to the producer of the commodity or product.

Subsection (b). Grant Program:

Paragraph (1). This paragraph adds a list of purposes to the section. The purposes of the value-added agricultural product market development grant program are (A) to increase the share of the food and agricultural system profit received by agricultural producers; (B) to increase the number and quality of rural self-employment opportunities in agriculture and agriculturally-related businesses and the number and quality of jobs in agriculturally-related businesses; (C) to help maintain a diversity of size in farms and ranches by stabilizing the number of small and mid-sized farms; (D) to increase the diversity of food and other agricultural products available to consumers, including nontraditional crops and products and products grown or raised in a manner that enhances the value of the products to the public; (E) to conserve and enhance the quality of land, water, and energy resources, wildlife habitat, and other landscape values and amenities in rural areas.

Paragraph (2). This paragraph provides that for each of fiscal years 2002 through 2006, the Secretary will use $75,000,000 in funds transferred from the Treasury to the Secretary to award competitive grants (A) to an eligible independent producer (as determined by the Secretary) of a value-added agricultural product to

assist the producer in developing a business plan for viable marketing opportunities for the value-added agricultural product, or in developing strategies that are intended to create marketing opportunities for the producer; and (B) to an eligible nonprofit entity (as determined by the Secretary) to assist the entity in developing a business plan for viable marketing opportunities in emerging markets for a value-added agricultural product, in developing strategies that are intended to create marketing opportunities in emerging markets for the value-added agricultural product. Also, existing law does not allow nonprofit entities to be eligible for value-added agricultural product market development grants.

Paragraph (3). This paragraph provides that the total amount provided under this subsection to a grant recipient may not exceed $500,000. The Secretary must give priority to grant proposals for less than $200,000 submitted under this subsection.

Paragraph (4). This paragraph provides that a grantee under paragraph (2) will use the grant to develop a business plan or perform a feasibility study to establish a viable marketing opportunity for a value-added agricultural product, or to provide capital to establish alliances or business ventures that allow the producer of the value-added agricultural product to better compete in domestic or international markets.

Paragraph (5). This paragraph establishes a new reserve for grants for marketing or processing certified organic agricultural products. It provides that out of any amount that is made available to the Secretary for a fiscal year under paragraph (2), the Secretary will use not less than five percent of the amount for grants to assist producers of certified organic agricultural products in post-farm marketing or processing of the products through business or cooperative ventures that expand the customer base of the certified organic agricultural products, and increase the portion of product revenue available to the producers. For the purposes of this paragraph, a certified organic agricultural product does not have to meet the requirements of the definition of 'value-added agricultural product' under subsection (a). If, for any fiscal year, the Secretary receives an insufficient quantity of applications for grants described in this paragraph to use the funds reserved, the Secretary may use the excess reserved funds to make grants for any other purpose authorized under this section.

This section also increases funding for the Agricultural Marketing Resource Center, created to provide technical assistance to recipients of grants under this program, from $5,000,000 under existing law to 7.5 percent of the funding made available under this section.

Section 607. National Rural Development Information Clearinghouse

This section amends Section 2381 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 3125b) as follows:

Subsection (a). This subsection provides that the Secretary shall establish and maintain, within the rural development mission area of the Department of Agriculture, a National Rural Development Information Clearinghouse (referred to in this section as the "Clearinghouse") to perform the functions specified in subsection (b).

Subsection (b). This subsection provides that the Clearinghouse will collect information and data from, and disseminate information and data to, any person or public or private entity about programs and services provided by Federal, State, local, and tribal agencies, institutions of higher education, and private, for-profit and nonprofit organizations and institutions under which a person or public or private entity residing or operating in a rural area may be eligible for any kind of financial, technical, or other assistance, including business, venture capital, economic, credit and community development assistance, health care, job training, education, and emotional and financial counseling.

Subsection (c). This subsection provides that in addition to other modes for the collection and dissemination of the types of information and data specified under subsection (b), the Secretary will ensure that the Clearinghouse maintains an Internet website that provides for dissemination and collection, through voluntary submission or posting, of the information and data.

Subsection (d). This subsection provides that on request of the Secretary and to the extent permitted by law, the head of a Federal agency will provide to the Clearinghouse such information as the Secretary may request to enable the Clearinghouse to carry out this section.

Subsection (e). This subsection provides that the Secretary will request State, local, and tribal governments, institutions of higher education, and nonprofit and for-profit organizations and institutions to provide to the Clearinghouse information concerning applicable programs or services described in subsection (b).

Subsection (f). This subsection requires the Secretary prominently to promote the existence and availability of the Clearinghouse in all activities of the Department of Agriculture relating to rural areas of the United States.

Subsection (g). This subsection provides that the Secretary will use to operate and maintain the Clearinghouse not more than $600,000 of the funds available to the Rural Housing Service, the Rural Utilities Service, and the Rural Business-Cooperative Service for each fiscal year. Funds available to the Rural Housing Service, the Rural Utilities Service, and the Rural Business-Cooperative Service for the payment of loan costs (as defined in section 502 of Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) will not be used to operate and maintain the Clearinghouse.

Subtitle B—National Rural Development Partnership

Section 611. Short title

This subtitle may be cited as the "National Rural Development Partnership Act of 2001."

Section 612. National Rural Development Partnership

This section amends the Consolidated Farm and Rural Development Act (7 U.S.C. 1981 et seq.) as follows:

Section 377. National Rural Development Partnership

Subsection (a). This subsection defines terms used in this section.

Subsection (b). Partnership:

Paragraph (1). This paragraph provides that the Secretary will continue the National Rural Development Partnership composed of (A) the Coordinating Committee; and (B) State rural development councils.

Paragraph (2). This paragraph states that the purposes of the Partnership are (A) to empower and build the capacity of States and rural communities within States to design unique responses to their own special rural development needs, with local determinations of progress and selection of projects and activities; (B) to encourage participants to be flexible and innovative in establishing new partnerships and trying fresh, new approaches to rural development issues, with responses to rural development that use different approaches to fit different situations; and (C) to encourage all partners in the Partnership (Federal, State, local, and tribal governments, the private sector, and nonprofit organizations) to be fully engaged and share equally in decisions.

Paragraph (3). This paragraph provides that a panel consisting of representatives of the Coordinating Committee and State rural development councils will be established to lead and coordinate the strategic operation, policies, and practices of the Partnership. In conjunction with the Coordinating Committee and State rural development councils, the panel will prepare and submit to Congress an annual report on the activities of the Partnership.

Paragraph (4). This paragraph provides that the role of the Federal Government in the Partnership will be that of a partner and facilitator, with Federal agencies authorized (A) to cooperate with States to implement the Partnership; (B) to provide States with the technical and administrative support necessary to plan and implement tailored rural development strategies to meet local needs; (C) to ensure that the head of each agency designates a senior-level agency official to represent the agency on the Coordinating Committee and directs appropriate field staff to participate fully with the State rural development council within the jurisdiction of the field staff; and (D) to enter into cooperative agreements with, and to provide grants and other assistance to State rural development councils.

Paragraph (5). This paragraph provides that private and nonprofit sector organizations are encouraged to act as full partners in the Partnership and State rural development councils, and to cooperate with participating government organizations in developing innovative approaches to the solution of rural development problems.

Subsection (c). National Rural Development Coordinating Committee:

Paragraph (1). This paragraph provides that the Secretary will establish a National Rural Development Coordinating Committee.

Paragraph (2). This paragraph provides that the Coordinating Committee will be composed of (A) one representative of each agency with rural responsibilities that elects to participate in the Coordinating Committee; and (B) representatives, approved by the Secretary, of (i) national associations of State, regional, local, and tribal governments and intergovernmental and multijurisdictional agencies and organizations; (ii) national public interest groups; (iii) other national nonprofit organizations that elect to participate in

the activities of the Coordinating Committee; and (iv) the private sector.

Paragraph (3). This paragraph provides that the Coordinating Committee will (A) provide support for the work of the State rural development councils; (B) facilitate coordination among Federal programs and activities, and with State, local, tribal, and private programs and activities, affecting rural development; (C) enhance the effectiveness, responsiveness, and delivery of Federal programs in rural areas; (D) gather and provide to Federal authorities information and input for the development and implementation of Federal programs impacting rural economic and community development; (E) notwithstanding any other provision of law, review and comment on policies, regulations, and proposed legislation that affect or would affect rural areas; (F) provide technical assistance to State rural development councils for the implementation of Federal programs; (G) notwithstanding any other provision of law, develop and facilitate strategies to reduce or eliminate administrative and regulatory impediments; and (H) require each State receiving funds under this section to submit an annual report on the use of the funds by the State, including a description of strategic plans, goals, performance measures, and outcomes for the State rural development council of the State.

Paragraph (4). This paragraph provides that an agency with rural responsibilities that elects not to participate in the Partnership and the Coordinating Committee will submit to Congress a report that describes how the programmatic responsibilities of the Federal agency that target or have an impact on rural areas are better achieved without participation by the agency in the Partnership, and that describes a more effective means of partnership-building and collaboration to achieve the programmatic responsibilities of the agency.

Subsection (d). State Rural Development Councils:

Paragraph (1). This paragraph provides that notwithstanding chapter 63 of title 31, United States Code, each State may elect to participate in the Partnership by entering into an agreement with the Secretary to establish a State rural development council.

Paragraph (2). This paragraph provides that each State rural development council must have a nonpartisan membership that is broad and representative of the economic, social, and political diversity of the State, and must carry out programs and activities in a manner that reflects the diversity of the State.

Paragraph (3). This paragraph provides that a State rural development council must (A) facilitate collaboration among Federal, State, local, and tribal governments and the private and nonprofit sectors in the planning and implementation of programs and policies that target or have an impact on rural areas of the State; (B) enhance the effectiveness, responsiveness, and delivery of Federal and State programs in rural areas of the State; (C) gather and provide to the Coordinating Committee and other appropriate organizations information on the condition of rural areas in the State; (D) monitor and report on policies and programs that address, or fail to address, the needs of the rural areas of the State; (E) provide comments to the Coordinating Committee and other appropriate organizations on policies, regulations, and proposed legislation that affect or would affect the rural areas of the State; (F) notwith-

standing any other provision of law, in conjunction with the Coordinating Committee, facilitate the development of strategies to reduce or eliminate conflicting or duplicative administrative or regulatory requirements of Federal, State, local, and tribal governments; (G) use grant or cooperative agreement funds provided by the Partnership under an agreement entered into under paragraph (1) to retain an Executive Director and such support staff as are necessary and pay expenses associated with carrying out subparagraphs (A) through (F); and (H) provide to the Coordinating Committee an annual plan with goals and performance measures and submit to the Coordinating Committee an annual report on the progress of the State rural development council in meeting the goals and measures.

Paragraph (4). This paragraph provides that a State rural development council may solicit funds to supplement and match funds provided under paragraph (3)(G), and may engage in activities, in addition to those specified in paragraph (3), appropriate to accomplish the purposes for which the State rural development council is established.

Paragraph (5). This paragraph provides that a State rural development council may provide comments and recommendations to an agency with rural responsibilities related to the activities of the State rural development council within the State.

Paragraph (6). This paragraph provides that when carrying out a program or activity authorized by a State rural development council or this subtitle, a member of the council shall be regarded as a full-time employee of the Federal Government for purposes of chapter 171 of title 28, United States Code, and the Federal Advisory Committee Act (5 U.S.C. App.).

Paragraph (7). Federal participation in state rural development councils.

Subparagraph (A). This subparagraph provides that the State Director for Rural Development of a State, other employees of the Department of Agriculture, and employees of other Federal agencies that elect to participate in the Partnership shall fully participate in the governance and operations of State rural development councils on an equal basis with other members of the State rural development councils.

Subparagraph (B). This subparagraph provides that a Federal employee who participates in a State rural development council cannot participate in the making of any council decision if the agency represented by the Federal employee has any financial or other interest in the outcome of the decision.

Subparagraph (C). This subparagraph provides that the Office of Government Ethics, in consultation with the Attorney General, will issue guidance to all Federal employees that participate in State rural development councils that describes specific decisions that would constitute a conflict of interest for the Federal employee and from which the Federal employee must recuse himself or herself.

Subsection (e). This subsection provides that the head of an agency with rural responsibilities that elects to participate in the Partnership may, and is encouraged to, detail an employee of the agency with rural responsibilities to the Partnership without reimbursement for a period of up to 12 months. The detail will be without interruption or loss of civil service status or privilege. The Sec-

retary will provide for any additional support staff to the Partnership as the Secretary determines to be necessary to carry out the duties of the Partnership.

Subsection (f). This subsection authorizes appropriation of such sums as are necessary to carry out this section. In providing financial assistance to State rural development councils, the Secretary and heads of other Federal agencies will provide assistance that, to the maximum extent practicable, is uniform in amount and targeted to newly created State rural development councils. The Secretary must develop a plan to decrease, over time, the Federal share of the cost of the core operations of State rural development councils. Notwithstanding any other provision of law limiting the ability of an agency to provide funds to the Partnership with other agencies, in order to carry out the purposes described in subsection (b)(3), the Partnership will be eligible to receive grants, gifts, contributions, or technical assistance from, or enter into contracts with, any Federal agency. Federal agencies are encouraged to use funds made available for programs that target or have an impact on rural areas to provide assistance to, and enter into contracts with, the Partnership. The Partnership may accept private contributions. Notwithstanding any other provision of law, a Federal agency may use funds made available under paragraph (1) or (2) to enter into a cooperative agreement, contract, or other agreement with a State rural development council to support the core operations of the State rural development council, regardless of the legal form of organization of the State rural development council.

Subsection (g). This subsection provides that a State rural development council must provide matching funds, or in-kind goods or services, to support the activities of the State rural development council in an amount that is not less than 33 percent of the amount of Federal funds received under an agreement under subsection (d). This requirement will not apply to funds, grants, funds provided under contracts or cooperative agreements, gifts, contributions, or technical assistance received by a State rural development council from a Federal agency that are used to support one or more specific program or project activities or to reimburse the State rural development council for services provided to the Federal agency providing the funds, grants, funds provided under contracts or cooperative agreements, gifts, contributions, or technical assistance.

Subsection (h). This subsection provides that the authority provided under this section shall terminate on the date that is five years after the date of enactment of this section.

Subtitle C—Consolidated Farm and Rural Development Act

Section 621. Water or waste disposal grants

This section amends Section 306(a)(2) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(2)) by increasing the authorization for water, waste disposal, and wastewater facility grants from $590,000,000 to $1,500,000,000 and by adding a new subparagraph providing revolving funds for financing water and wastewater projects. Under this subparagraph, the Secretary may make grants to qualified private, nonprofit entities (as determined by the Secretary) to capitalize revolving funds for the purpose of financing water and wastewater projects under this section. The

amount of a grant provided to an entity under this provision will not exceed $300,000. An additional authorization of $30,000,000 for each of fiscal years 2002 through 2006 is provided to carry out this subparagraph.

Section 622. Rural business opportunity grants

This section extends this grant program through 2006.

Section 623. Rural Water and Wastewater Circuit Rider Program

This section amends Section 306(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)) by adding a new paragraph at the end establishing a rural water and wastewater circuit rider program based on the rural water circuit rider program of the National Rural Water Association that (as of the date of enactment of this paragraph) receives funding from the Secretary, acting through the Rural Utilities Service. The program established under this paragraph will not affect the authority of the Secretary to carry out, during fiscal year 2002, the circuit rider program for which funds are made available under the heading "Rural Community Advancement Program" of title III of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2002. There is authorized to be appropriated to carry out this paragraph $15,000,000 for each of fiscal years 2003 through 2006.

Section 624. Multi-jurisdictional regional planning organizations

This section amends Section 306(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)) (as amended by section 623) by adding a new paragraph at the end establishing multi-jurisdictional regional planning organizations. The Secretary will provide grants to multi-jurisdictional regional planning and development organizations to pay the Federal share of the cost of providing assistance to local governments to improve the infrastructure, services, and business development capabilities of local governments and local economic development organizations. In determining which organizations will receive a grant under this paragraph, the Secretary will give priority to an organization that (1) serves a rural area that, during the most recent five-year period, had a net out-migration of inhabitants, or other population loss, from the rural area that equals or exceeds five percent of the population of the rural area, or had a median household income that is less than the nonmetropolitan median household income of the applicable State; and (2) has a history of providing substantive assistance to local governments and economic development organizations. The Federal share of a grant provided under this paragraph shall be not more than 75 percent of the cost of providing assistance. The amount of a grant provided to an organization under this paragraph shall not exceed $100,000. There is authorized to be appropriated to carry out this paragraph $30,000,000 for each of fiscal years 2003 through 2006.

Section 625. Certified nonprofit organizations sharing expertise

This section amends Section 306(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)) (as amended by section 624) by adding at the end a paragraph providing for the certifi-

cation of nonprofit organizations that provide technical assistance. To be certified by the Secretary to provide technical assistance in one or more rural development fields, an organization must be a nonprofit organization (which may include an institution of higher education) with experience in providing technical assistance in the applicable rural development field, must develop a plan, approved by the Secretary, describing the manner in which grant funds will be used and the source of non-Federal funds, and must meet such other criteria as the Secretary may establish, based on the needs of eligible entities for the technical assistance. The Secretary will make available to the public a list of certified organizations in each area that the Secretary determines have substantial experience in providing the assistance described in this paragraph. The Secretary may provide grants to certified organizations to pay for costs of providing technical assistance to local governments and nonprofit entities to improve the infrastructure, services, and business development capabilities of local governments and local economic development organizations. There is authorized to be appropriated to carry out this paragraph $20,000,000 for each of fiscal years 2003 through 2006.

Section 626. Loan guarantees for certain rural development loans

Subsection (a). This subsection amends Section 306(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1925(a)) (as amended by section 625) by adding at the end a new paragraph allowing loan guarantees for water, wastewater, and essential community facilities loans in cases where the project in question is financed by the net proceeds of a bond described in section 144(a)(12)(B)(ii) of the Internal Revenue Code of 1986. To be eligible for a loan guarantee under subparagraph (A), an individual or entity offering to purchase the loan must demonstrate to the Secretary that the person has the capabilities and resources necessary to service the loan in a manner that ensures the continued performance of the loan, as determined by the Secretary, and the ability to generate capital to provide borrowers of the loan with the additional credit necessary to properly service the loan.

Subsection (b). This subsection amends Section 310B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932) by adding at the end a provision allowing the Secretary to guarantee loans made in subsection (a) to finance the issuance of bonds for the projects described in section 306(a)(25).

Section 627. Rural Firefighters and Emergency Personnel Grants Program

This section amends Section 306(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)) (as amended by section 626(a)) by adding at the end a paragraph creating a rural firefighters and emergency medical personnel grant program. The Secretary may make grants to units of general local government and Indian tribes (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)) to pay the cost of training firefighters and emergency medical personnel in firefighting, emergency medical practices, and responding to hazardous materials and bioagents in rural areas. Not less than 60 percent of the amounts made available for competitively awarded grants

under this paragraph will be used to provide grants to fund partial scholarships for training of individuals at training centers approved by the Secretary. In awarding grants under this clause, the Secretary shall give priority to grant applicants with relatively low transportation costs considering the location of the grant applicant and the proposed location of the training. A grant may be used to provide financial assistance to State and regional centers that provide training for firefighters and emergency medical personnel for improvements to the training facility, equipment, curricula, and personnel. Not more than $2,000,000 shall be provided to any single training center for any fiscal year. A grant may be used to provide the Federal share of the costs of establishing a regional training center for firefighters and emergency medical personnel. The amount of a grant under this subclause for a training center shall not exceed 50 percent of the cost of establishing the training center. Out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary of Agriculture to carry out this paragraph (1) not later than 30 days after the date of enactment of this Act, $10,000,000; and (2) on October 1, 2002, and each October 1 thereafter through October 1, 2005, $30,000,000. The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred, without further appropriation. Funds transferred under this paragraph shall remain available until expended.

Section 628. Emergency Community Water Assistance Grant Program

This section amends Section 306A(i) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926c(e)) to extend this program through 2006.

Section 629. Water and Waste Facility Grants for Native American Tribes

This section authorizes appropriations of $20,000,000 a year for water and waste facility grants to benefit Indian tribes.

Section 630. Water Systems for Rural and Native Villages in Alaska

This section amends Section 306D(d)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926d(d)(1)) to extend this provision through 2006.

Section 631. Rural Cooperative Development Grants

This section amends Section 310B(e)(9) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932(e)(9)) to extend the grant program to 2006.

Section 632. Grants to broadcasting systems

This section amends Section 310B(f) of the Consolidated Farm and Rural Development Act by authorizing appropriations of $5 million a year for fiscal years 2002 through 2006 in appropriated funds for grants to statewide nonprofit public television broadcasting systems.

Section 633. Business and Industry Loan modifications

This section amends Section 310 B of the Consolidated Farm and Rural Development Act by striking subsection (g) and inserting a new subsection (g) making modifications to the business and industry direct and guaranteed loan program.

Paragraph (1). This paragraph allows the Secretary to guarantee a loan under subsection (a) to farmers, ranchers, or cooperatives to purchase start up capital stock to expand or create a cooperative venture that will process agricultural commodities or otherwise process value-added agricultural products. In determining the appropriateness of a loan guarantee, the Secretary must fully review the feasibility and other relevant aspects of the cooperative venture to be established, may not require a review of the financial condition or statements of any individual in the cooperative other than the applicant, and must base any guarantee on the merits of the cooperative venture to be established. The Secretary is restricted from requiring additional collateral by a farmer or rancher other than the stock purchased or issued pursuant to the loan and guarantee of the loan. A farmer or rancher must produce the agricultural commodity that will be processed by the cooperative to be eligible for the loan guarantee. The cooperative may contract for services to process agricultural commodities, or otherwise process value-added agricultural products, during the five-year period beginning on the date of the startup in order to provide adequate time for planning and construction. With respect to existing cooperatives, the Secretary may guarantee a loan under subsection (a) to a farmer or rancher to join a cooperative in order to sell the agricultural commodities or products produced by the farmer or rancher. Financial information required by the Secretary will be provided in the manner generally required by commercial agricultural lenders in the area.

Paragraph (2). This paragraph allows the Secretary to make or guarantee a loan under subsection (a) to a cooperative that is headquartered in a metropolitan area if the loan is used for a project or venture described in subsection (a) of Section 310 B of the Consolidated Farm and Rural Development Act that is located in a rural area. A cooperative organization owned by farmers or ranchers that is eligible for a business and industry loan under made or guaranteed under subsection (a) will be eligible to refinance an existing loan with a new lender if the cooperative organization is current and performing with respect to the existing loan and is not, and has not been, in default with respect to the existing loan, and if there is adequate security or full collateral for the refinanced loan.

Paragraph (3). This paragraph allows the Secretary to require that any appraisal made in connection with a loan made or guaranteed under subsection (a) Section 310 B of the Consolidated Farm and Rural Development Act be conducted by a specialized appraiser that uses standards that are similar to standards used for similar purposes in the private sector, as determined by the Secretary.

Paragraph (4). This paragraph allows the Secretary to assess an one-time fee for any loan guaranteed under subsection (a) Section 310 B of the Consolidated Farm and Rural Development Act in an

amount that does not exceed 2 percent of the guaranteed principal portion of the loan.

Section 634. Value-added Intermediary Relending Program

This section amends section 310B of the Consolidated Farm and Rural Development Act by adding a new subsection establishing the "Value-Added Intermediary Relending Program."

Paragraph (1). This paragraph directs the Secretary to make loans under the terms and conditions of the intermediary relending program established under section 1323(b)(2)(C) of the Food Security Act of 1985.

Paragraph (2). Loans. This paragraph directs the Secretary to make loans to eligible intermediaries to make loans for projects to establish, enlarge, and operate enterprises that add value to agricultural commodities and products of agricultural commodities.

Paragraph (3). This paragraph makes State agencies eligible as intermediaries to receive loans.

Paragraph (4). This paragraph directs eligible intermediaries to give preference to bioenergy projects in accordance with regulations promulgated by the Secretary.

Paragraph (5). This paragraph provides that the capital provided for a project by an ultimate recipient and assisted with loan funds made available under paragraph (2) will consist of not more than 15 percent of the total cost of a project and not less than 50 percent of the equity funds provided by agricultural producers.

Paragraph (6). This paragraph provides that a loan made to an intermediary will not exceed a term of 30 years. The interest on such a loan will be 0 percent for the first two years and 2 percent for each of the remaining years.

Paragraph (7). This paragraph provides that an intermediary or ultimate recipient will be eligible to receive not more than $2,000,000 of the loan funds made available under paragraph (2), but this limitation will not apply in the case of a State agency with respect to loan funds provided to the State agency as an intermediary.

Paragraph (8). This paragraph authorizes $15,000,000 to be appropriated for each of fiscal years 2003 through 2006 to carry out this subsection.

Section 635. Use of rural development loans and grants for other purposes

This section amends Subtitle A of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) (as amended by section 508) by adding at the end a section allowing the use of rural development loans and grants for other purposes. It provides that if, after making a loan or a grant described in section 381E(d), the Secretary determines that the circumstances under which the loan or grant was made have sufficiently changed to make the project or activity for which the loan or grant was made available no longer appropriate, the Secretary may allow the loan borrower or grant recipient to use property (real and personal) purchased or improved with the loan or grant funds, or proceeds from the sale of property (real and personal) purchased or improved with such funds, for another project or activity that (as determined by the Secretary): (1) will be carried out in the same area as the original

project or activity; (2) meets the criteria for a loan or a grant described in section 381E(d); and (3) satisfies such additional requirements as are established by the Secretary.

Section 636. Simplified application forms for loan guarantees

This section amends section 333A of the Consolidated Farm and Rural Development Act (as amended by section 526) by striking subsection (g) and inserting a new subsection (g) that directs the Secretary to simplify application forms for loan guarantees.

Paragraph (1). This paragraph directs the Secretary to provide to lenders a short, simplified application for guarantees under this title of (A) farmer program loans with principal of $100,000 or less, and (B) business and industry guaranteed loans under section 310B(a)(1) the principal amount of which is $400,000 or less in the case of a loan guarantee made during fiscal year 2002 or 2003 and, in the case of a loan guarantee made during any subsequent fiscal year, $400,000 or less, or $600,000 or less if the Secretary determines that there is not a significant increased risk of a default on the loan.

Paragraph (2). This paragraph directs the Secretary to develop an application process that accelerates, to the maximum extent practicable, the processing of applications for water and waste disposal grants or direct or guaranteed loans under paragraph (1) or (2) of section 306(a) for which the grant award amount or principal loan amount, respectively, is $300,000 or less.

Paragraph (3). This paragraph directs the Secretary, in developing an application under this subsection, to consult with commercial and cooperative lenders and to ensure that (i) the form can be completed manually or electronically, at the option of the lender; (ii) the form minimizes the documentation required to accompany the form; (iii) the cost of completing and processing the form is minimal; and (iv) the form can be completed and processed in an expeditious manner.

Section 637. Definition of rural and rural area

Subsection (a). This subsection amends Section 343(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1991(a)) by adding at the end a definition of "rural" and "rural area." It states that except as otherwise provided in this paragraph, the terms "rural" and "rural area" mean a city, town, or unincorporated area that has a population of 50,000 inhabitants or less, other than an urbanized area immediately adjacent to a city, town, or unincorporated area that has a population in excess of 50,000 inhabitants. For the purpose of water and waste disposal grants and direct and guaranteed loans provided under paragraphs (1) and (2) of section 306(a), the terms "rural" and "rural area" mean a city, town, or unincorporated area that has a population of no more than 10,000 inhabitants. For the purpose of community facility direct and guaranteed loans and grants under paragraphs (1), (19), (20), and (21) of section 306(a), the terms "rural" and "rural area" mean a city, town, or unincorporated area that has a population of no more than 50,000 inhabitants. For the purpose of business and industry direct and guaranteed loans under section 310B(a)(1), the terms "rural" and "rural area" mean any area other than a city or town that has a population of greater than 50,000 inhabitants and the imme-

diately adjacent urbanized area of such city or town. For the purpose of provisions dealing with multi-jurisdictional regional planning organizations and the national rural development partnership (sections 306(a)(23) and 377), the term "rural area" means (i) all the territory of a State that is not within the boundary of any standard metropolitan statistical area; and (ii) all territory within any standard metropolitan statistical area within a census tract having a population density of less than 20 persons per square mile, as determined by the Secretary according to the most recent census of the United States as of any date. For the purpose of provisions dealing with the rural entrepreneurs and microenterprise assistance program and national rural cooperative and business equity fund (section 378 and subtitle G), the term "rural area" means an area that is located (i) outside a standard metropolitan statistical area; or (ii) within a community that has a population of 50,000 inhabitants or less.

Subsection (b) Conforming Amendments. This subsection provides for conforming amendments.

Section 638. Rural Entrepreneurs and Microenterprise Program

This section amends Subtitle D of the Consolidated Farm and Rural Development Act (as amended by section 612) by adding at the end a section establishing the Rural Entrepreneurs And Microenterprise Assistance Program.

Subsection (a). This subsection defines terms used in this section.

Subsection (b). Establishment:

Paragraph (1). This paragraph directs the Secretary to use $10,000,000 in funds transferred from the Treasury in each of fiscal years 2002 through 2006 to establish a rural entrepreneur and microenterprise program.

Paragraph (2). This paragraph establishes that the purpose of the program will be to help low and moderate income individuals acquire the skills necessary to establish new small businesses in rural areas and receive continuing technical assistance as the individuals begin operating the small businesses.

Subsection (c). Assistance:

Paragraph (1). This paragraph allows the Secretary to make a grant under this section to a qualified organization to (A) provide training, technical assistance, or microcredit to a rural entrepreneur; (B) provide training, operational support, or a rural capacity building service to a qualified organization to assist the qualified organization in developing microenterprise training, technical assistance, and other related services; (C) assist in researching and developing the best practices in delivering training, technical assistance, and microcredit to rural entrepreneurs; and (D) to carry out such other projects and activities as the Secretary determines are consistent with the purposes of this section.

Paragraph (2). This paragraph provides that of the amount of funds made available for a fiscal year to make grants under this section, the Secretary must ensure that not less than 75 percent of funds are used to carry out activities described in paragraph (1)(A), and not more than 25 percent of the funds are used to carry out activities described in subparagraphs (B) through (D) of paragraph (1). No single qualified organization may receive more than 10 percent of the total funds that are made available for a fiscal year to

carry out this section. Not more than 15 percent of assistance received by a qualified organization for a fiscal year under this section may be used for administrative expenses.

Subsection (d). This subsection allows a qualified organization that receives a grant under this section to use it to provide assistance to other qualified organizations, such as small or emerging qualified organizations, subject to regulations the Secretary may promulgate.

Subsection (e). This subsection requires the Secretary to ensure that at least 50 percent of the grant funds under this section is used to benefit low-income individuals identified by the Secretary, including individuals residing on Indian reservations.

Subsection (f). This subsection requires the Secretary to ensure, to the maximum extent practicable, that grant recipients include qualified organizations of varying sizes, and qualified organizations that serve racially and ethnically diverse populations. Subsection (g). This subsection provides that the Federal share of the cost of a project carried out using funds from a grant under this section shall be 75 percent. The non-Federal share of the cost of a project may be provided in cash (including through fees, grants (including community development block grants), and gifts), or in kind.

Section 639. Rural seniors

Subsection (a). This subsection amends subtitle D of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981 et seq.) (as amended by section 638) by adding a new section establishing an Interagency Coordinating Committee for rural seniors. The membership of the Committee will consist of (1) the Under Secretary of Agriculture for Rural Development, who shall serve as chairperson of the Committee; (2) two representatives of the Secretary of Health and Human Services, of whom one shall have expertise in the field of health care and one shall have expertise in the field of programs under the Older Americans Act of 1965; (3) one representative of the Secretary of Housing and Urban Development; (4) one representative of the Secretary of Transportation; and (5) representatives of such other Federal agencies as the Secretary may designate. The duties of the Committee will be to (1) study health care, transportation, technology, housing, accessibility, and other areas of need of rural seniors; (2) identify successful examples of senior care programs in rural communities that could serve as models for other rural communities; and (3) not later than one year after the date of enactment of this section, submit recommendations for administrative and legislative action to the Secretary, the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry of the Senate. Funds available to any Federal agency may be used to carry out interagency activities under this section.

Subsection (b). This subsection amends Subtitle D of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981 et seq.) (as amended by subsection (a)) to provide for grants for programs for rural seniors. It directs the Secretary to make grants to nonprofit organizations (including cooperatives) to pay the Federal share of the cost of programs that (1) provide facilities, equipment, and technology for seniors in a rural area; and (2) may be replicated in other rural areas. The Federal share of a grant under this section

shall be not more than 20 percent of the cost of a program. The Secretary must give priority to proposals that leverage resources to meet multiple rural community goals in selecting programs to receive grants under section. Appropriations of $25,000,000 for each of fiscal years 2003 through 2006 is authorized to carry out this section. This subsection also amends Section 306(a)(19) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(19)) to provide that for each fiscal year, not less than 12.5 percent of the funds made available to carry out that section will be reserved for grants to pay the Federal share of the cost of developing and constructing senior facilities, or carrying out other projects that mainly benefit seniors, in rural areas. These funds will be reserved only until April 1 of each fiscal year.

Section 640. Children's day care facilities

This section amends Section 306(a)(19) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(19)) (as amended by Section 639) by adding a reservation of funds for children's day care facilities. For each fiscal year, not less than 10 percent of the funds made available to carry out this paragraph will be reserved for grants to pay the Federal share of the cost of developing and constructing day care facilities for children in rural areas. These funds will be reserved only until April 1 of each fiscal year.

Section 641. Rural Telework

This section amends Subtitle D of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981 et seq.) (as amended by section 639(b)) by adding the following:

Section 379B. Rural Telework

Subsection (a). This subsection defines terms used in this section.

Subsection (b). Rural Telework Institute:

Paragraph (1). This paragraph directs the Secretary to make grants to an eligible organization to pay the Federal share of the cost of establishing and operating a regional rural telework institute to carry out projects described in this section.

Paragraph (2). This paragraph directs the Secretary to establish criteria that an organization shall meet to be eligible to receive a grant under this subsection.

Paragraph (3). This paragraph sets a deadline for the Secretary to make initial grants of not later than one year after the date on which funds are first made available.

Paragraph (4). This paragraph directs the institute to use grant funds obtained under this subsection to carry out a five-year project (A) to serve as a clearinghouse for telework research and development; (B) to conduct outreach to rural communities and rural workers; (C) to develop and share best practices in rural telework within the region and throughout the United States; (D) to develop innovative, market-driven telework projects and joint ventures with the private sector that employ workers in rural areas in jobs that promote economic self-sufficiency; (E) to share information about the design and implementation of telework arrangements; (F) to support private sector businesses that are transitioning to telework; (G) to support and assist telework

projects and individuals at the State and local level; and (H) to perform such other functions as the Secretary considers appropriate.

Paragraph (5). This paragraph defines the non-Federal share. To receive a grant under this subsection, an eligible organization shall agree to obtain, after the application of the eligible organization has been approved and notice of award has been issued, contributions from non-Federal sources that are equal to 50 percent of the amount of the grant during each of the first, second, and third years of a project and 100 percent of the amount of the grant during each of the fourth and fifth years of the project. An Indian tribe may use Federal funds made available to the tribe for self-governance to pay the non-Federal contributions required under this paragraph. The non-Federal contributions may be in the form of in-kind contributions, including office equipment, office space, and services.

Subsection (c). Telework Grants:

Paragraph (1). This paragraph directs the Secretary to make grants, subject to paragraphs (2) through (5), to eligible entities to pay the Federal share of the cost of obtaining equipment and facilities to establish or expand telework locations in rural areas, and operating telework locations in rural areas.

Paragraph (2). This paragraph provides that to be eligible to receive a grant under this subsection, an eligible entity must be a nonprofit organization or educational institution in a rural area and must apply to the Secretary, and receive approval, demonstrating that the eligible entity has adequate resources and capabilities to establish or expand a telework location in a rural area.

Paragraph (3). This paragraph provides that to receive a grant under this section, an eligible organization must agree to obtain, after the application of the eligible organization has been approved and notice of award has been issued, contributions from non-Federal sources that are equal to 50 percent of the amount of the grant. Indian Tribes may use Federal funds made available to the tribe for self-governance to pay the non-Federal contributions. The non-Federal contributions may be in the form of in-kind contributions, including office equipment, office space, and services, and may not be made from funds made available for community development block grants under title I of the Housing and Community Development Act of 1974.

Paragraph (4). This paragraph prohibits the Secretary from providing a grant under this subsection to establish, expand, or operate a telework location in a rural area more than two years after the establishment of the telework location.

Paragraph (5). This paragraph provides that the amount of a grant provided to an eligible entity will not exceed $500,000.

Subsection (d). This subsection provides that an entity that receives funds under this section will be subject to the provisions of Federal law (including regulations), administered by the Secretary of Labor or the Equal Employment Opportunity Commission, that govern the responsibilities of employers to employees.

Subsection (e). This subsection provides that not later than 180 days after the date of enactment of this section, the Secretary must promulgate regulations to carry out this section.

Subsection (f). This subsection authorizes to be appropriated to carry out this section $30,000,000 for each fiscal year, of which

$5,000,000 shall be provided to establish an institute under subsection (b).

Section 642. Historic Barn Preservation

This section amends Subtitle D of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981 et seq.) (as amended by section 641) by adding at the end the following section:

Section 379C. Historic Barn Preservation

Subsection (a). This subsection defines terms used in this section.

Subsection (b). This subsection provides that the Secretary will establish a historic barn preservation program (1) to assist States in developing a listing of historic barns; (2) to collect and disseminate information on historic barns; (3) to foster educational programs relating to the history, construction techniques, rehabilitation, and contribution to society of historic barns; and (4) to sponsor and conduct research on the history of barns and best practices to protect and rehabilitate historic barns from the effects of decay, fire, arson, and natural disasters.

Subsection (c). This subsection provides that the Secretary may make grants to, or enter into contracts or cooperative agreements with, eligible applicants to carry out eligible projects. Eligible projects are projects (A) to rehabilitate or repair a historic barn; (B) to preserve a historic barn through the installation of a fire protection system, including fireproofing or fire detection system and sprinklers, and the installation of a system to prevent vandalism; and (C) to identify, document, and conduct research to develop and evaluate appropriate techniques or best practices for protecting historic barns. An eligible applicant that receives a grant for a project under this subsection shall comply with any standards established by the Secretary of the Interior for historic preservation projects.

Subsection (d). This subsection authorizes to be appropriated to carry out this section, $25,000,000 for the period of fiscal years 2002 through 2006, to remain available until expended.

Section 643. Grants for Emergency Weather Radio Transmitters

This section amends Subtitle D of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981 et seq.) (as amended by section 642)) by adding at the end the following section:

Section 379D. Grants for Emergency Weather Radio Transmitters

Subsection (a). This subparagraph allows the Secretary, acting through the Administrator of the Rural Utilities Service, to make grants to public and nonprofit entities for the Federal share of the cost of acquiring radio transmitters to increase coverage of rural areas by the emergency weather radio broadcast system of the National Oceanic and Atmospheric Administration.

Subsection (b). This subsection provides that to be eligible for a grant under this section, an applicant must provide to the Secretary (1) a binding commitment from a tower owner to place the transmitter on a tower; and (2) a description of how the tower placement will increase coverage of a rural area by the emergency weather radio broadcast system of the National Oceanic and Atmospheric Administration.

Subsection (c). This subsection provides that a grant provided under this section must be not more than 75 percent of the cost of acquiring a radio transmitter described in subsection (a).

Subsection (d). This subsection authorizes to be appropriated to carry out this section $2,000,000 for each of fiscal years 2002 through 2006.

Section 644. Bioenergy and biochemical projects

This section amends Subtitle D of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981 et seq.) (as amended by section 643) is by adding at the end a section providing that in carrying out rural development loan, loan guarantee, and grant programs under this title, the Secretary shall provide a priority for bioenergy and biochemical projects.

Section 645. Delta Regional Authority

This section amends Sections 382M(a) and 382N of the Consolidated Farm and Rural Development Act (7 U.S.C. 2009aa–12(a) and 13) to extend the Delta Regional Authority through 2006.

Section 646. SEARCH grants for small communities

This section amends the Consolidated Farm and Rural Development Act (as amended by section 604) by adding at the end a new Subtitle J containing the following sections:

Section 386A. Definitions

This section defines terms used in this subtitle.

Section 386B. SEARCH grant program

Subsection (a). This subsection states that the SEARCH Grant Program is established. The term 'SEARCH grant' means a grant for special environmental assistance for the regulation of communities and habitat awarded under section 386B(e)(3).

Subsection (b). This subsection provides that not later than October 1 of each fiscal year, a State may submit to the Secretary an application to receive a grant under subsection (c) for the fiscal year. An application must contain a certification by the State that the State has appointed members to the council of the State under subsection (c), and must contain other information as the Secretary may reasonably require.

Subsection (c). This subsection provides that for each fiscal year after the date of enactment of this subtitle, not later than 60 days after the date on which the Office of Management and Budget apportions any amounts made available under this subtitle, the Secretary will, on request by a State (A) determine whether any application submitted by the State under subsection (b) meets the requirements of subsection (b); and (B) if the Secretary determines that the application meets the requirements of subsection (b), award a grant of not to exceed $1,000,000 to the State, to be used by the council of the State to award SEARCH grants under subsection (e). The aggregate amount of grants awarded to States other than Alaska, Hawaii, or one of the 48 contiguous States, under this subsection shall not exceed $1,000,000 for any fiscal year.

Subsection (d). This subsection provides for the establishment in each State of an independent citizens' council to carry out the duties described in this section. Each council will be composed of 9 members, appointed by the Governor of the State. Each member of a council will (i) represent an individual region of the State, as determined by the Governor of the State in which the council is established; (ii) reside in a small community of the State; and (iii) be representative of the populations of the State. Before a State receives funds under this subtitle, the State shall appoint members to the council for the fiscal year, except that not more than 1 member shall be an agent, employee, or official of the State government. Each council shall select a chairperson from among the members of the council, except that a member who is an agent, employee, or official of the State government shall not serve as chairperson. An officer, employee, or agent of the Federal Government may participate in the activities of the council in an advisory capacity and at the invitation of the council. On the request of the council of a State, the State Director for Rural Development of the State shall provide advice and consultation to the council. Each council shall review applications for, and recommend awards of, SEARCH grants to small communities that meet the eligibility criteria under subsection (c). In awarding a SEARCH grant, a State must follow the recommendations of the council of the State, must award the funds for any recommended environmental project in a timely and expeditious manner, and must not award a SEARCH grant to a grantee or project in violation of any law of the State (including a regulation). A small community that receives a SEARCH grant under this section shall not be required to provide matching funds.

Subsection (e). This subsection provides that a SEARCH grant will be awarded under this section only to a small community for one or more environmental projects for which the small community (A) needs funds to carry out initial feasibility or environmental studies before applying to traditional funding sources; or (B) demonstrates, to the satisfaction of the council, that the small community has been unable to obtain sufficient funding from traditional funding sources. The council shall establish such deadline by which small communities shall submit applications for grants under this section as will permit the council adequate time to review and make recommendations relating to the applications. A small community shall submit an application to the council in the State in which the small community is located. An application must include (i) a description of the proposed environmental project (including an explanation of how the project would assist the small community in complying with an environmental law (including a regulation)); (ii) an explanation of why the project is important to the small community; (iii) a description of all actions taken with respect to the project, including a description of any attempt to secure funding and a description of demonstrated need for funding for the project, as of the date of the application; and (iv) a SEARCH grant application form provided by the council, completed and with all required supporting documentation. Generally, not later than March 5 of each fiscal year, each council will review all applications received and recommend for award SEARCH grants to small communities based on an evaluation of the eligibility criteria and the content of the application. The State may extend the deadline

of March 5 by not more than 10 days in a case in which the receipt of recommendations from a council is delayed because of circumstances beyond the control of the council, as determined by the State. If, for any fiscal year, any unexpended funds remain after SEARCH grants are awarded, the council may repeat the application and review process so that any remaining funds may be recommended for award, and awarded, not later than July 30 of the fiscal year. Any unexpended funds that are not awarded will be retained by the State for award during the following fiscal year. A State that accumulates a balance of unexpended funds of more than $3,000,000 will be ineligible to apply for additional funds for SEARCH grants until such time as the State expends the portion of the balance that exceeds $3,000,000.

Section 386C. Report

This section provides that not later than September 1 of the first fiscal year for which a SEARCH grant is awarded by a council, and annually thereafter, the council shall submit to the Secretary a report that (1) describes the number of SEARCH grants awarded during the fiscal year; (2) identifies each small community that received a SEARCH grant during the fiscal year; (3) describes the project or purpose for which each SEARCH grant was awarded, including a statement of the benefit to public health or the environment of the environmental project receiving the grant funds; and (4) describes the status of each project or portion of a project for which a SEARCH grant was awarded, including a project or portion of a project for which a SEARCH grant was awarded for any fiscal year before the fiscal year in which the report is submitted.

Section 386D. Funding

This section authorizes to be appropriated to carry out section 386B(c) $51,000,000, of which not to exceed $1,000,000 shall be used to make grants under section 386B(c). If funds to carry out section 386B(c) are made available for a fiscal year in an amount that is less than the amount authorized under section 386D(a) for the fiscal year, the appropriated funds shall be divided equally among the 50 States. If, for any fiscal year, a State does not apply, or does not qualify, to receive funds under section 386B(b), the funds that would have been made available to the State under section 386B(c) on submission by the State of a successful application under section 386B(b) shall be redistributed for award under this subtitle among States, the councils of which awarded one or more SEARCH grants during the preceding fiscal year. There are authorized to be appropriated such sums as are necessary to carry out the provisions of this subtitle (other than section 386B(c)).

Section 647. Northern Great Plains Regional Authority

This section amends the Consolidated Farm and Rural Development Act (as amended by section 646) by adding at the end the following:

Section 387A. Definitions

This section defines terms used in this subtitle. The term "region" means the States of Iowa, Minnesota, Nebraska, North Dakota, and South Dakota.

Section 387B. Northern Great Plains Regional Authority

Subsection (a). Establishment:

Paragraph (1). This paragraph provides that there is established the Northern Great Plains Regional Authority.

Paragraph (2). This paragraph provides that the Authority will be composed of (A) a Federal member, to be appointed by the President, with the advice and consent of the Senate; and (B) the Governor (or a designee of the Governor) of each State in the region that elects to participate in the Authority.

Paragraph (3). This paragraph provides that the Authority will be headed by (A) the Federal member, who will serve as the Federal cochairperson and as a liaison between the Federal Government and the Authority; and (B) a State cochairperson, who will be a Governor of a participating State in the region and will be elected by the State members for a term of not less than one year.

Subsection (b). Alternate Members:

Paragraph (1). This paragraph provides that the State member of a participating State may have a single alternate, who will be a resident of that State and appointed by the Governor of the State.

Paragraph (2). This paragraph provides that the President will appoint an alternate Federal cochairperson.

Paragraph (3). This paragraph provides that a State alternate shall not be counted toward the establishment of a quorum of the Authority in any instance in which a quorum of the State members is required to be present.

Paragraph (4). This paragraph provides that bo power or responsibility of the Authority specified in paragraphs (2) and (3) of subsection (c), and no voting right of any Authority member, shall be delegated to any person who is not an Authority member, or who is not entitled to vote in Authority meetings.

Subsection (c). Voting:

Paragraph (1). This paragraph provides that a decision by the Authority will require a majority vote of the Authority (not including any member representing a State that is delinquent under subsection (g)(2)) to be effective.

Paragraph (2). This paragraph provides that a quorum of State members will be required to be present for the Authority to make any policy decision, including (A) a modification or revision of an Authority policy decision; (B) approval of a State or regional development plan; and (C) any allocation of funds among the States.

Paragraph (3). This paragraph provides that the approval of project and grant proposals will be a responsibility of the Authority and will be conducted in accordance with section 387I.

Paragraph (4). This paragraph provides that an alternate member will vote in the case of the absence, death, disability, removal, or resignation of the Federal or State representative for which the alternate member is serving.

Subsection (d). This subsection provides that the Authority will (1) develop, on a continuing basis, comprehensive and coordinated plans and programs to establish priorities and approve grants for the economic development of the region, giving due consideration to other Federal, State, and local planning and development activities in the region; (2) not later than 220 days after the date of enactment of this subtitle, establish priorities in a development plan

for the region (including five-year regional outcome targets); (3) assess the needs and assets of the region based on available research, demonstrations, investigations, assessments, and evaluations of the region prepared by Federal, State, and local agencies, universities, local development districts, and other nonprofit groups; (4) formulate and recommend to the Governors and legislatures of States that participate in the Authority forms of interstate cooperation; (5) work with State and local agencies in developing appropriate model legislation; (6) enhance the capacity of, and provide support for, local development districts in the region, or if no local development district exists in an area in a participating State in the region, foster the creation of a local development district; (7) encourage private investment in industrial, commercial, and other economic development projects in the region; and (8) cooperate with and assist State governments with economic development programs of participating States.

Subsection (e). This subsection provides that in carrying out subsection (d), the Authority may (1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute a description of the proceedings and reports on actions by the Authority as the Authority considers appropriate; (2) authorize, through the Federal or State cochairperson or any other member of the Authority designated by the Authority, the administration of oaths if the Authority determines that testimony should be taken or evidence received under oath; (3) request from any Federal, State, or local department or agency such information as may be available to or procurable by the department or agency that may be of use to the Authority in carrying out duties of the Authority; (4) adopt, amend, and repeal bylaws and rules governing the conduct of Authority business and the performance of Authority duties; (5) request the head of any Federal department or agency to detail to the Authority such personnel as the Authority requires to carry out duties of the Authority, each such detail to be without loss of seniority, pay, or other employee status; (6) request the head of any State department or agency or local government to detail to the Authority such personnel as the Authority requires to carry out duties of the Authority, each such detail to be without loss of seniority, pay, or other employee status; (7) provide for coverage of Authority employees in a suitable retirement and employee benefit system by making arrangements or entering into contracts with any participating State government, or by otherwise providing retirement and other employee benefit coverage; (8) accept, use, and dispose of gifts or donations of services or real, personal, tangible, or intangible property; (9) enter into and perform such contracts, leases, cooperative agreements, or other transactions as are necessary to carry out Authority duties, including any contracts, leases, or cooperative agreements with (A) any department, agency, or instrumentality of the United States; (B) any State (including a political subdivision, agency, or instrumentality of the State); or (C) any person, firm, association, or corporation; and (10) establish and maintain a central office and field offices at such locations as the Authority may select.

Subsection (f). This subsection provides that a Federal agency will (1) cooperate with the Authority; and (2) provide, on request

of the Federal cochairperson, appropriate assistance in carrying out this subtitle, in accordance with applicable Federal laws (including regulations).

Subsection (g). Administrative Expenses:

Paragraph (1). This paragraph provides that administrative expenses of the Authority (except for the expenses of the Federal cochairperson, including expenses of the alternate and staff of the Federal cochairperson, which shall be paid solely by the Federal Government) will be paid by the Federal Government, in an amount equal to 50 percent of the administrative expenses, and by the States in the region participating in the Authority, in an amount equal to 50 percent of the administrative expenses.

Paragraph (2). This paragraph provides that the share of administrative expenses of the Authority to be paid by each State shall be determined by the Authority. The Federal cochairperson shall not participate or vote in any decision under this paragraph. If a State is delinquent in payment of the State's share of administrative expenses of the Authority under this subsection, no assistance under this subtitle shall be furnished to the State (including assistance to a political subdivision or a resident of the State), and no member of the Authority from the State shall participate or vote in any action by the Authority.

Subsection (h). Compensation:

Paragraph (1). This paragraph provides that the Federal cochairperson will be compensated by the Federal Government at level III of the Executive Schedule in subchapter II of chapter 53 of title 5, United States Code.

Paragraph (2). This paragraph provides that the alternate Federal cochairperson (A) will be compensated by the Federal Government at level V of the Executive Schedule described in paragraph (1); and (B) when not actively serving as an alternate for the Federal cochairperson, will perform such functions and duties as are delegated by the Federal cochairperson.

Paragraph (3). This paragraph provides that a State will compensate each member and alternate representing the State on the Authority at the rate established by law of the State. No State member or alternate member shall receive any salary, or any contribution to or supplementation of salary from any source other than the State for services provided by the member or alternate to the Authority.

Paragraph (4). This paragraph provides that in general, no person detailed to serve the Authority under subsection (e)(6) shall receive any salary or any contribution to or supplementation of salary for services provided to the Authority from any source other than the State, local, or intergovernmental department or agency from which the person was detailed, or the Authority. Any person that violates this paragraph shall be fined not more than $5,000, imprisoned not more than one year, or both. The Federal cochairperson, the alternate Federal cochairperson, and any Federal officer or employee detailed to duty on the Authority under subsection (e)(5) will not be subject to this paragraph, but will remain subject to sections 202 through 209 of title 18, United States Code.

Paragraph (5). This paragraph provides that in general, the Authority may appoint and fix the compensation of an executive director and such other personnel as are necessary to enable the Au-

thority to carry out the duties of the Authority. Compensation under this paragraph cannot exceed the maximum rate for the Senior Executive Service under section 5382 of title 5, United States Code, including any applicable locality-based comparability payment that may be authorized under section 5304(h)(2)(C) of that title. The executive director will be responsible for carrying out the administrative duties of the Authority, direction of the Authority staff, and such other duties as the Authority may assign. No member, alternate, officer, or employee of the Authority (except the Federal cochairperson of the Authority, the alternate and staff for the Federal cochairperson, and any Federal employee detailed to the Authority under subsection (e)(5)) will be considered to be a Federal employee for any purpose.

Subsection (i). Conflicts of Interest:

Paragraph (1). This paragraph provides that in general, except as provided under paragraph (2), no State member, alternate, officer, or employee of the Authority will participate personally and substantially as a member, alternate, officer, or employee of the Authority in any proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other matter in which, to knowledge of the member, alternate, officer, or employee, he or she—or his or her spouse, minor child, partner, or organization (other than a State or political subdivision of the State) in which he or she is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he or she is negotiating or has any arrangement concerning prospective employment, has a financial interest.

Paragraph (2). This paragraph provides that Paragraph (1) will not apply if the State member, alternate, officer, or employee (A) immediately advises the Authority of the nature and circumstances of the proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter presenting a potential conflict of interest; (B) makes full disclosure of the financial interest; and (C) before the proceeding concerning the matter presenting the conflict of interest, receives a written determination by the Authority that the interest is not so substantial as to be likely to affect the integrity of the services that the Authority may expect from the State member, alternate, officer, or employee.

Paragraph (3). This paragraph provides that any person that violates this subsection shall be fined not more than $10,000, imprisoned not more than two years, or both.

Subsection (j). This subsection provides that the Authority may declare void any contract, loan, or grant of or by the Authority in relation to which the Authority determines that there has been a violation of any provision under subsection (h)(4), subsection (i), or sections 202 through 209 of title 18, United States Code.

Section 387C. Economic and Community Development Grants

Subsection (a). This subsection provides that the Authority may approve grants to States, local governments, and public and nonprofit organizations for projects, approved in accordance with section 387I (1) to develop the transportation and telecommunication infrastructure of the region for the purpose of facilitating economic development in the region (except that grants for this purpose may

only be made to States, local governments, and nonprofit organizations); (2) to assist the region in obtaining the job training, employment-related education, and business development (with an emphasis on entrepreneurship) that are needed to build and maintain strong local economies; (3) to provide assistance to severely distressed and underdeveloped areas that lack financial resources for improving basic public services; (4) to provide assistance to severely distressed and underdeveloped areas that lack financial resources for equipping industrial parks and related facilities; and (5) to otherwise achieve the purposes of this subtitle.

Subsection (b). This subsection provides that funds for grants under subsection (a) may be provided (A) entirely from appropriations to carry out this section; (B) in combination with funds available under another Federal or Federal grant program; or (C) from any other source. To best build the foundations for long-term economic development and to complement other Federal and State resources in the region, Federal funds available under this subtitle will be focused on the activities in the following order of priority: (A) basic public infrastructure in distressed counties and isolated areas of distress; (B) transportation and telecommunication infrastructure for the purpose of facilitating economic development in the region; (C) business development, with emphasis on entrepreneurship; and (D) job training or employment-related education, with emphasis on use of existing public educational institutions located in the region.

Funds appropriated to carry out this section may be used to increase a Federal share in a grant program, as the Authority determines appropriate.

Section 387D. Supplements to Federal Grant Programs

Subsection (a). This subsection states that Congress finds that certain States and local communities of the region, including local development districts, may be unable to take maximum advantage of Federal grant programs for which the States and communities are eligible because (1) they lack the economic resources to meet the required matching share; or (2) there are insufficient funds available under the applicable Federal grant law authorizing the program to meet pressing needs of the region.

Subsection (b). This subsection provides that in accordance with subsection (c), the Federal cochairperson may use amounts made available to carry out this subtitle, without regard to any limitations on areas eligible for assistance or authorizations for appropriation under any other Act, to fund all or any portion of the basic Federal contribution to a project or activity under a Federal grant program in the region in an amount that is above the fixed maximum portion of the cost of the project otherwise authorized by applicable law, but not to exceed 90 percent of the costs of the project (except as provided in section 387F(b)).

Subsection (c). Certification:

Paragraph (1). This paragraph provides that in general, in the case of any program or project for which all or any portion of the basic Federal contribution to the project under a Federal grant program is proposed to be made under this section, no Federal contribution will be made until the Federal official administering the Federal law authorizing the contribution certifies that the program

or project meets the applicable requirements of the applicable Federal grant law, and could be approved for Federal contribution under the law if funds were available under the law for the program or project.

Paragraph (2). This paragraph provides that in general, the certifications and determinations required to be made by the Authority for approval of projects under this subtitle in accordance with section 387I will be controlling and will be accepted by the Federal agencies. Any finding, report, certification, or documentation required to be submitted to the head of the department, agency, or instrumentality of the Federal Government responsible for the administration of any Federal grant program shall be accepted by the Federal cochairperson with respect to a supplemental grant for any project under the program.

Section 387E. Local Development Districts; Certification and Administrative Expenses

Subsection (a). This subsection defines the term "local development district."

Subsection (b). This subsection provides that the Authority may make grants for administrative expenses under this section. The amount of any grant cannot exceed 80 percent of the administrative expenses of the local development district receiving the grant. No grant will be awarded to a State agency certified as a local development district for a period greater than three years. The contributions of a local development district for administrative expenses may be in cash or in kind, fairly evaluated, including space, equipment, and services.

Subsection (c). This subsection provides that a local development district will (1) operate as a lead organization serving multi-county areas in the region at the local level; and (2) serve as a liaison between State and local governments, nonprofit organizations (including community-based groups and educational institutions), the business community, and citizens that are involved in multi-jurisdictional planning, provide technical assistance to local jurisdictions and potential grantees, and provide leadership and civic development assistance.

Section 387F. Distressed Counties and Areas and Nondistressed Counties

Subsection (a). This subsection provides that not later than 90 days after the date of enactment of this subtitle, and annually thereafter, the Authority, in accordance with such criteria as the Authority may establish, must designate (1) as distressed counties, counties in the region that are the most severely and persistently distressed and underdeveloped and have high rates of poverty, unemployment, or outmigration; (2) as nondistressed counties, counties in the region that are not designated as distressed counties under paragraph (1); and (3) as isolated areas of distress, areas located in nondistressed counties (as designated under paragraph (2)) that have high rates of poverty, unemployment, or outmigration.

Subsection (b). This subsection provides that the Authority will allocate at least 75 percent of the appropriations made available under section 387M for programs and projects designed to serve the needs of distressed counties and isolated areas of distress in

the region. The funding limitations under section 387D(b) shall not apply to a project providing transportation or telecommunication or basic public services to residents of one or more distressed counties or isolated areas of distress in the region.

Subsection (c). This subsection provides that in general, except as provided in this subsection, no funds shall be provided under this subtitle for a project located in a county designated as a nondistressed county under subsection (a)(2). The funding prohibition under this subsection shall not apply to grants to fund the administrative expenses of local development districts under section 387E(b). The Authority may waive the application of the funding prohibition under paragraph (1) of this subsection to a multicounty project that includes participation by a nondistressed county, or to any other type of project, if the Authority determines that the project could bring significant benefits to areas of the region outside a nondistressed county. For a designation of an isolated area of distress for assistance to be effective, the designation shall be supported by the most recent Federal data available, or if no recent Federal data are available, by the most recent data available through the government of the State in which the isolated area of distress is located.

Subsection (d). This subsection provides that the Authority will allocate at least 50 percent of any funds made available under section 387M for transportation, telecommunication, and basic public infrastructure projects authorized under paragraphs (1) and (3) of section 387C(a).

Section 387G. Development Planning Process

Subsection (a). This subsection provides that in accordance with policies established by the Authority, each State member must submit a development plan for the area of the region represented by the State member.

Subsection (b). This subsection provides that a State development plan submitted under subsection (a) shall reflect the goals, objectives, and priorities identified in the regional development plan developed under section 387B(d)(2).

Subsection (c). This subsection provides that in carrying out the development planning process (including the selection of programs and projects for assistance), a State may consult with local development districts and local units of government, and may take into consideration the goals, objectives, priorities, and recommendations of these entities.

Subsection (d). This subsection provides that in general, the Authority and applicable State and local development districts will encourage and assist, to the maximum extent practicable, public participation in the development, revision, and implementation of all plans and programs under this subtitle. The Authority shall develop guidelines for providing public participation, including public hearings.

Section 387H. Program Development Criteria

Subsection (a). This subsection provides that in general, in considering programs and projects to be provided assistance under this subtitle, and in establishing a priority ranking of the requests for assistance provided by the Authority, the Authority will follow pro-

cedures that ensure, to the maximum extent practicable, consideration of (1) the relationship of the project or class of projects to overall regional development; (2) the per capita income and poverty and unemployment and outmigration rates in an area; (3) the financial resources available to the applicants for assistance seeking to carry out the project, with emphasis on ensuring that projects are adequately financed to maximize the probability of successful economic development; (4) the importance of the project or class of projects in relation to other projects or classes of projects that may be in competition for the same funds; (5) the prospects that the project for which assistance is sought will improve, on a continuing rather than a temporary basis, the opportunities for employment, the average level of income, or the economic development of the area served by the project; and (6) the extent to which the project design provides for detailed outcome measurements by which grant expenditures and the results of the expenditures may be evaluated.

Subsection (b). This subsection provides that no financial assistance authorized by this subtitle will be used to assist a person or entity in relocating from one area to another, except that financial assistance may be used as otherwise authorized by this title to attract businesses from outside the region to the region.

Subsection (c). This subsection provides that funds may be provided for a program or project in a State under this subtitle only if the Authority determines that the level of Federal or State financial assistance provided under a law other than this subtitle, for the same type of program or project in the same area of the State within the region, will not be reduced as a result of funds made available by this subtitle.

Section 387I. Approval of Development Plans and Projects

Subsection (a). This subsection provides that in general, a State or regional development plan or any multi-state subregional plan that is proposed for development under this subtitle will be reviewed by the Authority.

Subsection (b). This subsection provides that an application for a grant or any other assistance for a project under this subtitle will be made through and evaluated for approval by the State member of the Authority representing the applicant.

Subsection (c). This subsection provides that an application for a grant or other assistance for a project must be approved only on certification by the State member that the application for the project (1) describes ways in which the project complies with any applicable State development plan; (2) meets applicable criteria under section 387H; (3) provides adequate assurance that the proposed project will be properly administered, operated, and maintained; and (4) otherwise meets the requirements of this subtitle.

Subsection (d). This subsection provides that on certification by a State member of the Authority of an application for a grant or other assistance for a specific project under this section, an affirmative vote of the Authority under section 387B(c) will be required for approval of the application.

Section 387J. Consent of States

This section provides that nothing in this subtitle requires any State to engage in or accept any program under this subtitle without the consent of the State.

Section 387K. Records

Subsection (a). This subsection provides that in general, the Authority will maintain accurate and complete records of all transactions and activities of the Authority. All records of the Authority will be available for audit and examination by the Comptroller General of the United States and the Inspector General of the Department of Agriculture (including authorized representatives of the Comptroller General and the Inspector General of the Department of Agriculture).

Subsection (b). This subsection provides that in general, a recipient of Federal funds under this subtitle will, as required by the Authority, maintain accurate and complete records of transactions and activities financed with Federal funds and report on the transactions and activities to the Authority. All records will be available for audit by the Comptroller General of the United States, the Inspector General of the Department of Agriculture, and the Authority (including authorized representatives of the Comptroller General, the Inspector General of the Department of Agriculture, and the Authority).

Subsection (c). This subsection provides that the Inspector General of the Department of Agriculture will audit the activities, transactions, and records of the Authority on an annual basis.

Section 387L. Annual Report

This section provides that not later than 180 days after the end of each fiscal year, the Authority shall submit to the President and to Congress a report describing the activities carried out under this subtitle.

Section 387M. Authorization of Appropriations

This section authorizes the appropriation to the Authority to carry out this subtitle $30,000,000 for each of fiscal years 2002 through 2006, to remain available until expended. Not more than 5 percent of the amount appropriated for a fiscal year will be used for administrative expenses of the Authority. Notwithstanding any other provision of this subtitle, for any fiscal year, the aggregate amount of grants received by a State and all persons or entities in the State under this subtitle shall be not less than ⅓ of the product obtained by multiplying the aggregate amount of grants under this subtitle for the fiscal year by the ratio that the population of the State bears to the population of the region

Section 387N. Termination of Authority

This section provides that this subtitle and the authority provided under this subtitle expire on October 1, 2006.

Subtitle D—Food, Agriculture, Conservation, and Trade Act of 1990

Section 651. Alternative Agricultural Research and Commercialization Corporation

Subsection (a). This subsection provides that Subtitle G of title XVI of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 5901 et seq.) is repealed.

Subsection (b). This subsection provides for the disposition of assets of the Alternative Agricultural Research and Commercialization Corporation (referred to in this section as the "Corporation"), including the funds in the Alternative Agricultural Research and Commercialization Revolving Fund as of the date of enactment of this Act, are transferred to the Secretary of Agriculture.

Subsection (c). This subsection provides that funds transferred under subsection (b), and any income from assets or proceeds from the sale of assets transferred under subsection (b), will be deposited into an account in the Treasury, and will remain available to the Secretary until expended, without further appropriation, to pay any outstanding claims or obligations of the Corporation and the costs incurred by the Secretary in carrying out this section. On final disposition of all assets transferred under subsection (b), any funds remaining in the account will be transferred into miscellaneous receipts in the Treasury.

Subsection (d). This subsection makes conforming amendments consistent with this section.

Section 652. Telemedicine and Distance Learning Services in Rural Areas

This section amends Section 2335A of the Food, Agriculture, Conservation, and Trade Act of 1990 by extending it to 2006.

Subtitle E—Rural Electrification Act of 1936

Section 661. Bioenergy and Biochemical Projects

This section amends Title I of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.) by adding at the end a new Section 20 that provides that in carrying out rural electric loan, loan guarantee, and grant programs under this Act, the Secretary must provide a priority for bioenergy and biochemical projects.

Section 662. Guarantees for bonds and notes issued for electrification or telephone purposes

This section provides that the Rural Electrification Act of 1936 is amended by inserting after section 313 (7 U.S.C. 940c) a new section 313A containing the following subsections:

Subsection (a). This subsection provides that the Secretary will guarantee payments on bonds or notes issued by cooperative or other lenders organized on a not-for-profit basis if the proceeds of the bonds or notes are used for electrification or telephone projects eligible for assistance under this Act, including the refinancing of bonds or notes issued for such projects.

Subsection (b). Limitations:

Paragraph (1). This paragraph provides that a lender will not receive a guarantee under this section for a bond or note if, at the time of the guarantee, the total principal amount of such guaran-

teed bonds or notes outstanding of the lender would exceed the principal amount of outstanding loans of the lender for electrification or telephone purposes that have been made concurrently with loans approved for such purposes under this Act.

Paragraph (2). This paragraph provides that the Secretary will not guarantee payment on a bond or note issued by a lender, the proceeds of which are used for the generation of electricity.

Paragraph (3). This paragraph provides that the Secretary may deny the request of a lender for the guarantee of a bond or note under this section if the Secretary determines that (A) the lender does not have appropriate expertise or experience or is otherwise not qualified to make loans for electrification or telephone purposes; (B) the bond or note issued by the lender is not of reasonable and sufficient quality; or (C) the lender has not provided sufficient evidence that the proceeds of the bond or note are used for eligible projects described in subsection (a).

Paragraph (4). This paragraph provides that a lender may not use any amount obtained from the reduction in funding costs as a result of the guarantee of a bond or note under this section to reduce the interest rate on a new or outstanding loan, except a lender may use such an amount to reduce the interest rate on a loan if the loan is made by the lender for electrification or telephone projects that are eligible for assistance under this Act and is made concurrently with a loan approved by the Secretary under this Act for such a project, as provided in section 307.

Subsection (c). This subsection provides that in general, a lender that receives a guarantee issued under this section on a bond or note will pay a fee to the Secretary. The amount of an annual fee paid for the guarantee of a bond or note under this section will be equal to 30 basis points of the amount of the unpaid principal of the bond or note guaranteed under this section. A lender will pay the fees required under this subsection on a semiannual basis. Subject to subsection (e), fees collected under this subsection will be deposited into the rural economic development subaccount maintained under section 313(b)(2)(A), to remain available until expended, and will be used for the purposes described in section 313(b)(2)(B).

Subsection (d). This subsection provides that a guarantee issued under this section will be for the full amount of a bond or note, including the amount of principal, interest, and call premiums, will be fully assignable and transferable, and will represent the full faith and credit of the United States. To ensure that the Secretary has the resources necessary to properly examine the proposed guarantees, the Secretary may limit the number of guarantees issued under this section if the number of such guarantees exceeds 5 per year. On the timely request of an eligible lender, the General Counsel of the Department of Agriculture will provide the Secretary with an opinion regarding the validity and authority of a guarantee issued to the lender under this section.

Subsection (e). This subsection authorizes appropriations of such sums as are necessary to carry out this section. To the extent that the amount of funds appropriated for a fiscal year under paragraph (1) are not sufficient to carry out this section, the Secretary may use up to 1/3 of the fees collected under subsection (c) for the cost of providing guarantees of bonds and notes under this section be-

fore depositing the remainder of the fees into the rural economic development subaccount maintained under section 313(b)(2)(A).

Subsection (f). This subsection provides that the authority provided under this section will terminate on September 30, 2006.

This section also provides that Section 313(b)(2)(B) of the Rural Electrification Act of 1936 (7 U.S.C. 940c)(b)(2)(B)) is amended by requiring the Secretary to act through the Rural Utilities Service. Not later than 180 days after the date of enactment of this Act, the Secretary of Agriculture will promulgate regulations to carry out the amendments made by this section, and not later than 240 days after the date of enactment of this Act, the Secretary will implement the amendment made by this section.

Section 663. Expansion of 911 access

This section amends Title III of the Rural Electrification Act of 1936 (7 U.S.C. 931 et seq.) by adding a new Section 315 containing the following subsections:

Subsection (a). This subsection provides that the Secretary may make telephone loans under this title to State or local governments, Indian tribes, or other public entities for facilities and equipment to expand 911 access in underserved rural areas.

Subsection (b). This subsection authorizes appropriations of such sums as are necessary to carry out this section.

TITLE VII—RESEARCH

Subtitle A—National Agricultural Research, Extension, and Teaching Policy Act of 1977

Section 701. Definitions

This section amends the National Agricultural Research, Extension, and Teaching Policy Act of 1977 to define the term "insular area" to mean the Commonwealth of Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, the Republic of Palau, and the Virgin Islands of the United States; and the term "State" to mean any of the States, the District of Columbia, and any insular area.

Section 702. National Agricultural Research, Extension, Education, and Economics Advisory Board

This section reauthorizes the Advisory Board through 2006.

Section 703. Grants and fellowships for food and agricultural sciences education

This section reauthorizes this program through 2006, and expands it to include grants and fellowships for academic degrees related to rural economic, community, and business development. The Committee wishes to clarify that the existing language of this section authorizes support of students seeking to obtain academic degrees related to extension teaching.

Section 704. Competitive Research Facilities Grant Program

This section amends the National Agricultural Research, Extension, and Teaching Policy Act of 1997 to create a competitive grants

program for the construction, acquisition, modernization, renovation, alteration, and remodeling of food and agricultural research facilities.

Subsection (a) provides that the Secretary will award grants to eligible institutions on a competitive basis for the construction, acquisition, modernization, renovation, alteration, and remodeling of food and agricultural research facilities such as buildings, laboratories, and other capital facilities (including acquisition of fixtures and equipment).

Subsection (b) provides that all state cooperative institutions (which includes 1862 land grant institutions, 1890 land grant institutions, 1994 land grant institutions, and McIntire-Stennis schools) and Hispanic serving institutions are eligible for the grants.

Subsection (c) provides the Secretary discretion to determine the criteria for awarding grants.

Subsection (d) provides the Secretary discretion to determine an appropriate matching requirement.

Subsection (e) directs the Secretary to target grants to particular institutions to enhance their capacity to do research.

Subsection (f) directs the Secretary to promulgate appropriate regulations, and to ensure that states have a coordinated intrastate program.

Subsection (g) exempts program advisory committees from the Federal Advisory Committee Act.

Subsection (h) directs the Secretary to consult with the Advisory Board.

Subsection (i) authorizes appropriations of such sums as are necessary.

Section 705. Grants for research on the production and marketing of alcohols and industrial hydrocarbons from agricultural commodities and forest products

This section reauthorizes this program through 2006.

Section 706. Policy research centers

This section reauthorizes this program through 2006.

Section 707. Human nutrition intervention and health promotion research program

This section reauthorizes this program through 2006.

Section 708. Pilot research program to combine medical and agricultural research

This section reauthorizes this program through 2006.

Section 709. Nutrition education program

This section reauthorizes this program through 2006.

Section 710. Animal health and disease research programs

This section reauthorizes this program through 2006.

Section 711. Research on national or regional problems

This section reauthorizes this program through 2006.

Section 712. Education grants for programs for Hispanic-serving institutions

This section reauthorizes this program through 2006.

Section 713. Competitive grants for international agricultural science and education programs

This section reauthorizes this program through 2006.

Section 714. Indirect costs

This section amends the National Agricultural Research, Extension, and Teaching Policy Act of 1977 to increase the indirect cost cap from 19 percent to the indirect cost rate established for an institution by its cognizant Federal audit agency, except for certain awards granted through the Small Business Act.

Section 715. Research equipment grants

This section amends the National Agricultural Research, Extension, and Teaching Policy Act of 1977.

Subsection (a) allows the Secretary to make competitive grants for the acquisition of special purpose scientific research equipment for use in the food and agricultural sciences programs of eligible institutions.

Subsection (b) defines an eligible institution as a college or university or a State cooperative institution.

Subsection (c) limits an award under this section to not more than $500,000.

Subsection (d) limits recouping of expenses from awards under this section as indirect costs under other federal grants or programs.

Subsection (f) authorizes appropriations for this program at $50,000,000 for each of fiscal years 2002 through 2006.

Section 716. Agricultural research programs

The National Agricultural Research, Extension, and Teaching Policy Act of 1977 is amended to increase the general authorizations for agricultural research from $850 million to $1.5 billion for 2002 to 2006.

Section 717. Extension education

The National Agricultural Research, Extension, and Teaching Policy Act of 1977 is amended by changing the authorization level for Extension Education from $420,000,000 to $500,000,000 for 2002 to 2006.

Section 718. Availability of competitive grant funds

The National Agricultural Research, Extension, and Teaching Policy Act of 1977 is amended to provide that funds for competitive agricultural research, education, or extension grant programs, under this or any other Act, shall remain available for obligation for a two-year period beginning on October 1 of the fiscal year for which the funds are made available.

Section 719. Joint requests for proposal

The National Agricultural Research, Extension, and Teaching Policy Act of 1977 is amended to facilitate joint requests for proposals (RFP).

Subsection (a) expressly provides USDA with authority to issue joint RFPs with other agencies (such as the National Science Foundation, Environmental Protection Agency, U.S. Agency for International Development, and National Air and Space Administration) to eliminate duplication of research, review, and evaluation resources.

Subsection (b) allows the Secretary to transfer funds to cooperating agencies subject to applicable laws.

Subsection (c) allows the Secretary to delegate her authority to an appropriate coordinating agency.

Subsection (d) provides the Secretary with authority to coordinate regulations and indirect rates with a cooperating agency.

Subsection (e) allows joint peer review panels to be established.

Section 720. Supplemental and alternative crops

This section reauthorizes this program through 2006.

Section 721. Aquaculture

This section reauthorizes this program through 2006.

Section 722. Rangeland research

This section reauthorizes this program through 2006.

Section 723. Biosecurity Planning and Response Programs

Subsection (a) amends the National Agricultural Research, Extension, and Teaching Policy Act of 1977 to create a new subtitle on biosecurity.

CHAPTER 1—AGRICULTURE INFRASTRUCTURE SECURITY

Section 1484 defines terms as used in the subtitle, including agricultural research facility.

Section 1485. Agriculture Infrastructure Security Fund

Subsections (a)–(c) establish an Agriculture Infrastructure Security Fund that provides funding to protect and strengthen the Federal food safety and agricultural infrastructure. Such sums as are necessary are authorized to be appropriated for each of fiscal years 2002 through 2006. The Secretary is also authorized to accept contributions and other proceeds in the Fund as outlined in this section. All funds are available until expended.

Subsection (d) provides that on request by the Secretary, the Secretary of the Treasury shall transfer from the Fund to the Secretary, and the Secretary shall accept and use without further appropriation, such amounts as the Secretary determines to be necessary to pay the following:

Paragraph (A) provides for the costs of planning, design, development, construction, acquisition, modernization, leasing, and disposal of facilities, equipment, and technology used by the Department in carrying out programs relating to the purposes specified in this section.

Paragraph (B) provides for the costs of specialized services relating to the purposes specified in this section.

Paragraph (C) provides for the costs of cooperative arrangements authorized to be entered into with State, local and tribal governments, and other public and private entities, to carry out programs relating to the purposes specified in this section.

Paragraph (D) provides for administrative costs incurred in carrying out this section.

Subsection (e) provides that the Secretary by sale may dispose of all or any part of any right or title in land (excluding National Forest System land), facilities, or equipment in the full control of the Department (including land and facilities at the Beltsville Agricultural Research Center). Proceeds from the sale are deposited in the Fund established under this section.

Subsection (f) provides that the Secretary may accept gifts and bequests of funds, property (real, personal, and intangible), equipment, services, and other in-kind contributions from State, local, and tribal governments, colleges and universities, individuals, and other public and private entities subject to the conflict-of-interest limitations set out in this subsection.

Section 1486. Agriculture Infrastructure Security Commission

Subsection (a) provides that the Secretary shall establish a commission to be known as the Agriculture Infrastructure Security Commission.

Subsection (b) provides the Commission shall be comprised of 15 voting members, appointed by the Secretary based on nominations solicited from the public. Commission members shall represent a balance of the public and private sectors; and have combined expertise in facilities development, modernization, construction, security, consolidation, and closure; plant diseases and pests; animal diseases and pests; food safety; biosecurity; the needs of farmers and ranchers; public health; State, local, and tribal government; and any other area related to agriculture infrastructure security, as determined by the Secretary.

The following non-voting members shall serve on the Commission: the Secretary; four representatives appointed by the Secretary of Health and Human Services from the Public Health Service, the National Institutes of Health, the Centers for Disease Control and Prevention, and the Food and Drug Administration; one representative appointed by the Attorney General; one representative appointed by the Director of Homeland Security; and not more than four representatives of the Department appointed by the Secretary.

Subsection (c) provides that the term of office of a member of the Commission shall be 4 years except that initial terms shall be staggered.

Subsection (d) provides for the requirements for meetings of the Commission, applicability of the Federal Advisory Committee Act, and records requirements.

Subsection (e) provides that the Secretary shall appoint the Chair from among the voting members of the Commission.

Subsection (f). Duties:

Paragraph (1) provides that the Commission shall advise the Secretary on the uses of the Fund; review all agricultural research facilities for research importance, and importance to agriculture in-

frastructure security; identify any agricultural research facility that should be closed, realigned, consolidated, or modernized to carry out the research agenda of the Secretary and protect agriculture infrastructure security; develop recommendations concerning agricultural research facilities; and evaluate the agricultural research facilities acquisition and modernization system.

Paragraph (2) provides that to assist the Commission in carrying out the duties described in paragraph (1), the Commission shall use the 10-year strategic plan prepared by the Strategic Planning Task Force established under section 4 of the Research Facilities Act.

Paragraph (3) requires the Commission to submit an annual report to the Secretary, the Committee on Agriculture and the Committee on Appropriations of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry and the Committee on Appropriations of the Senate. Not later than 90 days after the date of receipt of this report, the Secretary shall provide to the Commission a written response concerning the manner and extent to which the Secretary will implement the recommendations in the report. This report shall be publicly available subject to the limitation set forth in this paragraph.

Subsection (g) provides for the compensation of commission members.

Subsection (h) authorizes the appropriation of such sums as are necessary for 2002 through 2006.

CHAPTER 2.—OTHER BIOSECURITY PROGRAMS

Section 1487. Special authorization for biosecurity planning and response

This section amends the National Agricultural Research, Extension, and Teaching Policy Act of 1977 to create a special account for appropriations for agricultural research, education, and extension activities for biosecurity planning and response.

Subsection (a) authorizes such sums as are necessary for fiscal years 2002 through 2006 to be appropriated.

Subsection (b) provides that funds provided under this section may be used under any authority available to the Secretary in order to reduce the vulnerability of the U.S. food and agricultural system to chemical or biological attack, to counter any such chemical or biological attack, or to respond to any such chemical or biological attack.

Section 1488. Agricultural Bioterrorism Research Facilities

Subsection (a) defines terms used in this section including definitions of construction, cost, and eligible entities.

Subsection (b) provides that to enhance the security of agriculture in the United States against threats posed by bioterrorism, the Secretary shall make construction grants, on a competitive basis, to eligible entities subject to a limitation of $10,000,000 in any one fiscal year.

Subsection (c) sets forth the requirements for grants.

Subsection (d) provides the Secretary discretion in determining the amount of grant awards.

Subsection (e) requires that the Federal share of the cost of any construction carried out using funds from a grant provided under this section shall not exceed 50 percent.

Subsection (f) provides that not later than 180 days after the date of enactment of this subtitle, the Secretary shall issue guidelines with respect to the provision of grants under this section.

Subsection (g) provides for an authorization of appropriations for $100,000,000 for fiscal years 2003 through 2005.

Subsection (b) provides a sense of Congress provision that funding for the Agricultural Research Service, the Animal and Plant Health Inspection Service, and other agencies of the Department of Agriculture with responsibilities for biosecurity should be increased as necessary to improve the capacity of the agencies to conduct research and analysis of, and respond to, bioterrorism and animal and plant diseases.

Subtitle B—Food, Agriculture, Conservation, and Trade Act of 1990

Section 731. National genetic resources program

This section reauthorizes this program through 2006.

Section 732. Biotechnology Risk Assessment Research

This section reauthorizes this program through 2006, and amends the Food, Agriculture, Conservation, and Trade Act of 1990 to create priority for grants to institutions that have the goals of forming interdisciplinary teams to review or conduct research, conducting studies on the biosafety of genetically modified agricultural products, evaluating of identity preservation systems, establishing international partnerships, or reviewing the nutritional enhancement and environmental effects of genetically modified agricultural products.

Section 733. High-priority research and extension initiatives

This section reauthorizes this program through 2006, and amends the Food, Agriculture, Conservation, and Trade Act of 1990 to create research initiatives for: Animal infectious diseases and biosecurity, childhood obesity, integrated pest management, and beef cattle genetics.

Section 734. Nutrient management research and extension initiative

This section reauthorizes this program through 2006.

Section 735. Organic agriculture research and extension initiative

This section reauthorizes this program through 2006, and expands the authorization for organic research to cover use of genomics to improve organic agriculture and to address concerns about the potential impact of genetically modified organisms on organic agriculture.

Section 736. Agricultural telecommunications program

This section reauthorizes this program through 2006.

Section 737. Assistive technology program for farmers with disabilities

This section reauthorizes this program through 2006.

Subtitle C.—Agricultural, Research, Extension, and Education Reform Act of 1998

Section 741. Initiative for Future Agriculture and Food Systems

This section amends section 401(b) of the Act to preserve, continue, and expand funding for this program through 2006.

New subparagraph (1)(A) of section 401(b) preserves the current fiscal year allocations of funding under the existing section 401(b)(1) by re-enacting language requiring the Secretary of Treasury to transfer to the Initiative Account $120,000,000 for each fiscal year through fiscal year 2002.

New subparagraph (1)(B) of section 401(b) requires the Secretary of Treasury to transfer to the Initiative Account $145,000,000 for each of fiscal years 2003 through 2006.

New paragraph (2) provides that the Secretary of Agriculture shall receive, accept, and use the funds in the Account, without further appropriation. Existing law provides that the funds required to be transferred by the Secretary of the Treasury for each fiscal year under section 401(b) shall remain available for two fiscal years.

Section 742. Partnerships for high-value agricultural product quality research

This section reauthorizes this program through 2006.

Section 743. Precision agriculture

This section reauthorizes this program through 2006.

Section 744. Biobased products

This section reauthorizes this program through 2006.

Section 745. Thomas Jefferson initiative for crop diversification

This section reauthorizes this program through 2006.

Section 746. Integrated research, education, and extension competitive grants program

This section reauthorizes this program through 2006.

Section 747. Support for research regarding diseases of wheat and barley caused by fusarium graminearum

This section reauthorizes this program through 2006.

Section 748. Office of pest management policy

This section reauthorizes this program through 2006.

Section 749. Senior Scientific Research Service

The Agricultural Research, Extension, and Education Reform Act of 1998 is amended by adding a provision for a senior scientific research service for USDA. This allows USDA to offer outstanding researchers higher pay than they would be able to receive under the general federal civil service scale, which will help USDA stay competitive with other federal agencies and the private sector.

Subsection (a) establishes the service.

Subsection (b) provides that the members of the service shall have a doctoral degree and be outstanding in their field. One hun-

dred members are authorized and they are exempted from many of the provisions applicable to civil service similar to federal employees in the Senior Executive Service.

Subsection (c) directs the Secretary to establish a performance appraisal system.

Subsection (d) provides that the rate of compensation for members of the service shall not be less than the minimum GS–15 rate and not more than Level I of the Executive Schedule unless approved by the President.

Subsection (e) provides that members of the service can participate in the Federal Employees Retirement System.

Subtitle (f) addresses involuntary separation of members of the service.

Subtitle D—Land-Grant Funding

CHAPTER 1—1862 INSTITUTIONS

Section 751. Carryover

Amends the Hatch Act of 1887 to allow the balance of any annual funds provided under this Act to a State agricultural experiment station for a fiscal year that remains unexpended at the end of the fiscal year to be carried over for use during the following fiscal year. If any of the unexpended balance carried over by a State is not expended by the end of the second fiscal year, an amount equal to the unexpended balance shall be deducted from the next succeeding annual allotment to the State.

Section 752. Reporting of technology transfer activities

Amends the Hatch Act of 1887 to require land grant institutions to report on technology transfer activities.

Section 753. Compliance with multistate and integration requirements

Amends the Smith-Lever and Hatch Acts to require a State to have spent on multistate extension activities and integrated research and extension activities, from all sources of cooperative extension and research funding (Federal, State, and local), an amount equal to 25 percent of the Federal funds provided to the State in the prior fiscal year, before receiving its annual allocation of research or extension funding.

Paragraph (1) defines multistate activity.

Paragraph (2) requires institutions to meet a requirement that 25 percent of an institution's activities be multistate as measured by Federal, State, and local funding.

Paragraph (3) provides the Secretary the authority to reduce the percentage.

Paragraph (4) requires a plan of work from an institution demonstrating how it will meet the goals of this section.

Paragraph (5) exempts Native American and territorial institutions.

Subsection (b) amends the Hatch Act:

Paragraph (1) requires institutions to meet a requirement that 25 percent of an institution's activities be integrated as measured by Federal, State, and local funding.

Paragraph (2) provides the Secretary the authority to reduce the percentage.

Paragraph (3) requires a plan of work from an institution demonstrating how it will meet the goals of this section.

Paragraph (4) exempts Native American and territorial institutions.

Paragraph (5) allows funds counted towards meeting the multistate extension requirement to be counted towards meeting the integrated activities requirement as well.

CHAPTER 2—1994 INSTITUTIONS

Section 754. Extension at 1994 institutions

Amends the Smith-Lever Act to make technical changes to the extension program at Native American institutions.

Subparagraph (A) authorizes the appropriation of such sums as are necessary to implement the section.

Subparagraph (B) directs the Secretary to establish a formula for distributing funds among institutions.

Subparagraph (C) allows cooperative agreements among classes of institutions.

Section 755. Equity in Educational Land-Grant Status Act of 1994

Amends the Equity in Educational Land-Grant Status Act of 1994.

Subsection (a) updates the names of 1994 institutions.

Subsection (b) requires 1994 institutions to be accredited to receive research grants.

Subsection (c) authorizes appropriations of such sums as are necessary for formula funds under this section.

Subsection (d) modifies the definition by which the full-time equivalent Indian student count is calculated.

Subsection (e) increases the authorization for institutional payments from $50,000 to $100,000 annually.

Subsection (f) reauthorizes institutional capacity building grants through 2006, and authorizes the appropriation of such sums as are necessary.

Subsection (g) reauthorizes research grants through 2006.

Section 756. Eligibility for integrated grants program

Amends the Agricultural Research, Extension, and Education Reform Act of 1998 to allow 1994 institutions to participate in the Integrated Grants Program.

CHAPTER 3—1890 INSTITUTIONS

Section 757. Authorization percentages for research and extension formula fund

Subsection (a) amends the National Agricultural Research, Extension, and Teaching Policy Act of 1977 to increase the authorization for extension formula funds for the 1890 land grant institutions to an amount not less than 15 percent of that appropriated for extension formula funds for the 1862 institutions under the Smith-Lever Act.

Subsection (b) amends the National Agricultural Research, Extension, and Teaching Policy Act of 1977 to increase the formula percentage to 25 percent for 1890 institutions.

Section 758. Carryover

Amends the National Agricultural Research, Extension, and Teaching Policy Act of 1977 to allow the carryover of the balance of any annual funds provided to an eligible institution for a fiscal year that remains unexpended at the end of the fiscal year.

Subsection (a) provides the funds are available for use during the following fiscal year.

Subsection (b) provides that any unexpended balance carried over by an eligible institution that is not expended by the end of the second fiscal year will be deducted from the next succeeding annual allotment to the eligible institution.

Section 759. Reporting of technology transfer activities

Amends the National Agriculture Research, Extension, and Teaching Policy Act of 1977 to require 1890 institutions to report on their technology transfer activities.

Section 760. Grants to upgrade agricultural and food sciences facilities at 1890 land-grant colleges, including Tuskegee University

Amends the National Agricultural Research, Extension, and Teaching Policy Act of 1977 to increase the grant authorization level to $15,000,000 for 1996 to 2002 and $25,000,000 annually for 2002 through 2006.

Section 761. National research and training centennial centers

This section reauthorizes this program through 2006.

Section 762. Matching funds requirement for research and extension activities

Amends the National Agricultural Research, Extension, and Teaching Policy Act of 1977 to ramp up the 1890 matching requirement to 60 percent in 2003 and 110 percent of the prior year's matching requirement from 2004 through 2006. The Secretary has discretion to waive the match required above 50 percent under certain conditions.

CHAPTER 4—LAND-GRANT INSTITUTIONS

Subchapter A—General

Section 771. Priority setting process

Amends the Agricultural Research, Extension, and Education Reform Act of 1998 to require USDA to establish minimum stakeholder review requirements that ensure transparency and opportunity for stakeholders to provide input.

Section 772. Termination of certain Schedule A appointments

Subsection (a) terminates 60 days after enactment of this Act all Federal Schedule A civil service appointments for extension workers at land-grant institutions who hold dual Federal-State appointments.

Subsection (b) provides for continued eligibility of terminated appointees for certain federal benefits subject to limitations provided for in this subsection.

Subchapter B—Land-Grant Institutions in Insular Areas

Section 775. Distance education grants program for insular area land-grant institutions

Amends the National Agricultural Research, Extension, and Teaching Policy Act of 1977.

Subsection (a) authorizes a distance education program for insular area land-grant institutions.

Subsection (b) provides that grants made under the program can be used for a broad range of purposes necessary to implementing the program.

Subsection (c) provides that funds shall not be used for the planning, acquisition, construction, rehabilitation, or repair of a building or facility.

Subsection (d) requires the Secretary to administer the program in a manner that recognizes the needs of state cooperative institutions.

Subsection (e) provides that the Secretary may establish a matching funds requirement for funds from non-Federal sources that is not less than 50 percent of the grant.

Subsection (f) authorizes appropriations of $4,000,000 annually for 2002 through 2006.

Section 776. Matching requirements for research and extension formula funds for insular area land-grant institutions

Amends the Hatch Act of 1887 and the Smith-Lever Act to create a 50 percent matching requirement for insular area land grant institutions. The Secretary may waive the matching fund requirement for any fiscal year if the Secretary determines that the government of the insular area will be unlikely to meet the matching requirement for the fiscal year.

Subtitle E—Other Laws

Section 781. Critical agricultural materials

This section reauthorizes this program through 2006.

Section 782. Research facilities

This section reauthorizes this program through 2006.

Section 783. Federal agricultural research facilities

This section reauthorizes this program through 2006.

Section 784. Competitive, special, and facilities research grants

The Competitive, Special, and Facilities Research Grant Act (7 U.S.C. 450i) is amended to strike the statutorily set research priorities in the National Research Initiative and authorize the Secretary of Agriculture to set the priorities in consultation with the Advisory Board and stakeholders.

Section 785. Risk management education for beginning farmers and ranchers

Amends the Federal Crop Insurance Act to allow risk management education grants targeted to beginning farmers. Grants are for educating producers generally about the full range of risk management activities, including futures, options, agricultural trade options, crop insurance, cash forward contracting, debt reduction, production diversification, farm resources risk reduction, and other risk management strategies.

Section 786. Aquaculture

This section reauthorizes this program through 2006.

Subtitle F—New Authorities

Section 791. Definitions

Defines terms used under this subtitle.

Section 792. Regulatory and inspection research

Allows the Secretary to utilize the best available sources for meeting urgent research needs of USDA agencies.

Subsection (a) defines terms used under this section.

Subsection (b) requires the Secretary to consider the most practicable public or private source that provides the most timely and cost-effective research in meeting the needs of the research and inspection agencies of the Department such as the Food Safety and Inspection Service, Grain Inspection, Packers, and Stockyards Administration, Animal and Plant Health Inspection Administration, and Agricultural Marketing Service.

Subsection (c) requires the Secretary to establish guidelines to prevent conflicts of interest.

Subsection (d) allows the Secretary to promulgate necessary regulations.

Section 793. Emergency research transfer authority

Authorizes transfers between USDA appropriations to address critical research needs. Transfers are subject to limitations on the amount, demonstration of urgency, and approval by the Office of Management and Budget.

Subsection (a) allows the Secretary to transfer up to 2 percent of any appropriation made available to an office or agency of the Department for a fiscal year for agricultural research, extension, marketing, animal and plant health, nutrition, food safety, nutrition education, or forestry programs to any other appropriation for an office or agency of the Department for emergency research, extension, or education activities needed to address imminent threats to animal and plant health, food safety, or human nutrition, including bioterrorism.

Subsection (b) provides that the Secretary may transfer funds only on a determination by the Secretary that the need is so imminent that the need will not be timely met by annual, supplemental, or emergency appropriations. The total amount transferred in a fiscal year cannot exceed $5,000,000, and must be approved by the Director of the Office of Management and Budget.

Section 794. Review of the Agricultural Research Service

Subsection (a) requires the Secretary to conduct a review of the purpose, efficiency, effectiveness, and impact on agricultural research of the Agricultural Research Service.

Subsection (b) requires the Secretary to use persons outside the Department including Federal scientists, college and university faculty, private and nonprofit scientists, or other persons familiar with the Agricultural Research Service and its role in conducting agricultural research in the United States.

Subsection (c) requires a report due not later than September 30, 2004.

Subsection (d) Provides that the Secretary shall use to carry out this section not more than 0.1 percent of the amount of appropriations made available to the Agricultural Research Service for each of fiscal years 2002 through 2004.

Section 795. Technology transfer for rural development

Subsection (a) provides that the Secretary, acting through the Rural Business-Cooperative Service and the Agricultural Research Service, shall establish a program to promote the availability of technology transfer opportunities of the Department to rural businesses and residents.

Subsection (b) requires that, to the maximum extent practicable, the program include a website featuring information about the program and technology transfer opportunities, an annual joint program for State economic development directors and Department rural development directors regarding technology transfer opportunities, and available technology transfer opportunities programs.

Subsection (c) provides that the Secretary shall use funds made available to the Agricultural Research Service and Rural Business-Cooperative Service for salaries and expenses for the program.

Section 796. Beginning farmer and rancher development program

Provides for the establishment of a beginning farmer and rancher development program.

Subsection (a) defines terms used in this section.

Subsection (b) provides that the Secretary shall establish a beginning farmer and rancher development program to foster training, education, outreach, and technical assistance initiatives for beginning farmers or ranchers.

Subsection (c). Grants:

Paragraph (1) provides competitive grants to eligible institutions to support new and established local and regional training, education, outreach, and technical assistance initiatives for beginning farmers or ranchers.

Paragraph (2) provides that to be eligible to receive a grant under this subsection, the recipient shall be a collaborative State, local, or regionally-based network or partnership of public or private entities, which may include a State cooperative extension service, a Federal or State agency, a community-based nongovernmental organization, a college or university (including an institution awarding an associate degree), or any other appropriate partner, as determined by the Secretary.

Paragraph (3) provides that grants shall not exceed a term of three years.

Paragraph (4) establishes a 25 percent matching requirement for grantees.

Paragraph (5) requires not less than 25 percent of the funds to be set aside to be used to support programs and services that address the needs of limited resource and socially disadvantaged beginning farmers or ranchers.

Paragraph (6) provides that a grant made under this subsection may not be used for the planning, repair, rehabilitation, acquisition, or construction of a building or facility.

Paragraph (7) requires the Secretary to use not more than four percent of the funds made available to carry out this section for administrative costs incurred by the Secretary in carrying out this section.

Subsection (d):

Paragraph (1) requires the Secretary to establish beginning farmer and rancher education teams to develop curricula and conduct educational programs and workshops for beginning farmers or ranchers in diverse geographical areas of the United States.

Paragraph (2) provides that in promoting the development of curricula, the Secretary shall, to the maximum extent practicable, include modules tailored to specific audiences of beginning farmers or ranchers, based on crop or regional diversity.

Paragraph (3) requires the Secretary, in establishing an education team for a specific program or workshop, to the maximum extent practicable, to obtain the short-term services of specialists with knowledge and expertise in programs serving beginning farmers or ranchers, and use officers and employees of the Department with direct experience in programs of the Department that may be taught as part of the curriculum for the program or workshop.

Paragraph (4) requires the Secretary to cooperate, to the maximum extent practicable, with State cooperative extension services, Federal and State agencies, community-based and nongovernmental organizations, colleges and universities (including an institution awarding an associate's degree), or foundations maintained by a college or university, and other appropriate partners, as determined by the Secretary.

Subsection (e) requires the Secretary to establish an online clearinghouse that makes available to beginning farmers or ranchers education curricula and training materials and programs.

Subsection (f) requires the Secretary to seek stakeholder recommendations.

Subsection (g) provides that nothing in this section prohibits the Secretary from allowing farmers and ranchers who are not beginning farmers or ranchers from participating in programs authorized under this section to the extent that the Secretary determines that such participation is appropriate and will not detract from the primary purpose of educating beginning farmers and ranchers.

Subsection (h) provides that not later than 30 days after the date of enactment of this Act, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, the Secretary of the Treasury shall transfer $15,000,000, to remain available for two years. It also allows the Secretary to charge and collect fees.

Section 797. Sense of Congress regarding doubling of funding for agricultural research and increasing capacity for research on biosecurity and animal and plant health diseases

This section provides a sense of Congress provision that federal investments in food and agricultural research should double over the next five years.

Section 798. Rural Research

Subsection (a) establishes a Rural Research Fund Account in the U.S. Treasury.

Subsection (b) provides that not later than 30 days after the date of enactment of this Act, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, the Secretary of the Treasury shall transfer $15,000,000, to remain available for two years.

Subsection (c) requires the Secretary to use the funds in the account to make competitive research grants for rural policy research on topics such as: rural sociology, effects of demographic change, needs of groups of rural citizens, rural community development, rural infrastructure, rural business development, rural education and extension programs, and rural health.

Subsection (d) requires the Secretary in making grants under this section, to solicit and consider public comment from persons who conduct or use agricultural research, extension, education, or rural development programs, and ensure that funded proposals will provide high-quality research that may be of use to public policymakers and private entities in making decisions that affect development in rural areas.

Subsection (e) provides that eligible grantees are: an individual; a college or university or a research foundation maintained by a college or university; a State cooperative institution; a community college; a nonprofit organization, institution, or association; a business association; an agency of a State, local, or tribal government; or a regional partnership of public and private agencies.

Subsection (f) provides that a grant under this section shall have a term that does not exceed five years.

Subsection (g) provides that the Secretary may require that the grant funding be matched, in whole or in part, with matching funds from a non-Federal source. The Secretary is required to implement a 100 percent matching requirement for a grant to a business association.

Subsection (h) provides that the Secretary may use not more than four percent of the funds made available for grants under this section to pay administrative costs incurred in carrying out this section.

Section 798A. Priority for farmers and ranchers participating in conservation programs

Requires the Secretary to give priority in carrying out the programs or projects authorized under this act to using farms or ranches of farmers or ranchers who participate in Federal agricultural conservation programs.

Section 798B. Organic production and market data initiatives

Requires the Secretary to collect and disseminate market data on the organic agriculture industry.

Section 798C. Organically produced product research and education

Requires the Secretary to produce a report, in consultation with the Small Farm Commission on implementation of the National Organic Standards Program about the impact of the program on small farms.

Section 798D. International organic research collaboration

Requires the Agricultural Research Service and the National Agricultural Library to facilitate access by research and extension professionals to organic research conducted outside the United States.

TITLE VIII—FORESTRY

Section 801. Office of international forestry

This section amends the Food, Agriculture, Conservation, and Trade Act of 1990 to re-authorize through 2006 the international forestry office. Under this office, the Forest Service provides technical assistance to other nations, especially in the tropics, on such matters as forest management for sustainable development and global environmental stability.

Section 802. McIntire-Stennis cooperative forestry research program

This section reaffirms the importance of Public Law 87–88, the McIntire-Stennis Cooperative Forestry Act. Under this program, authorized by the McIntire-Stennis Act, the Department of Agriculture funds eligible institutions of higher learning to support forestry related scientific research.

Section 803. Sustainable forestry outreach initiative; renewable resources extension activities

This section amends the Renewable Resources Extension Act of 1978 (RREA) to re-authorize the Act through 2006 and increase its authorization of appropriation from $15,000,000 to $30,000,000 each year. The section also creates a sustainable forestry outreach initiative within the RREA to educate landowners about sustainable forestry, the importance of professional forestry advice in achieving sustainable forestry objectives, and the resources available to assist landowners in planning for and practicing sustainable forestry.

Section 804. Forestry incentives program

This section amends the Cooperative Forestry Assistance Act of 1978 to re-authorize the forestry incentives program through fiscal year 2006. This program provides financial assistance for forest management such as tree planting, timber stand improvement, and reforestation on non-federal lands.

Section 805. Sustainable forestry cooperative program

This section amends the Cooperative Forestry Assistance Act of 1978 to establish a program with $2,000,000 annual mandatory funding to assist in the development of sustainable forestry cooperatives owned and operated by nonindustrial private forest landowners and comprised of members at least 51 percent of whom are farmers or ranchers. The program shall provide competitive

grants to non-profit organizations that have demonstrated expertise in cooperative development.

Section 806. Sustainable forest management program

This section amends the Cooperative Forestry Assistance Act of 1978 to establish a program that is administered by the Secretary, acting through State foresters, and in coordination with State coordinating committees. Mandatory funding of $48,000,000 is available annually and is to be distributed via a nationwide funding formula. Cost share grants are provided to nonindustrial private forest landowners who agree to develop a management plan and implement approved activities for a period of not less than 10 years. The program ensures that the need for expanded technical assistance for non-industrial private forest landowners is met in funding priorities for each State.

The program provides that the Secretary allocate resources among States to encourage: forest health and productivity, timber stand improvement and growth, riparian buffer and forest wetland protection, enhancement of fish and wildlife habitat, soil, air and water quality, the reduction of soil erosion and soil quality through agroforestry practices, enhancement of the forest landbase, reduction of the threat of catastrophic wildfire, preservation of aesthetic quality and opportunities for outdoor recreation.

Approved activities include: the restoration of forests for shelterbelts, windbreaks, and other conservation purposes; the sustainable growth and management of forests for timber production, enhancement of forest wetland and riparian areas, the protection of water quality and watersheds, preservation of habitat for plants, fish and wildlife, the control of the spread of invasive species, the acquisition of permanent easements, and other activities approved by the Secretary.

Section 807. Forest fire research centers

This section amends the Forest Rangeland Renewable Resources Act of 1978 and requires the Secretary to establish at least two forest fire research centers at institutions of higher learning, including in two or more western States. The centers are established to conduct integrative, interdisciplinary research into the ecological, socioeconomic, and environmental impact of fire control and to develop new fire control technologies. The section also establishes an advisory committee to set priorities for research under this program. There are authorized such sums as necessary to carry out the section.

Section 808. Wildfire prevention and hazardous fuel purchase program

This section amends the Cooperative Forestry Assistance Act of 1978. The first subsection authorizes the Secretary to provide grants to eligible entities that use hazardous fuels to generate electricity. The subsection authorizes appropriations of $50,000,000 annually. The second subsection authorizes the Secretary to enter into stewardship contracts for the removal of hazardous fuels from National Forest System land to implement the National Fire Plan. There are authorized such sums as necessary to carry out this subsection.

Section 809. Enhanced community fire protection

This section amends the Cooperative Forestry Assistance Act of 1978 to authorize the Secretary to cooperate with State foresters and equivalent State officials to enhance community fire protection and enhance tree and forest growth and resource conservation. The section also establishes a community and private land fire assistance program which enables the Secretary to undertake a variety of activities aimed at preventing fires on both Federal and non-federal lands. The section authorizes appropriations of $35,000,000 annually.

Section 810. Watershed forestry assistance program

This section amends the Cooperative Forestry Assistance Act of 1978 to authorize the Secretary to establish a cost-share program to provide to States, through State foresters, technical, financial, and related assistance to expand forest stewardship capacities and activities, prevent water quality degradation, and address watershed issues on non-federal forest land. The section authorizes appropriations of $20,000,000 annually.

Section 811. General provisions

This section amends the Cooperative Forestry Assistance Act of 1978 to allow the Secretary to make grants and enter into contracts, agreements or other arrangements to carry out the Act.

Section 812. State forest stewardship coordinating committees

This section amends the Cooperative Forestry Assistance Act of 1978 to add the United States Fish and Wildlife Service to State coordinating committees under the Act. The section also requires that each committee submit to the Secretary and the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate an annual report that lists the members on the committee and an explanation for the reasons members that may be included on the committee are not included.

TITLE IX—ENERGY

Section 901. Findings

This section states Congressional findings with respect to the development of agriculturally based renewable energy, the promotion of energy efficiency and biobased products.

Section 902. Consolidated Farm and Rural Development Act

This section amends the Act by adding a subtitle L—Clean Energy.

Section 388A. Definitions

This section includes definitions of biomass, renewable energy and rural small business.

CHAPTER 1—BIOBASED PRODUCT DEVELOPMENT

Section 388B. Biobased product purchasing requirement

This section establishes a mandatory federal purchasing requirement of biobased products if they are on a USDA biobased products list and are comparable in price, performance and availability to non-biobased products. The section also instructs the Secretary to develop a labeling program for biobased products similar to the Energy Star program of the Department of Energy and Environmental Protection Agency. Mandatory funding of $2,000,000 is available annually.

Section 388C. Biorefinery development grants

This section establishes a competitive grant program to support the development of biorefineries for the conversion of biomass into multiple products such as fuels, chemicals and electricity. Mandatory funding of $15,000,000 is available annually.

Section 388D. Biodiesel fuel education program

This section establishes a competitive grant program to educate government and private entities with vehicle fleets and the public about the benefits of biodiesel fuel use. The section authorizes appropriations of $5,000,000 annually.

CHAPTER 2—RENEWABLE ENERGY DEVELOPMENT AND ENERGY EFFICIENCY

Section 388E. Renewable energy development grant program

This section establishes a competitive grant and loan program to assist new cooperatives and business ventures at least 51 percent owned by farmers or ranchers for the development of renewable energy projects to produce electricity. Mandatory funding of $16,000,000 is available annually.

Section 388F. Energy audit and renewable energy development program

This section establishes a competitive grant program to eligible entities to administer farmer, rancher and rural small business energy audits and renewable energy development assessments. Mandatory funding of $15,000,000 is available annually.

Section 388G. Grants and loans to farmers, ranchers and rural small businesses for renewable energy systems and energy efficiency improvements

This section establishes a grant and loan program to assist eligible farmers, ranchers and rural small businesses in purchasing renewable energy systems and for making energy efficiency improvements. Mandatory funding of $33,000,000 is available annually.

Section 388H. Hydrogen and fuel cell technologies program

This section establishes a competitive grant program to eligible entities to demonstrate the use of hydrogen and fuel cell technologies in farm and rural applications. Mandatory funding of $5,000,000 is available annually.

Section 388I. Technical assistance for farmers and ranchers to develop renewable energy resources

This section states the Secretary, acting through the Cooperative State Research, Education, and Extension Service, and in consultation with the Natural Resources Conservation Service, may provide education and technical assistance to farmers and ranchers for the development and marketing of renewable energy resources.

CHAPTER 3—CARBON SEQUESTRATION RESEARCH, DEVELOPMENT, AND DEMONSTRATION PROGRAM

Section 388J. Research

This section establishes a carbon sequestration research and development program to promote understanding of the net sequestration of organic carbon in soil and net emissions of other greenhouse gases from agriculture. Requires that, within three years, the Secretary convene a conference of key scientific experts on carbon sequestration from various sectors to establish benchmark standards for measuring soil carbon content and net emissions of other greenhouse gases, designate measurement techniques and modeling approaches to achieve such standards, and evaluate results of analyses on baseline, permanence and leakage issues. The section authorizes appropriations of $25,000,000 annually.

Section 388K. Demonstration projects and outreach

This section establishes carbon sequestration monitoring programs; demonstration projects of methods for measuring, verifying and monitoring changes in carbon content and greenhouse gas emissions; and periodic outreach to farmers and ranchers regarding the connection between global climate change mitigation strategies and agriculture. The section authorizes appropriations of $10,000,000 annually.

Section 903. Biomass Research and Development Act of 2000

This section extends the Act's termination date to September 30, 2006. Mandatory funding of $15,000,000 is available annually to carry out the purposes of the Act.

Section 904. Rural Electrification Act of 1936

Amends the Rural Electrification Act by adding at the end the following:

Section 21. Financial and technical assistance for renewable energy projects

This section establishes a grant and loan program to assist rural electric cooperatives and other rural electric utilities in developing renewable energy to serve the needs of rural communities or for rural economic development. Grants may be used to help pay for renewable energy project feasibility studies, and technical assistance. Loans are available for other costs associated with a project. Mandatory funding of $9,000,000 is available annually.

Sec. 905. Carbon sequestration demonstration program

This section establishes a competitive research and development program to test the methodologies by which private parties may

pay farmers and foresters a market-based fee to store carbon and to otherwise reduce net emissions of greenhouse gases. Under this program, the Department of Agriculture would share in the costs of monitoring, verifying and auditing such trades on a demonstration basis and would also make grants to researchers to establish the best methodologies for measuring additional carbon sequestration in soils and plants. The section authorizes appropriations of $20,000,000 annually.

Sec. 906. Sense of Congress concerning national renewable fuels standard

This section expresses the sense of Congress that a national renewable fuels program should be adopted and that the Department of Agriculture should ensure its policies and programs promote the production of fuels from renewable fuel sources.

Sec. 907. Sense of Congress concerning the bioenergy program of the Department of Agriculture

This section expresses the sense of Congress that biofuel production capacity will be needed to phase out methyl tertiary butyl ether in gasoline and the dependence of the United States on foreign oil; and the bioenergy program of the Department of Agriculture should be continued and expanded.

TITLE X—Miscellaneous

Subtitle A—Country of Origin and Quality Grade Labeling

Section 1001. Country of origin labeling

This section amends the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.) by adding a new Subtitle C containing the following sections:

Section 271. Definitions

This section defines terms used in the subtitle. For the purpose of this subtitle, the term "covered commodity" means beef, lamb, pork, farm-raised fish, perishable agricultural commodities or peanuts but does not include processed beef, lamb and pork items or frozen entrees containing beef, lamb and pork.

Section 272. Notice of country of origin

Subsection (a). This subsection requires a retailer of a covered commodity to inform consumers of the country of origin of the covered commodity. It establishes the requirements that must be met before a retailer may designate a covered commodity as having a United States country of origin.

Subsection (b). This subsection provides that the notification requirements of this section do not apply to food service establishments.

Subsection (c). This subsection allows the information required by this section to be provided to consumers by means of a label, stamp, mark, placard, or other clear and visible sign on the covered commodity or on the package, display, holding unit, or bin containing the commodity at the final point of sale to consumers.

Subsection (d). This subsection allows the Secretary to require that any person who prepares, stores, handles, or distributes a covered commodity for retail sale must maintain records that will permit the Secretary to ensure compliance with the regulations promulgated under section 274.

Subsection (e). This subsection requires any person engaged in the business of supplying a covered commodity to a retailer to provide information to the retailer indicating the commodity's country of origin.

Subsection (f). This subsection allows the Secretary, in developing a program to certify country of origin under this section, to use as a model existing certification programs.

Section 273. Enforcement

This section provides that in general, Section 253 of the Agricultural Marketing Act will apply to violations of this subtitle. It requires the Secretary to give notice of a violation and provide 30 days in which the retailer may remedy the violation before assessing a fine.

Section 274. Regulations

This section allows the Secretary to promulgate regulations necessary to carry out this subtitle, and requires the Secretary to partner with States, to the maximum extent practicable, to enforce this subtitle.

Section 275. Application

This section provides that this subtitle will apply to the retail sale of covered commodities beginning 180 days after the date of the enactment.

Section 1002. Quality grade labeling of imported meat and meat food products

This section amends the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.) (as amended by section 1001) by adding a new Subtitle D containing the following sections:

Section 281. Definition of Secretary

This section defines "Secretary" for the purpose of this subtitle.

Section 282. Quality grade labeling of imported meat and meat food products

This section prohibits imported meat or meat food products from bearing a label that indicates a quality grade issued by the Secretary.

Section 283. Regulations

This section requires the Secretary to promulgate regulations necessary to ensure compliance with, and carry out, this subtitle.

Subtitle B—Crop Insurance

Section 1011. Continuous coverage

This section amends Section 508(e)(4) of the Federal Crop Insurance Act (7 U.S.C. 1508(e)(4)) by removing the time limit on the prohibition on continuous coverage in that section.

Section 1012. Quality loss adjustment procedures

This section amends Section 508(m)(3) of the Federal Crop Insurance Act (7 U.S.C. 1508(m)(3)) to require that adjustments to the procedures described in this subsection be made by the 2003 reinsurance year.

Section 1013. Conservation Requirements

Subsection (a). This subsection amends Section 1211(1)(A) of the Food Security Act of 1985 (16 U.S.C. 3811(1)) to provide that persons who produce agricultural commodities on highly erodible land in any crop year without complying with conservation requirements are ineligible during that crop year for payments under any contract (as opposed to production flexibility contracts specifically, as provided by existing law), as well as ineligible for marketing assistance loans and any type of price support or payment under the Agricultural Market Transition Act. It also adds a new subparagraph (C) listing another category of payments for which such persons are ineligible—indemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.).

Subsection (b). This subsection amends Section 1221(b) of the Food Security Act of 1985 (16 U.S.C. 3821(b)) to provide that persons who produce agricultural commodities on converted wetland in any crop year are ineligible during that crop year for payments under any contract (as opposed to production flexibility contracts specifically, as provided by existing law), as well as ineligible for marketing assistance loans and any type of price support or payment under the Agricultural Market Transition Act. It also adds farm storage facility loans made under section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h)), disaster payments, and indemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) to the list of loans and payments for which such persons are ineligible.

Subsection (c). This subsection amends Section 519(b) of the Controlled Substances Act (21 U.S.C. 889) by making technical changes, and by adding to the list of loans and payments for which persons convicted of cultivating controlled substances are ineligible (A) payments made pursuant to a contract entered into under the environmental quality incentives program under chapter 4 of subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3839aa et seq.); (B) a payment under any other provision of subtitle D of title XII of that Act (16 U.S.C. 3830 et seq.); (C) a payment under section 401 or 402 of the Agricultural Credit Act of 1978 (16 U.S.C. 2201, 2202); or (D) a payment, loan, or other assistance under section 3 or 8 of the Watershed Protection and Flood Prevention Act (16 U.S.C. 1003 and 1006a).

Subtitle C—General Provisions

Section 1021. Unlawful stockyard practices involving nonambulatory livestock

This section amends Title III of the Packers and Stockyards Act, 1921, by inserting after section 317 (7 U.S.C. 217a) the following new section:

Section 318. Unlawful stockyard practices involving nonambulatory livestock

Subsection (a). This subsection defines terms used in this section.

Subsection (b). This subsection provides that in general, it will be unlawful under section 312 of this Act for any stockyard owner, market agency, or dealer to buy, sell, give, receive, transfer, market, hold, or drag any nonambulatory livestock unless the nonambulatory livestock has been humanely euthanized. This prohibition will not apply to any farm not subject to the authority of the Grain Inspection, Packers, and Stockyards Administration, nor will it apply in a case in which nonambulatory livestock receive veterinary care intended to render the livestock ambulatory.

Section 1022. Cotton classification services

This section re-authorizes and extends the cotton classification activities of the Department of Agriculture under the Cotton Statistics and Estimates Act through 2006.

Section 1023. Protection for purchasers of farm products

This section amends the Food Security Act of 1985 to conform provisions to the revised Uniform Commercial Code. It allows filings for security interests in farm products to identify the State, county, or parish in which the product is located, instead of requiring the exact description of property where the product is located.

Section 1024. Penalties and foreign commerce provisions of the Animal Welfare Act

This section amends Section 26(e) of the Animal Welfare Act (7 U.S.C. 2156(e)) by increasing the penalties for violations from a maximum fine of $5,000 to a maximum fine of $15,000, and from a maximum of one year in prison to a maximum of two years in prison. This section also amends Section 26(g)(2)(B) to add a prohibition against the transporting of animals for fighting purposes from any State into any foreign country.

Section 1025. Prohibition on interstate movement of animals for animal fighting

This section amends Section 26(d) of the Animal Welfare Act (7 U.S.C. 2156(d)) to prohibit the movement in interstate or foreign commerce of live birds for the purpose of animal fighting. Existing law allows the interstate movement of birds for fighting purposes as long as they are shipped to a state where fighting is legal. The prohibition does not apply to the selling, buying, transporting, or delivery of birds in interstate or foreign commerce for purposes other than the participation of the animal in an animal fighting activity.

Section 1026. Outreach and assistance for socially disadvantaged farmers and ranchers

This section amends Section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 2279) by striking subsection (a) and inserting a new subsection (a) containing the following paragraphs:

Paragraph (1). This paragraph defines terms used in this subsection.

Paragraph (2). This paragraph requires the Secretary to carry out an outreach and technical assistance program to encourage and assist socially disadvantaged farmers and ranchers in owning and operating farms and ranches and in participating equitably in the full range of agricultural programs offered by the Department.

Paragraph (3). This paragraph provides that the outreach and technical assistance program under paragraph (2) must enhance coordination of the outreach, technical assistance, and education efforts authorized under various agriculture programs, and must include information on, and assistance with, commodity, conservation, credit, rural, and business development programs, application and bidding procedures, farm and risk management, marketing, and other activities essential to participation in the Department's programs.

Paragraph (4). This paragraph provides that in general, the Secretary may make grants to, and enter into contracts and other agreements with, an eligible entity to provide information and technical assistance under this subsection.

Paragraph (5). This paragraph authorizes appropriations of $25,000,000 for each of fiscal years 2002 through 2006 to carry out this subsection. In addition to the funds authorized to be appropriated to carry out this subsection, any agency of the Department may participate in any grant, contract, or agreement entered into under this section by contributing funds if the agency determines that the objectives of the grant, contract, or agreement will further the authorized programs of the contributing agency.

Section 1027. Public disclosure requirements for county committee elections

This section amends Section 8(b)(5) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)(5)) by striking subparagraph (B) and inserting a new subparagraph (B) providing that in general, in each county or area in which activities are carried out under this section, the Secretary will establish a county or area committee. The Secretary may designate local administrative areas within a county or a larger area under the jurisdiction of a committee. A committee will consist of between three and five members that are fairly representative of the agricultural producers within the area covered by the county, area, or local committee and are elected by the agricultural producers who participate or cooperate in programs administered within the area under the jurisdiction of the county, area, or local committee. The Secretary is required to establish procedures for nominations and elections to county, area, or local committees. Each solicitation of nominations, and notice of elections, to a county, area, or local committee must include the nondiscrimination statement used by the Secretary. To be eligible for nomination and election to the applicable county, area, or local

committee, as determined by the Secretary, an agricultural producer must be located within the area under the jurisdiction of a county, area, or local committee, and participate or cooperate in programs administered within that area. In addition to establishing nominating procedures, the Secretary must solicit and accept nominations from organizations representing the interests of socially disadvantaged groups (as defined in section 355(e)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 2003(e)(1)). At least ten days before the date on which ballots are to be opened and counted, a county, area, or local committee must announce the date, time, and place at which election ballots will be opened and counted, and the ballots cannot be opened until that date, time, and place. Any person may observe the opening and counting of the election ballots. Not later than 20 days after the date on which an election is held, a county, area, or local committee must file an election report with the Secretary and the State office of the Farm Service Agency that includes the number of eligible voters in the area covered by the county, area, or local committee; the number of ballots cast in the election by eligible voters (including the percentage of eligible voters who cast ballots); the number of ballots disqualified in the election; the percentage that the number of ballots disqualified is of the number of ballots received; the number of nominees for each seat up for election; the race, ethnicity, and gender of each nominee, as provided through the voluntary self-identification of each nominee; and the final election results (including the number of ballots received by each nominee). Not later than 90 days after the date on which the first election of a county, area, or local committee that occurs after the date of enactment of the Agriculture, Conservation, and Rural Enhancement Act of 2001 is held, the Secretary must complete a report that consolidates all the election data reported to the Secretary under this subparagraph. With respect to election reform, if determined necessary by the Secretary after analyzing the data contained in the report, the Secretary will promulgate and publish in the Federal Register proposed uniform guidelines for conducting elections for members and alternate members of county, area, and local committees not later than one year after the date of completion of the report. The procedures promulgated by the Secretary must ensure fair representation of socially disadvantaged groups in an area covered by the county, area, or local committee, in cases in which those groups are underrepresented on the county, area, or local committee for that area. The Secretary may ensure inclusion of socially disadvantaged farmers and ranchers through provisions allowing for appointment of additional voting members to a county, area, or local committee or through other methods consistent with the Constitution. The term of office for a member of a county, area, or local committee will not exceed three years.

Section 1028. Pseudorabies Eradication Program

This section amends the Food, Agriculture, Conservation, and Trade Act of 1990 to reauthorize and extend the Pseudorabies Eradication Program through 2006.

Section 1029. Tree Assistance Program

This section amends Section 194 of the Federal Agriculture Improvement and Reform Act of 1996 (Public Law 104–127; 110 Stat. 945) to read as follows:

Subsection (a). This subsection defines terms used in this section.

Subsection (b). Eligibility:

Paragraph (1). This paragraph requires the Secretary to provide assistance to eligible orchardists that, as determined by the Secretary, planted trees for commercial purposes and lost those trees as a result of a natural disaster.

Paragraph (2). This paragraph provides that an eligible orchardist will qualify for assistance only if the tree mortality rate of the orchardist, as a result of the natural disaster, exceeds 15 percent (adjusted for normal mortality), as determined by the Secretary.

Subsection (c). Assistance:

Paragraph (1). This paragraph provides that in general, assistance provided by the Secretary to eligible orchardists for losses described in subsection (b) will consist of reimbursement of 75 percent of the cost of replanting trees lost due to a natural disaster, as determined by the Secretary, in excess of 15 percent mortality (adjusted for normal mortality), or at the discretion of the Secretary, sufficient tree seedlings to reestablish the stand.

Paragraph (2). This paragraph limits the total amount of payments that a person may receive under this section to $100,000 or an equivalent value in tree seedlings. The Secretary must promulgate regulations that define the term "person" for the purposes of this section (which will conform, to the extent practicable, to the regulations defining the term "person" promulgated under section 1001 of the Food Security Act of 1985 (7 U.S.C. 1308), and prescribe such rules as the Secretary determines are necessary to ensure a fair and reasonable application of the limitation established under this section.

Subsection (d). This subsection provides that notwithstanding section 161, there is authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 2002 through 2006.

This section applies to tree losses that are incurred as a result of a natural disaster after January 1, 2000.

Section 1030. National Organic Certification Cost-Share Program

Subsection (a). This subsection provides that in general, the Secretary (acting through the Agricultural Marketing Service) must use $3,500,000 in mandatory funds for fiscal year 2002 to establish a national organic certification cost-share program to assist producers and handlers of agricultural products in obtaining certification under the national organic production program established under the Organic Foods Production Act of 1990 (7 U.S.C. 6501 et seq.).

Subsection (b). This subsection provides that the Secretary will pay not more than 75 percent of the costs incurred by a producer or handler in obtaining certification under the national organic production program, as certified to and approved by the Secretary. The maximum amount of a payment made to a producer or handler under this section will be $500.

Section 1031. Food Safety Commission

Subsection (a). Establishment:

Paragraph (1). This paragraph provides that there is established a commission to be known as the "Food Safety Commission" (referred to in this section as the "Commission").

Paragraph (2). This paragraph provides the Commission will be composed of 15 members, of whom four will be appointed by the Majority Leader of the Senate, three will be appointed by the Minority Leader of the Senate, four will be appointed by the Speaker of the House of Representatives, three will be appointed by the Minority Leader of the House of Representatives, and one will be appointed jointly by the Speaker of the House of Representatives and the Majority Leader of the Senate and will serve as Chairperson. Members of the Commission will be knowledgeable about matters within the jurisdiction of the Commission, will represent consumer groups, food processors, food producers, and food retailers, public health professionals, food inspectors, food safety regulators, members of academia, or any other interested individuals, and will not be Federal employees. Members of the Commission are to be appointed no later than 60 days after the date of enactment of this Act. The Speaker of the House of Representatives, the Minority Leader of the House of Representatives, the Majority Leader of the Senate, and the Minority Leader of the Senate must consult among themselves prior to appointing the members of the Commission to achieve, to the maximum extent practicable, consensus on the appointments and fair and equitable representation of various points of view with respect to matters reviewed by the Commission. A vacancy on the Commission will not affect the powers of the Commission, and will be filled within 60 days of the vacancy and in the same manner as the original appointment was made.

Paragraph (3). This paragraph provides that the initial meeting of the Commission will be conducted not later than 30 days after the later of the date of appointment of the final member of the Commission or the date on which funds authorized to be appropriated under subsection (f)(1) are made available. The Commission will meet at the call of the Chairperson.

Paragraph (4). This paragraph provides that a majority of the members of the Commission will constitute a quorum to conduct business. At the first meeting of the Commission, the Commission will adopt standing rules to guide the conduct of business and decision making of the Commission. To the maximum extent practicable, the Commission will carry out the duties of the Commission by reaching consensus. If the Commission is unable to achieve consensus with respect to a particular decision, the Commission will vote on the decision.

Subsection (b). Duties:

Paragraph (1). This paragraph provides that in general, the Commission will make specific recommendations that build on and implement, to the maximum extent practicable, the recommendations contained in the report of the National Academy of Sciences entitled "Ensuring Safe Food from Production to Consumption" and that will serve as the basis for draft legislative language to improve the food safety system, improve public health, create a harmonized, central framework for managing Federal food safety programs (including outbreak management, standard-setting, inspection, moni-

toring, surveillance, risk assessment, enforcement, research, and education), enhance the effectiveness of Federal food safety resources, and eliminate, to the maximum extent practicable, gaps, conflicts, duplication, and failures in the food safety system. Recommendations made by the Commission will address (i) all food available commercially in the United States, including meat, poultry, eggs, seafood, and produce; (ii) the application of all resources based on risk, including resources for inspection, research, enforcement, and education; (iii) shortfalls, redundancy, and inconsistency in laws (including regulations); and (iv) the use of science-based methods, performance standards, and preventative control systems to ensure the safety of the food supply of the United States.

Paragraph (2). This paragraph provides that not later than one year after the date on which the Commission first meets, the Commission must submit to the President and Congress a comprehensive report that includes (A) the findings, conclusions, and recommendations of the Commission; (B) a summary of any reports submitted to the Commission under subsection (e) by the Advisory Commission on Intergovernmental Relations and the National Academy of Sciences; (C) a summary of any other material used by the Commission in the preparation of the report under this paragraph; and (D) if requested by one or more members of the Commission, a statement of the minority views of the Commission.

Subsection (c). Powers of the Commission:

Paragraph (1). This paragraph provides that the Commission may, for the purpose of carrying out this section, hold hearings, meet and act, take testimony, receive evidence, and administer oaths.

Paragraph (2). This paragraph provides that in general, Section 1821 of title 28, United States Code, will apply to witnesses requested to appear before the Commission. The per diem and mileage allowances for a witness shall be paid from funds available to pay the expenses of the Commission.

Paragraph (3). This paragraph provides that in general, the Commission may secure directly, from any Federal department or agency, information necessary to carry out its duties. On the request of the Commission, the head of a department or agency must furnish information requested by the Commission. The furnishing of information by a department or agency to the Commission will not be considered a waiver of any exemption available to the department or agency under section 552 of title 5, United States Code. For purposes of section 1905 of title 18, United States Code, the Commission will be considered an agency of the Federal Government, and any individual employed by an individual, entity, or organization that is a party to a contract with the Commission under subsection (e) will be considered an employee of the Commission. Information obtained by the Commission, other than information that is available to the public, will not be disclosed to any person in any manner except to an employee of the Commission, or in compliance with a court order, or, in any case in which the information is publicly released by the Commission, in an aggregate or summary form that does not directly or indirectly disclose the identity of any person or business entity or any information the release of which is prohibited under section 1905 of title 18, United States Code.

Subsection (d). Commission Personnel Matters:

Paragraph (1). This paragraph provides that a member of the Commission will be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which the member is engaged in the performance of the duties of the Commission.

Paragraph (2). This paragraph provides that a member of the Commission will be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for an employee of an agency under subchapter I of chapter 57 of title 5, United States Code.

Paragraph (3). This paragraph provides that the Chairperson of the Commission may, without regard to the civil service laws (including regulations), appoint and terminate an executive director and such other additional personnel as are necessary to enable the Commission to perform the duties of the Commission. The rate of pay for the executive director and other personnel shall not exceed the rate payable for level V of the Executive Schedule under section 5316 of title 5, United States Code.

Paragraph (4). This paragraph provides that an employee of the Federal Government may be detailed to the Commission, without reimbursement, for such period of time as the Commission may require. The detail of the employee shall be without interruption or loss of civil service status or privilege.

Paragraph (5). This paragraph provides that the Chairperson of the Commission may procure temporary and intermittent services in accordance with section 3109(b) of title 5, United States Code, at rates for individuals that do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of that title.

Subsection (e). Contracts for Research:

Paragraph (1). This paragraph provides that in carrying out its duties, the Commission may enter into contracts with the Advisory Commission on Intergovernmental Relations under which the Advisory Commission on Intergovernmental Relations will conduct a thorough review of, and will catalogue, all applicable Federal, State, local, and tribal laws, regulations, and ordinances that pertain to food safety in the United States. A contract under this paragraph will require that, not later than 240 days after the date on which the Commission first meets, the Advisory Commission on Intergovernmental Relations will submit a report that describes the results of the services rendered by the Advisory Commission on Intergovernmental Relations under the contract.

Paragraph (2). This paragraph provides that in carrying out its duties, the Commission may enter into contracts with the National Academy of Sciences to obtain research or other assistance. A contract under this paragraph will require that, not later than 240 days after the date on which the Commission first meets, the National Academy of Sciences will submit to the Commission a report that describes the results of the services to be rendered by the National Academy of Sciences under the contract.

Paragraph (3). This paragraph provides that nothing in this subsection limits or otherwise affects the ability of the Commission to enter into a contract with an entity or organization that is not described in paragraph (1) or (2) to obtain assistance in conducting research necessary to carry out the duties of the Commission.

Subsection (f). This subsection authorizes appropriations of $3,000,000 to carry out this section. No payment may be made under subsection (d) or (e) except to the extent provided for in advance in an appropriations Act.

Subsection (g). This subsection provides that the Commission will terminate on the date that is 60 days after the date on which the Commission submits the recommendations and report under subsection (b).

Section 1032. Humane methods of animal slaughter

This section expresses the sense of Congress that the Humane Methods of Slaughter Act should be fully enforced and that USDA should resume tracking violations of the Act.

Subtitle D—Administration

Section 1041. Regulations

This section allows the Secretary to promulgate such regulations as are necessary to implement this Act and the amendments made by this Act, and includes provisions relating to rulemaking procedures.

Section 1042. Effect of Amendments

This section provides that in general, this Act and the amendments made by this Act will not affect the authority of the Secretary to carry out an agricultural market transition, price support, or production adjustment program for any of the 1996 through 2001 crop, fiscal, or calendar years. A provision of this Act or an amendment made by this Act will not affect the liability of any person under any provision of law as in effect immediately before the date of enactment of this Act.

V. Legislative History and Votes in Committee

(A) HEARINGS

On January 30, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing to review the final report of the 21st Century Commission on Production Agriculture. The 11-member Commission was created by the Federal Agriculture Improvement and Reform (FAIR) Act of 1996 to identify the appropriate role of the federal government in production agriculture following expiration of the FAIR Act in 2001. Members of the Commission who appeared before the committee included Dr. Barry Flinchbaugh, (Chairman of the Commission), Kansas State University, Manhattan, Kansas; Bruce Brumfield, Duncan Gin, Inc., Iverness, Mississippi; John Campbell, Ag Processing, Inc., Omaha, Nebraska; Mr. Donald Cook, Pendleton, Oregon; Jim DuPree, Newport, Arkansas; Mr. Charles Kruse, Missouri Farm Bureau, Jefferson City, Missouri; William Northey, Spirit lake, Iowa; Ralph Paige, Federation of Southern Cooperatives, East point, Georgia; Bob Stallman, American Farm Bureau, Park Ridge, Illinois; Leland Swenson, National Farmers Union, Aurora, Colorado; and Don Villwock, Edwardsport, Indiana. The Department of Agriculture's Chief Economist, Dr. Keith Collins, also testified about recent market and policy developments. In his opening statement, Chairman

Lugar hailed the Commission's report as the beginning of the 2002 farm bill process. He addressed some of the structural issues in agriculture, and raised concerns about unintended consequences of farm policy that may be hurting some farmers more than helping them. Ranking member Harkin applauded the hard work undertaken by Commission members, but expressed some disappointment that they had chosen not to explore certain types of farm policy issues in their report, such as renewable energy, nutrition assistance, and rural development. He also noted that despite widespread financial difficulty in the farm sector, the report recommended only incremental changes to existing policy.

On February 28, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing to review the state of conservation programs in the current farm bill. Those testifying before the committee included: Katherine Smith, Director of Resource Economics, USDA Economic Research Service, Washington, D.C.; Jeffery Zinn, Resource, Science and Industry Division, Congressional Research Service; Thomas Weber, Deputy Chief for Programs, USDA Natural Resources Conservation Service, Washington, D.C.; and Robert Stephenson, Director of Conservation and Environmental Programs, USDA Farm Service Agency, Washington, D.C. The witnesses testified about the background and current status of conservation programs run by the USDA. They provided specific information on the enrollment levels, backlog, environmental benefits and need for changes in policy for the Conservation Reserve Program, Environmental Quality Incentives Program, Wildlife Habitat Incentives Program, Wetlands Reserve Program, Farmland Protection Program, conservation compliance, and technical assistance.

On March 1, 2001 the Senate Committee on Agriculture, Nutrition and Forestry held a hearing to continue reviewing the state of conservation programs in the current farm bill. Those testifying before the committee included: Craig Cox, Executive Director, Soil and Water Conservation Society, Ankeny, Iowa; John Hassell, Executive Director, Conservation Technology Information Center, West Lafayette, Indiana; Nathan Rudgers, Commissioner, New York State Department of Agriculture and Markets, National Association of State Departments of Agriculture, Washington, D.C.; Paul Johnson, farmer from Deborah, Iowa; Bob Stallman, President, American Farm Bureau Federation, Washington, D.C.; Dan Specht, Sustainable Agriculture Coalition, Washington, D.C.; Tom Buis, Executive Director, National Farmers Union, Washington, D.C.; Rollin D. Sparrowe, President, Wildlife Management Institute, Washington, D.C.; Ralph Grossi, President, American Farmland Trust, Washington, D.C.; David Stawick, President, Alliance for Agricultural Conservation, Washington, D.C.; and Paul Faeth, Director, World Resources Institute, Washington, D.C. The witnesses testified primarily for the need to create a new conservation incentives program to bolster conservation on working lands. The new conservation incentives program would provide income to producers who implement conservation practices and would also reward those producers who currently maintain conservation practices on their land. Witnesses also testified for the need for increased funding, and acreage for existing conservation programs.

They also spoke of the need for increased technical assistance to implement the programs.

On March 24, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing in Spencer, Iowa to discuss the future of the farm bill and other related agricultural and rural issues. Those testifying before the committee included: Dr. Neil Harl, Professor of Economics, Iowa State University, Ames, Iowa; Joan Blundall, The Seasons Center for Community Mental Health, Spencer, Iowa; Don Mason, President-Elect, Iowa Corn Growers Association, Nemaha, Iowa; Mark Hamilton, Positively Iowa, Iowa Falls, Iowa; Duane Sand, Iowa Natural Heritage Foundation, Des Moines, Iowa; and Phil Sundblad, Iowa Farm Bureau Federation, Albert City, Iowa. Testimony was received on the issues of low commodity prices, improving income protection, expanding markets for commodities, and strengthening rural communities and economies. Comments and remarks were also given by many in the audience.

On March 24, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing in Lewis, Iowa to discuss the future of the farm bill and other related agricultural and rural issues. Those testifying before the committee included: Michael Duffy, Professor of Economics, Iowa State University; David Williams, farmer and Wallace Foundation Learning Center, Page County, Iowa; John Askew, President, Iowa Soybean Association; Shirley Frederiksen, Golden Hills Resource Conservation and Development District; Sam Carney, Vice President, Iowa Pork Producers Association; Aaron Heley Lehman, Iowa Farmers Union; Denise O'Brien, Atlantic, Iowa; Gayl Hopkins; Harold Swanson; Joyce Schulte, Southwest Community College; Alan Zellmer, farmer/producer; Erwin Aust, Shenandoah, Iowa; Fox Ridge Farms, Carson, Iowa; Rod Bentley, President of Pottawattamie County Cattlemen's Association; Ron Brownlee, Adair County; Bill Ortner, farmer, Danbury, Iowa; Dan Morgan, farmer, Corning, Iowa; and Jim Hanson, New Market, Iowa. Testimony was received on the issues of low commodity prices, improving income protection, expanding markets for commodities, and strengthening rural communities and economies. Comments and remarks were also given by many in the audience.

On March 27, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing to review the Research, Extension and Education title of the Farm Bill. Those testifying before the committee included: Dr. Colien Hefferan, Administrator, Cooperative State Research, Education, and Extension Service, U.S. Department of Agriculture, Washington, D.C.; Dr. Floyd P. Horn, Administrator, Agricultural Research Service, U.S. Department of Agriculture, Washington, D.C.; Jon Caspers, Board Member, National Coalition for Food and Agricultural Research, Swaledale, Iowa; Jay Lemmermen, Producer Chair, Animal Ag Coalition, Okeechobee, Florida; Dr. Richard Stuckey, Executive Vice President, Council for Agricultural Science and Technology, Ames, Iowa; Dr. Phil Robertson, Member, Committee on an Evaluation of the U.S. Department of Agriculture, National Research Initiative Competitive Grants Program National Research Council, Hickory Corners, Michigan; Dr. Fred Kirschenmann, Director, Leopold Center for Sustainable Agriculture, Ames Iowa; Dr. David Chicoine, Chair, National Asso-

ciation of State Universities and Land Grant Colleges Board of Agriculture and Dean, College of Agricultural, Consumer, and Environmental Sciences, University of Illinois, Urbana, Illinois; Dr. Bobby Phills, Chair, 1890 Legislative Committee, Dean and Director of Land Grant programs, College of Engineering Sciences, Technology and Agriculture, Florida A&M University, Tallahassee, Florida; and Dr. Vic Lechtenberg, Chair, National Agricultural Research, Extension, Education and Economics Advisory Board and Dean of Agriculture, Purdue University, West Lafayette, Indiana.

On April 25, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a full committee hearing to review the Trade title of the Farm bill. Those testifying before the committee included: Bruce Babcock, Director, Center for Agricultural and Rural Development, Iowa State University, Ames, Iowa; Ron Heck, Soybean Producer, Perry, Iowa; Robert Stallman, President, American Farm Bureau Federation, Columbus, Texas; Leland Swenson, President, National Farmers Union, Aurora, Colorado; Charles J. O'Mara, president, O'Mara and Associates, Washington, D.C.; James Echols, Chairman, National Cotton Council, Cordova, Tennessee; Timothy F. Hamilton, Executive Director, Mid-America International Agri-Trade Council, Executive Director, food Export USA—Northeast, Chicago, Illinois; Dennis McDonald, Chairman, Trade Committee for R–CALF United Stockgrowers of America, Melville, Montana; Judith Lewis, Acting Director of Resources and External Relations, World Food Program, Rome, Italy; Ken Hackett, Executive Director, Catholic Relief Services, Baltimore, Maryland and Gary Martin, President, North American Export Grain Association, Washington, D.C. In his opening statement, Chairman Lugar emphasized the importance of agricultural trade to American farmers, and urged rapid passage of legislation granting Trade Promotion Authority to the President. Ranking member Harkin noted that while the U.S. domestic market is still important, the export market will be crucial for absorbing that expanding portion of production which cannot find a domestic outlet. He underscored the necessity to not consider our trade policy or domestic programs in agriculture in isolation, but instead they must be developed in an integrated manner.

On May 16, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a full committee hearing to review the Credit Title of the farm bill. Those testifying before the committee included: Neil Conklin, Director, Market and Trade Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C.; Carolyn B. Cooksie, Deputy Administrator for Farm Loan Programs, Farm Service Agency, U.S. Department of Agriculture, Washington, D.C.; Lawrence J. Dyckman, Director of Agricultural Issues, U.S. General Accounting Office, Washington, D.C., accompanied by Charles Adams, Assistance Director; Jay B. Penick, President and Chief Executive Officer, Northwest Farm Credit Services, Washington, D.C., on behalf of the Farm Credit Council; Henry D. Edelman, Chief Executive Officer, Farmer Mac, Washington, D. C.; John Evans, Jr., Chief Executive Officer, D.L. Evans Bank, Burley, Idaho, on behalf of Independent Community Bankers of America; Gary R. Canada, President, Bank of England, England, Arkansas, on behalf of American Bankers Association; David Carter, President, Rocky Mountain Farmers Union, on be-

half of the National Farmers Union, Washington, D.C.; Frank Brost, Rapid City, South Dakota, Chairman, Tax and Credit Committee, National Cattlemen's Beef Association; and Ferd Hoefner, Washington Representative, Sustainable Agriculture Coalition, Washington, D.C.

On June 28, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing to obtain an overview of the major issue areas and issues that the Committee will be dealing with in developing a new farm bill. The hearing was intended to reflect the breadth of the topics and issues that must be dealt with in a comprehensive farm bill. Those testifying before the committee included: Leland Swenson, President, National Farmers Union, Washington, D.C.; Bob Stallman, President, American Farm Bureau Federation, Washington, D.C.; Chuck Fluharty, Director, Rural Policy Research Institute, Columbia, Missouri; Craig Cox, Executive Vice President, Soil and Water Conservation Society, Ankeny, Iowa; Howard Learner, Environmental Law and Policy Center, Chicago, Illinois; Dr. Barbara Glenn, Member of the Board of Directors, National Coalition for Food and Agricultural Research, Executive Vice President, Federation of Animal Science Societies, Bethesda, Maryland; Sharon Daly, Vice President for Social Policy, Catholic Charities, Alexandria, Virginia; and Dave Carter, Secretary-Treasurer, Mountain View Harvest Cooperative, Longmont, Colorado. In his first hearing as Chairman of the Committee, Senator Harkin emphasized the need for a comprehensive farm bill, because of its importance to the entire nation. He asserted his desire to write a farm bill that will look ahead, rather than try to fix the problems or settle the issues of the past.

On July 12, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing to consider the next federal farm bill. Representatives from the feed grains and oil seeds industries presented their comments. The Chairman opened the hearing stating that it is his goal to develop policies that will help farmers get more of the consumer dollar than they are presently getting which is at an historic low. He also stated that it is crucial to devote more of our attention to looking at ways to generate greater utilization of our crops domestically. Those testifying before the committee included: Lee Klein, President, National Corn Growers Association, Battle Creek, Nebraska accompanied by Ron Litterer, Green, Iowa; Keith Dittrich, President, American Corn Growers Association, Tilden, Nebraska; Tony Anderson, President, American Soybean Association, Mount Sterling, Ohio; John Miller, President, Miller Milling, Minneapolis, Minnesota, Trudi Evans, President, Barley Growers Association, Merrill, Oregon and Bill Kubecka, Vice President for Legislation, Sorghum Growers Association, Palacios, Texas.

On July 17, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing to receive testimony regarding the next federal farm bill from producer representatives and others concerning cotton, wheat, rice, sugar and peanuts. In his opening statement, the Chairman recognized the many challenges facing producers of these diverse crops, which may require very different policies to address. Those testifying before the committee included: James Echols, Chairman of the Board, National Cotton Council, Cordova, Tennessee; Dusty Tallman, President, National Associa-

tion of Wheat Growers, Brando, Colorado; John Denison, Chairman, Rice Foundation, Iowa accompanied by Nolan Canon, Chairman, U.S. Rice Producers Association Tunica, Mississippi; Jack Roney, Director of Economic Analysis, American Sugar Alliance, Arlington, Virginia; Art Jaeger, Assistant Director, Consumer Coalition of America, Washington, D.C.; Armond Morris, Chairman, Georgia Peanut Commission, Ocilla, Georgia accompanied by Evans J. Plowden, Jr., General Counsel, American Peanut Shellers, Albany, Georgia; and Wilbur Gamble, Producer and Chairman of the National Peanut Growers Group, Dawson, Georgia.

On July 19, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing to elicit suggestions for the Nutrition Title of the new federal farm bill. Those testifying included: Eric Bost, Undersecretary for Food, Nutrition, and Consumer Services, U.S. Department of Agriculture, Washington, D.C.; Robert Greenstein, Executive Director, Center on Budget and Policy Priorities, Washington, D.C.; Dr. Ron Haskins, Senior Fellow, Brookings Institution, Washington, D.C.; Karen Ford, Executive Director, Food Bank of Iowa, Des Moines, Iowa; Kevin W. Concannon, Commissioner, Maine Department of Human Services, Augusta, Maine; Celine Dieppa, Food Stamp Program Participant, Manchester, Connecticut; Dean Leavitt, Chairman and CEO, U.S. Wireless Data, Inc., New York, New York; Dr. Debra Frank, Director, Growth and Development Clinic, Boston, Massachusetts and Dr. Cutberto Garza, Professor, Cornel University, Ithaca, New York.

Undersecretary Bost indicated he supported re-authorization of the Food Stamp Program, The Emergency Food Assistance Program, the Food Distribution Program on Indian Reservations, and the Commodity Supplemental Food Program. His recommendations relative to the Food Stamp Program included, the need to explore changes to make the program work better for working families; facilitate access to the benefits while minimizing burdens for State agencies; reduce administrative complexity for local administrators; preserve the program's national structure and improve the program's effectiveness in promoting healthy diets for the people it serves; and remain vigilant in the fight against fraud and abuse.

Mr. Greenstein provided background on the Food Stamp Program, mentioned recent changes in the composition of the Food Stamp caseload, and provided trends in Food Stamp participation and reductions in Food Stamp expenditures. His recommendations were in the areas of program simplification, reform of the quality control system, granting to states more flexibility over various aspects of the delivery of benefits to eligible households, and narrowing the gaps in coverage to address the overly large reductions of recent years in the food purchasing power the program provides to the working poor, the elderly, and other households.

Mr. Haskins' goal was to stress to the Committee that, even more than in the past, the Food Stamp Program has become a vital support to low-income mothers who work (and indicated that a higher percentage of single mothers are working since welfare reform than at any time in the past). Secondly, he stressed that administrative burdens are keeping many qualified people away and suggested that states should be permitted to apply a different quality control program to workers versus non-workers. In addition, he believes states should have the option to grant families leaving

welfare for work with a Food Stamp benefit that is based on their starting salary and is fixed for at least six months. Finally, he stressed the Federal government needs greater assurance that states are informing low-income families, especially those leaving welfare, of their right to continue receiving Food Stamps as long as they qualify.

Ms. Ford requested full funding for the Emergency Food Assistance Program, including money for storage, transportation and distribution of bonus commodities. She expressed concern at the drop in Food Stamp Program participation with a concurrent rise in the use of emergency feeding sites. Her recommendations focused on rules' and application simplification, modification of the quality control system, increases to the minimum benefit, and implementation of the EBT system.

Mr. Concannon spoke about Maine's excellent outreach, access, and integrity record and the state's ability to retain eligible Food Stamp Program participants at a time when other states are seeing dramatic drops. He indicated that they view the program as an essential transitional benefit for working households and promote it as such. He stated that he is a proponent of program and processing simplification, enhanced benefits for the elderly and the disabled, doing away with cost neutrality rules when implementing EBT, overhauling the quality control system to be less punitive and incorporating additional performance measures that reward good service.

Ms. Dieppa shared her experiences as a Food Stamp Program participant and a working mother. She indicated the program has been an essential work support over the last four years. She indicated that an excessive amount of paperwork that must be filed during working hours has meant that she has sometimes lost food stamp benefits and indicated that it would be extremely helpful to reduce the administrative burden for participants.

Mr. Leavitt discussed the benefits of a new technology that provides farmers with the ability to wirelessly accept EBT cards at farmers' markets throughout the United States. He spoke specifically about a pilot program in New York that used this technology. Unfortunately, he said that at this time the cost of the wireless technology is quite high.

Dr. Frank, who works with low-income children, presented data that indicated that Food Stamps make a dramatic difference in the food security of poor-working families with children. In turn, she said, the data showed food security is essential for physical and cognitive health. She encouraged the Committee to consider provisions that would ensure increased participation, by children, in the Food Stamp Program.

Dr. Garza focused his remarks on the need to find more cohesive approaches to prevent childhood obesity and the increased prevalence of adult diseases (like diabetes) in children. He proposed adopting sound nutrition policies for the food assistance programs. He also commended Sen. Harkin's Global Food for Education Bill, through which children in third world countries would be able to receive free school meals to improve their micronutrient profiles.

On July 24, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing to discuss livestock issues for the new federal farm bill. Those testifying included: Jon Caspers, Na-

tional Pork Producers Council, Swaledale, Iowa; Eric Davis, National Cattlemen's Beef Association, Bruneau, Idaho; Dennis McDonald, Ranchers-Cattlemen Action Legal Fund United Stockgrowers of America, Billings, Montana; Frank Moore, American Sheep Industry Association, Douglas, Wyoming; William Roenigk, National Chicken Council, Washington, D.C.; Pete Hermanson, National Turkey Federation, Story City, Iowa; and Maria Rosmann, Sustainable Agriculture Coalition, Harlen, Iowa. The hearing focused on the need for conservation programs to assist livestock producers. Most of the witnesses spoke of the need to expand the reach of the Environmental Quality Incentives Program (EQIP) to all livestock producers, regardless of size. However, other witnesses preferred the current system which does not provide cost-share assistance to large livestock operators to construct animal waste facilities. Some witnesses expressed the need for additional programs, like the Conservation Security Act, which will help producers to better integrate crop and livestock productions in a sustainable manner. There was also discussion on the need for programs to help producers develop marketing skills and value-added enterprises, including organic operations. Witnesses also expressed a desire to see trade programs, like the Market Access Program, expanded. Some of the witnesses favored current commodity programs because of the lower feed prices they generate.

On July 31, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing that focused on the need for conservation on lands in production or "working lands." Chairman Harkin stated that he is interested in a strong conservation title and called the hearing to explore the benefits of good conservation practices in agriculture, specifically on working lands. Those testifying before the committee included: Lee Klein, National Corn Growers Association and American Soybean Association, Washington, D.C.; George Dunklin, Jr., USA Rice Federation, Dewitt, Arkansas; Gary Mast, National Association of Conservation Districts, Washington, D.C.; Dave Serfling, Land Stewardship Project, Preston, Minnesota; and Mark Shaffer, Defenders of Wildlife, Washington, D.C. The witnesses testified primarily for the need to create a new conservation incentives program to bolster conservation on working lands. The new conservation incentives program would provide income to producers who implement conservation practices. The program would also reward those producers who currently maintain conservation practices on their land. Witnesses also testified for the need for increased funding and technical assistance for conservation programs for working lands, including the Environmental Quality Incentives Program, Wildlife Habitat Incentive Program. They also spoke of the need for increased technical assistance through third-party providers to implement the programs.

On August 2, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing to discuss rural economic development issues for the new federal farm bill. Chairman Harkin opened the hearing by stating that we must take steps now to encourage growth and opportunity in rural America. He also said that we must help create the basic infrastructure required to do business and create jobs. Those testifying before the committee included: David Kolsrud, CORN-er Stone Farmers Cooperative, Luverene,

Minnesota, on behalf of the National Cooperative Business Association; Ronald L. Phillips, President, Coastal Enterprises, Inc., Wiscaset, Maine; Chuck Hassebrook, Center for Rural Affairs, Walthill, Nebraska. Karen Dearlove, president, Indiana Association of Regional Councils, Jasper, Indiana. Curtis Wynn, Chief Executive Officer, Roanoke Electric Cooperative, Rich Square, North Carolina; Deborah M. Markley, Chair, Rural Equity Capital Initiative, Rural Policy Research Institute, Chapel Hill, North Carolina; Steve Lane, President, Iowa Independent Bankers Association, Gowrie, Iowa, on behalf of the Independent Community Bankers of America; Jack Cassidy, Senior Vice President, CoBank, Grenwoodville, Colorado.

On August 4, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a field hearing in Worthington, Minnesota to discuss the new federal farm bill. Those testifying before the committee included: Al Christopherson, Minnesota Farm Bureau, Pennock, Minnesota; Bob Arndt, Minnesota NFO, Echo, Minnesota; Dave Frederickson, Minnesota Farmers Union, St. Paul, Minnesota; Loren Tusa, Minnesota Corn Growers Association, Alpha, Minnesota; Ed Hegland, Minnesota Soybean Growers Association, Appleton, Minnesota; Larry Liepold, Minnesota Pork Producers Association, Okabena, Minnesota; Monica Kahout, LSP, Olivia, Minnesota; Tim Henning, Nobles County farmer, Lismore, Minnesota; Dennis Bottem, Minnesota Cattlemen's Association, St. James, Minnesota; Ron Anderson, Minnesota Wheat Growers Association, Hallock, Minnesota; Dave Kolsrud, AgriEnergy, LLC, Luverne, Minnesota; and Bob Kirchner, Minnesota Soybean Processing, Brewster, Minnesota.

On August 13, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a field hearing in Frankenmuth, Michigan to discuss speciality crop issues for the new federal farm bill. Those testifying before the committee included: Alison Fox, Counsel, Senate Committee on Agriculture, Nutrition, and Forestry; Hon. James A. Barcia, Member of Congress from the State of Michigan; Wayne Wood, President, Michigan Farm Bureau; Carl McIlvain, President, Michigan Farmers Union; Philip Korson, President, Cherry Marketing Institute, Inc., Lansing, Michigan; Elwood Kirkpatrick, President, Michigan Milk Producers Association; Jody Pollok, Executive Director, Michigan Corn Growers Association; Frank Kubik, President, National Commodity Supplemental Food Program Association and CSFP Manager for Focus: HOPE; Dr. Lonnie King, Dean of the College of Veterinary Medicine at Michigan State University; Sam Hines, Michigan Pork Producers Association; Curtis Thayer, Director, Michigan Soybean Association; and Richard Leach, Executive Vice President, Great Lakes Sugar Beet Growers Association.

On August 13, 2001, the Senate Committee on Agriculture, Nutrition, Forestry held a field hearing in Grand Rapids, Michigan to discuss specialty crop issues for the new federal farm bill. Those testifying before the committee included: Alison Fox, Counsel, Senate Committee on Agriculture, Nutrition and Forestry; J. Ian Gray, Director, Michigan Agricultural Experiment Station; Thomas C. Butler, Manager, Michigan Processing Apple Growers Division of Michigan Agricultural Cooperative Marketing Association; Julia Baehre Hersey, Board Member, Michigan Apple Committee; Perry

DeKryger, Executive Director, Michigan Asparagus Advisory Board; Bob Green, Executive Director, Michigan Bean Commission; Dennis Fox, Environmental Policy Specialist, Michigan United Conservation clubs; Ron Williams, State conservationist, Natural Resource Conservation Service; David Armstrong, Executive Vice President, Marketing, GreenStone Farm Credit Services; and Joanne Werdel, Policy Analyst and Communications Specialist, Center for Civil Justice.

On August 27, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a field hearing in Athens, Georgia to discuss the new federal farm bill. Those testifying before the committee included: Robert McLendon, Chairman of the Executive Committee, National Cotton Council; Mary Alice McGee, Nashville, Georgia; Murray Campbell, Camilla, Georgia and James Lee Adams, Camilla, Georgia. The discussion focused on the current condition and future of agriculture in the Southeast. Leading agriculture representatives and researchers provided information in the areas of new farm legislation, trade developments, and agricultural technology.

On August 18, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a field hearing in Tipton, Iowa to discuss the new federal farm bill. Chairman Harkin opened the hearing stating that farm families and people who live in rural America have not shared in our nation's prosperity. He said that we need new directions in federal agriculture and rural policies. Those testifying before the committee included: Ross Paustian, farmer, Walcott, Iowa; Jim Krier, Ollie, Iowa; Deb Ryun, Executive Director of Conservation Districts of Iowa; Mary Swalla Holmes, ISU Extension; John Helbling, General Manager of Economic Market Development, Alliant Energy. Comments were also taken from audience participants: Brad Wilson, Jerry Heithoff, John Specht, Gary Lamb, Walter Gray, Larry Ginter, Wayne Demmer, Rod Stevenson, Francis Thicke, Mike Jepson, Gary Bierschenk, Jeff Zacharakis-Jutz, Chris Petersen, John Dietrich, Ed McGivern, Ron Bremley, Carrie Holdgrafer, Jennifer * * *, Brian Holdgrafer, Bruce Peters, Dwayne Sand, Lloyd Holecek, Phil Specht, Tony Serbousek and Therese Smith. Testimony was received on the issues of low commodity prices, improving income protection, expanding markets for commodities, and strengthening rural communities and economies. Comments and remarks were also given by many in the audience.

On August 20, 2001, the Senate Committee on Agriculture, Nutrition and Forestry conducted a field hearing in Stewartville, Minnesota to discuss the new federal farm bill. Those testifying before the committee included: Hon. Gil Gutknecht, Member of Congress from the State of Minnesota; Bishop Bernard J. Harrington; David Ladd, on behalf of the Farm Credit Services; Delbert Mandelko, President, Minnesota Milk Producers Association; Mike McGrath, on behalf of the Minnesota Project; Marcie McLaughlin, on behalf of America's State Rural Development Council; Ken Meter, Crossroads Resource Center, Minneapolis, Minnesota; Sever Peterson, Eden Prairie, Minnesota; John Monson, State Executive Director, Minnesota Farm Service Agency, St. Paul, Minnesota; Ted Winter, State Representative, State of Minnesota; Mary Ellen Otremba, State Representative, State of Minnesota; Kenric Scheevel, State

Senator, State of Minnesota; Amber Hanson, Racine, Minnesota; Colleen Landkramer, Blue Earth County Commissioner, Mankato, Minnesota; Barbara J. Collins, Legal Services Advocacy Project, St. Paul, Minnesota; Gene Paul, Faribault County, Delavan, Minnesota; Linda Noble, Organic Dairy Farmer, Kenyon, Minnesota; Eunice Biel, Dairy Farmer, Harmony, Minnesota; Jim Riddle, Winona, Minnesota; Nancy Adams, LeRoy, Minnesota; Rev. Chuck Purdhim, (Retired), United Methodist Church, Brooklyn Center, Minnesota; Phil Specht, Dairy Farmer, McGregor, Iowa; Kevin Ristau, Jobs Now Coalition, St. Paul, Minnesota; Lewis Reiman, Utica, Minnesota; Niel Ritchie, Institute for Agriculture and Trade Policy, Minneapolis, Minnesota; Janice Daley, Grain Farmer, Lewiston, Minnesota; Sister Kathleen Storm, Mankato, Minnesota; Kevin Scheidecker, Fillmore Soil and Water Conservation District, Preston, Minnesota; Mike Noble, Crop and Livestock Producer, Kenyon, Minnesota; Ron Durst, on behalf of Associated Milk Producers Inc.; Victor Ormsby, Winona, Minnesota; Tom Hoscheit, Caledonia, Minnesota; Lorraine Redig, Winona, Minnesota; Keith Speltz, Dairy Farmer, Southeast Minnesota; Margaret Zimmerman, Waseca, Minnesota; Les Everett, Water Resources Center, University of Minnesota; Gerald Tumbleson, Sherburn, Minnesota; Larry Larson, Sargeant, Minnesota; Rick Hansen, Inver Grove Heights, Minnesota; Ronald Behounek, Hayfield, Minnesota; Mike Muella, Winthrop, Minnesota; Barbara Upton, Fountain, Minnesota; Dwight Ault, Austin, Minnesota; Larry Green, Fulda, Minnesota; Robert M. Austin, New Prague, Minnesota; Roger Dale, Hanley Falls, Minnesota; Chris C. Petersen, Vice President, Iowa Farmers Union, Clear Lake, Iowa; Walt Prigge, Byron, Minnesota; Gary Joachim, Claremont, Minnesota, and on behalf of Minnesota Soybean Growers Association; Donovan Strom, Fountain, Minnesota; Bert Bowman, Eden Prairie, Minnesota; Bruce Biederman, Grafton, Iowa; Tim Henning, Lismore, Minnesota; Larry Predmore, Rochester, Minnesota; Brian Hanson, Racine, Minnesota; Bill McMillin, Dairy Farmer, Kellogg, Minnesota; Al Schacht, Zumbro Falls, Minnesota; and Rod Nelson, Chatfield, Minnesota.

On September 26, 2001, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing to discuss the Administration perspective with regard to the new federal farm bill. Secretary of Agriculture, Ann Veneman, appeared before the Committee to present the Administration views and its report on food and agricultural policy.

On October 27, 2001, the Senate Committee on Agriculture, Nutrition and Forestry conducted a field hearing in Boise, Idaho to discuss the 2002 Farm Bill.

(B) COMMITTEE MARKUP SESSIONS

On October 31, 2001, the Senate Committee on Agriculture, Nutrition and Forestry met in open session to mark up the Credit Title of the new federal farm bill. Those members in attendance included: Senators Harkin, Leahy, Conrad, Lincoln, Miller, Stabenow, Nelson, Dayton, Wellstone, Lugar, Cochran, McConnell, Fitzgerald, Thomas, Allard, Hutchison and Crapo. As described by Chairman Harkin, the Credit Title, among other things, addresses the need to help beginning farmers and ranchers gain greater ac-

cess to federal farm lending programs. The Credit Title was adopted by a voice vote.

On November 6, 2001, the Senate Committee on Agriculture, Nutrition and Forestry met in open session to mark up the Energy and Forestry Titles of the new federal farm bill. Those members in attendance included: Senators Harkin, Conrad, Stabenow, Dayton, Nelson, Lincoln, Wellstone, Leahy, Baucus, Lugar, Cochran, Hutchinson, Allard, Thomas, Crapo, Fitzgerald, Roberts, and McConnell. As described by Chairman Harkin, the Forestry Title continues the commitment to private forest land management of past farm bills and provides various forms of assistance to nine million private forest land owners. The Title addresses community fire protection and economic opportunities for farmers, ranchers, and others derived from sustainable forestry practices. A sustainable forest management program is established to provide states with financial assistance to meet multiple resource objectives on private forest lands. Senator Cochran offered an amendment to strike the mandatory funding requirement and authorize the appropriation of funds in the same amounts in Section 805 and 806. The Cochran amendment failed by a voice vote. The Chairman moved to adopt the Forestry Title of the new federal farm bill. The Forestry Title was adopted by a voice vote. The Committee then took up the Energy Title. As described by Chairman Harkin, the Energy Title establishes several new programs providing incentives to farmers, ranchers and rural small businesses to develop renewable energy and biomass energy supplies on their lands and to increase energy efficiency. Senator Thomas offered an amendment to strike Section 388 (B) which requires a bio-based product purchasing requirement for federal agencies. The Thomas amendment failed by a voice vote. Senator Dayton offered an amendment to Section 388 (d) that would increase the authorized appropriations from $1 million annually to $5 million annually for the biodiesel fuel education program. The Dayton amendment was passed by a voice vote. Senator Cochran offered an amendment to strike the mandatory funding in the following sections and insert instead an authorization of funding in the same amounts that are included in each of the sections: Section 388(B), 388(C), 388(E), 388(F), 388(G), 388(H), and Section 903. The Cochran amendment failed by a voice vote. Senator Lugar moved that the Energy Title be adopted, and the Title was adopted by a voice vote.

On November 7, 2001, the Senate Committee on Agriculture, Nutrition and Forestry met in open session to mark up the Trade Title of the new federal farm bill. Those members in attendance included: Senators Harkin, Conrad, Baucus, Lincoln, Miller, Stabenow, Nelson, Dayton, Wellstone, Lugar, Cochran, Roberts, Fitzgerald, Thomas, Allard, Hutchinson, and Crapo. As described by Chairman Harkin, the Trade Title, among other things, seeks to improve and expand existing export and food programs in recognition of their important role in the ability to compete internationally. It recognizes that humanitarian activities throughout the developing world must be an important component of a long-term effort to combat poverty and to build bridges of good will to foreign countries. Senator Lugar moved that the Trade Title be adopted, and the Title was adopted by a voice vote.

On November 8, 2001, the Senate Committee on Agriculture, Nutrition and Forestry met in open session to mark up the Rural Development and Research Titles of the new federal farm bill. Those members in attendance included: Senators Harkin, Conrad, Baucus, Lincoln, Miller, Stabenow, Nelson, Dayton, Wellstone, Lugar, Cochran, Roberts, Fitzgerald, Thomas, Allard, Hutchinson, and Crapo. As described by Chairman Harkin, the Rural Development Title contains a number of creative programs and initiatives designed to make a significant difference in economic and community development in rural America. Rural communities have not fully shared in our nation's prosperity and the title helps to generate the investment needed in rural America by creating and funding the Rural Business Investment Program and by authorizing the Rural Cooperative and Business Equity Fund. The title also provides substantial funding for value-added agricultural product market development grants to help develop solid new enterprises owned by agricultural producers in rural areas. The Business and Industry Loan Guarantee Program is improved and a new way to fund the Rural Economic Development Grant and Loan Program is established. To help smaller communities, the title provides an initiative to improve broadband Internet access. Funding for firefighting and first-responder training is also provided. Senator Harkin moved that the Research and the Rural Development Titles both be passed subject to amendments that are offered and that technical and confirming amendments may be made by staff. The motion was passed by a voice vote. Senator Cochran expressed his concern that the Rural Development Title would create a variety of new programs and provide mandatory funds for them. After allowing an opportunity for amendments, Chairman Harkin called the Rural Development Title closed and proceeded to the Research Title. Mr. Lugar moved an amendment he offered that $360 million a year for the Initiative for Future Agriculture and Food Systems be adopted for fiscal years 2003 to 2006. After debate, a recorded vote was taken and the Lugar amendment failed by a vote of 7 yeas, 13 noes and 1 not present. Those voting in favor of the amendment included: Senators Lugar, Helms, McConnell, Roberts, Fitzgerald, Allard, Crapo. Those voting against the amendment included: Senators Cochran, Hutchinson, Leahy, Conrad, Daschle, Baucus, Lincoln, Miller, Stabenow, Nelson, Dayton, Wellstone and Harkin. Senator Thomas was not present.

On November 13, 2001, the Senate Committee on Agriculture, Nutrition and Forestry met in open session to mark up the Competition Title of the new federal farm bill. As described by Chairman Harkin, the Competition Title addresses the necessity of restoring fairness, transparency and equity to agribusiness. Senator Wellstone offered an amendment to the proposed Title that would strengthen and amend section 202 of the Packers and Stockyards Act of 1921 by prohibiting meat packers from owning livestock for 14 days prior to the purchase for slaughter. After debate, a roll call vote was taken and the Wellstone amendment failed by a vote of 9 yeas, 12 noes. Those Senators voting in favor of the amendment included: Leahy, Conrad, Daschle, Baucus, Stabenow, Wellstone, Thomas and Harkin. Those Senators opposing the amendment included: Lugar, Helms, Cochran, McConnell, Roberts, Fitzgerald, Allard, Hutchinson, Crapo, Lincoln, Miller and Nelson. Senator Lugar

offered an amendment to strike the Competition Title from the proposed bill. After debate, a roll call vote was taken and the Lugar amendment passed by a vote of 12 ayes, 9 noes. Those Senators voting in favor of the amendment included: Lugar, Helms, Cochran, McConnell, Roberts, Fitzgerald, Thomas, Allard, Hutchinson, Crapo, Lincoln and Miller. Those Senators opposing the amendment included: Leahy, Conrad, Daschle, Baucus, Stabenow, Nelson, Dayton, Wellstone and Harkin. The Competition Title was stricken from the bill.

On November 14, 2001, the Senate Committee on Agriculture, Nutrition and Forestry met in open session to mark up the Nutrition Title of the new federal farm bill. Those in attendance included: Senators Harkin, Conrad, Baucus, Lincoln, Miller, Stabenow, Nelson, Dayton, Wellstone, Lugar, Cochran, Roberts, Fitzgerald, Thomas, Allard, Hutchinson, and Crapo. As described by Chairman Harkin, the chairman's mark strengthens the program to help people more successfully transition from welfare to work and helps shield low-wage working families from the recession. Other provisions in the chairman's mark include: extending the period of time that able-bodied adults without dependents may participate in the food stamp program allowing them time to find and keep a job; simplifying the program and lightening the administrative burden; assisting with efforts to reach all children who are poor and for whom a proper diet is crucial; and increasing the standard deduction for food stamp families. It also makes modest changes regarding legal immigrants and their children by allowing families into the program after working here for four years. Senator Lugar moved a substitute amendment for the Harkin language in the nutrition title. After debate, a roll call vote was taken and the amendment failed by a vote of 9 yeas and 12 noes . Those voting for the amendment included: Senators Lugar, Cochran, McConnell, Roberts, Fitzgerald, Thomas, Allard, Crapo and Wellstone; those voting against the amendment included: Helms, Hutchinson, Leahy, Conrad, Daschle, Baucus, Lincoln, Miller, Stabenow, Nelson, Dayton, and Harkin. The Chairman moved that the Nutrition Title be adopted, and the Title was adopted by a voice vote.

On November 15, 2001, the Senate Committee on Agriculture, Nutrition, and Forestry met in open session to mark up the Conservation, Commodity and Miscellaneous Titles of the new federal farm bill. Those in attendance included: Senators Harkin, Leahy, Conrad, Daschle, Baucus, Lincoln, Miller, Stabenow, Nelson, Dayton, Wellstone, Lugar, Helms, Cochran, McConnell, Roberts, Fitzgerald, Thomas, Allard, Hutchinson and Crapo. As described by Chairman Harkin, the Conservation Title recognizes that conservation is a cornerstone of sound farm policy. The mark will greatly increase the commitment to help agricultural producers and landowners conserve and protect soil, water, air, and wildlife, especially on land that is in production. The title increases funding for conservation on land in production, while also expanding support for programs that remove land from production. It establishes a new incentive payment program, the Conservation Security Program, which will both improve farm income and increase agricultural conservation. Senator Lugar expressed his support for the title and noted that he had worked closely on its drafting. The Chairman moved to adopt the Conservation Title and the title was adopted

by a voice vote. The Committee then took up the Commodity Title. As described by Chairman Harkin, the Commodity Title is designed to provide a more dependable system of farm income protection that reduces the need for ad hoc farm assistance legislation year after year. The title addresses the lack of income protection in the current policy while maintaining planting flexibility. This legislation will generally increase loan rates modestly, will continue fixed direct payments, and it will create a new counter cyclical program to respond to period of low prices. It also provides for updating program-based acres and yields at the option of the producer. The title creates a stronger system of income protection for America's agricultural producers, one that responds when prices are low, while reducing program costs when the prices are better. This title fulfills the commitment to farmers in rural communities to improve the farm income safety net within the budget resources available. Senator Roberts offered an amendment on behalf of himself and Senator Cochran in the form of a substitute to replace the commodity title of the bill. After discussion and debate, a roll call vote was taken on the Cochran-Roberts amendment. The amendment failed by a vote of 9 yeas and 11 noes. Those Senators voting for the amendment included: Helms, Cochran, Roberts, Fitzgerald, Thomas, Allard, Hutchinson, Crapo and McConnell; those Senators voting against the amendment included: Leahy, Conrad, Daschle, Baucus, Lincoln, Miller, Stabenow, Nelson, Dayton, Wellstone and Harkin. Senator Lugar passed. Senator Dayton offered an amendment which he has introduced previously as the Farm Income Recovery Act. After discussion, the Dayton amendment failed by a voice vote. Chairman Harkin moved to adopt the Commodity Title of the farm bill. A roll call vote was taken and the Title was passed by a vote of 12 yeas and 9 noes . Those voting for the Title included: Senators Leahy, Conrad, Daschle, Baucus, Lincoln, Miller, Stabenow, Nelson, Wellstone, Harkin and Hutchinson; those voting against the Title included: Senators Lugar, Helms, Cochran, McConnell, Roberts, Fitzgerald, Thomas, Allard, Crapo and Dayton. The Commodity Title was adopted. The committee then took up the Miscellaneous Title of the new federal farm bill. Senator Wellstone offered an amendment on country-of-origin labeling. The amendment provides for country-of-origin labeling for beef, lamb, pork, fruits, vegetables, peanuts and farm-raised catfish and shellfish. A voice vote was taken on the Wellstone amendment and the amendment passed. Senator Lugar called for a roll call vote and the amendment passed by a vote of 11 ayes, 10 noes. Those Senators voting for the amendment included: Leahy, Conrad, Daschle, Baucus, Miller, Stabenow, Nelson, Dayton, Wellstone, Harkin and Thomas; those Senators voting against the amendment included: Lugar, Helms, Cochran, McConnell, Roberts, Fitzgerald, Allard, Hutchinson, Crapo and Lincoln. Senator Lincoln offered an amendment to authorize a consortium of land grant colleges and universities to establish a network of agricultural bioterrorism research facilities. The Lincoln amendment was passed by a voice vote. Chairman Harkin moved the adoption of the Miscellaneous Title. The Miscellaneous Title was adopted by voice vote. The Chairman moved to report the bill, as amended, to the Senate. The motion was agreed to by voice vote. Without objection, Chairman Harkin declared that the bill would be reported favorably and that the

staff would be authorized to make technical and conforming changes to the bill. The Committee was adjourned.

VI. Regulatory Impact Statement

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the following evaluation is made concerning the regulatory impact of enacting this legislation:

Nearly every American will be affected in some way by the passage of this legislation, a new farm bill for the next five years. Moreover, the impact of the bill is overwhelmingly a positive one. Not only is needed assistance provided to farmers and ranchers across the country, but the federal price and income support programs authorized in the bill are routinely credited with having a significant and positive effect on the production and availability of an abundant and affordable supply of food and fiber for consumers. Regardless, the Committee believes that the programs authorized by the bill are, by and large, not regulatory in nature and thus the Committee does not foresee significant regulatory impacts on groups or classes of individuals and businesses affected.

This farm bill, like most farm bills, is a comprehensive, multiyear authorization for most programs under the jurisdiction of the United States Department of Agriculture (USDA). The bill reauthorizes the farm price support, income protection, credit, export promotion, and other programs that directly and indirectly benefit farmers and ranchers across the country. Participation in these programs is completely voluntary. The bill also provides for, as well as simplifies and improves, the nutritional safety net for many millions of needy Americans through the reauthorization and strengthening of the food stamp and other nutrition assistance programs of the Department. All Americans will benefit from the improvement in our Nation's soil and water quality through the reauthorization and expansion of the voluntary conservation and sustainable forestry programs made available to agricultural producers, private forest owners, and others. The bill will increase energy efficiency and encourage the production and use of renewable and biomass energy by farmers, ranchers, and rural small businesses. Millions of rural Americans will benefit from the provisions of the rural development title which is designed to make a significant difference in economic and community development. The bill creates the rural business investment program which could result in the creation of thousands of jobs across rural America. The bill reauthorizes and extends the agricultural research programs of USDA, which over the years have been highly successful in, among other things, improving the productivity of soils, addressing food safety concerns, and minimizing the harmful impacts of plant diseases and insects.

Primarily, any regulations issued pursuant to the implementation of the bill will prescribe and define the programs authorized. Significant new regulatory burdens are not expected to result from these types of regulations. In addition, the Committee does not foresee a significant effect on personal privacy, nor are significant new paperwork burdens anticipated, particularly with respect to farmers and ranchers who wish to participate in the voluntary credit assistance, income support and conservation programs. Paperwork burdens will be reduced by virtue of the program simplification provisions included in the Nutrition title.

The Committee notes that several provisions of the bill will result in regulations or burdens which might be viewed as regulatory in nature. First, under title I, the national counter-cyclical income support program for dairy producers will require the establishment of a national program for dairy farmers across the country. Analysis made available to the Committee indicates that the program will significantly benefit all but a very small number of very large dairy producers. The program will result in many dairy farmers being able to stay in production that otherwise would be forced out of business. Under the bill, a new national minimum price per hundredweight is established for raw milk used for class I (fluid) milk. The minimum price would take effect whenever the federally set class I price mover (higher of class III or IV price) falls below $14.25 per hundredweight. During a period of low prices, processors having sales of class I fluid milk would pay an amount per hundredweight equal to the difference between the $14.25 national minimum and the class I price mover. Funds collected would ultimately be paid to dairy producers based on an eligible production maximum and through the use of regional supply management boards. Such boards would have authority to manage the supply of milk through the use of bonuses or incentives.

The bill also provides authority for the Secretary to enforce a new requirement that retailers of certain covered commodities including beef, lamb, pork, farm-raised fish, perishable agricultural commodities, and peanuts must inform consumers of the country of origin of the commodity. The requirement would not apply to such commodities prepared, sold, or served at a restaurant other food service establishment. The provision authorizes the Secretary to require that retailers maintain a verifiable record that will allow the Secretary to ensure compliance with regulations issued under the provision. Importantly, the bill provides considerable flexibility in the method of notification that may be used. The information may be provided by a number of means including, a label, stamp, mark, placard, or any other clear and visible sign on the commodity or on the package, display, holding unit, or bin containing the commodity. Many retail food stores and outlets already provide such information in order to meet consumer demand.

The bill amends the Animal Welfare Act to prohibit the interstate or foreign movement of animals for the purpose of participation in an animal fighting venture. The Secretary would enforce this new provision as part of the enforcement program for other provisions of the Animal Welfare Act. The Committee does not have a current estimate of the number of people or animals now being transported across state or international boundaries for the purpose of fighting. However, the Committee is aware of the intense concern among many thousands of individuals who are active in animal health and welfare issues who believe that such activities involving animals should be prevented to the greatest extent possible.

Last, the bill amends the Packers and Stockyards Act of 1921 to address a concern with the movement of nonambulatory livestock. The provision would prohibit the sale or other movement of nonambulatory livestock that has not been humanely euthanized. The provision would not apply to farms that are not already under the jurisdiction of the Grain Inspection, Packers and Stockyards Ad-

ministration, or in the case of animals receiving veterinary care. The provision will become effective one year after date of enactment, and requires the Secretary to issue regulations which will address the handling, treatment, and disposition of nonambulatory livestock at marketing facilities. The Committee believes that the provision will affect only a very small number of individuals who choose to buy, sell, or move nonambulatory livestock prior to humane euthanization. The great majority of all persons involved in livestock production, marketing, sales, purchasing, and processing understand and follow good animal husbandry practices and strongly believe in, and insist on, the humane treatment of all livestock and other animals.

VII. BUDGETARY IMPACT STATEMENT

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the following letter has been received from the Congressional Budget Office regarding the budgetary impact of the bill:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC,
DECEMBER 5, 2001.

Hon. TOM HARKIN,
Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: On November 28, 2001, the Congressional Budget Office provided a summary of the estimated effects of S. 1731, the Agriculture, Conservation and Rural enhancement Act of 2001. The enclosed cost estimate provides more detail on CBO's estimates of the direct spending effects of S. 1731; those estimated costs are unchanged from the numbers provided on November 28. This estimate does not encompass the potential effects of S. 1731 on spending subject to appropriation.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Jim Langley (for federal costs), Marjorie Miller (for the state and local impact, and Jean Talarico (for the private-sector impact).

Sincerely,

DAN L. CRIPPEN, *Director.*

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

S. 1731—Agriculture, Conservation and Rural Enhancement Act of 2001

Summary: S. 1731 would amend and extend the major farm income support, land conservation, credit assistance, food assistance, trade promotion, marketing assistance, and rural development programs administered by the U.S. Department of Agriculture (USDA). Enacting this legislation would increase direct spending for these programs by $6.3 billion in 2002, $38.4 billion over the 2002–2006 period, and $71.6 billion over the 2002–2011 period. Increased spending would continue beyond 2011 for a total estimated cost of $73.4 billion. When combined with estimated spending

under current law, enactment of S. 1731 would bring total spending to $39.5 billion in 2002, $208.1 billion over the 2002–2006 period, and $411.9 billion over the 2002–2011 period. Because enactment of the bill would affect direct spending, pay-as-you-go procedures would apply.

The bill also would authorize discretionary appropriations for existing and new programs for research and education, nutrition, trade promotion, rural development, credit assistance, and forestry initiatives. CBO has not completed an estimate of the costs of these provisions.

S. 1731 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA); those mandates include preemptions of state laws and extensions of intergovernmental mandates already in current law. The preemptions of state law would impose minimal, if any, costs on state governments. However, CBO cannot determine whether the total costs of other intergovernmental mandates in the bill would exceed the threshold established in UMRA ($56 million in 2001, adjusted annually for inflation) because UMRA is unclear about how the costs of extending an existing mandate should be estimated.

State, local, and tribal governments would receive funds through some of the programs reauthorized by this bill and probably would receive additional funds from newly authorized programs. The bill would also give states additional flexibility in determining eligibility for federal programs, particularly food stamps. Any costs those governments might incur as a result of participating in grant programs or changing program options would be voluntary and would be more than offset by the overall funding provided by the grants.

S. 1731 contains several private-sector mandates as defined by UMRA. The bill would impose mandates on handlers of fluid milk, importers of dairy products, retailers and suppliers of certain commodities, and breeders of certain live animals. The two most costly mandates would require some handlers of fluid milk to pay certain producers higher prices for milk, and retailers and suppliers of certain commodities to inform their customers of the country of origin of those commodities. CBO estimates that the direct costs of the mandate on milk handlers would amount to about $1.5 billion a year starting in fiscal year 2002, declining slightly in later years. CBO cannot estimate independently the direct cost of the mandate requiring country-of-origin labeling. Industry sources estimate that such labeling could cost as much as $1 billion annually. The aggregate direct costs of all the mandates in the bill would be well in excess of the annual threshold established by UMRA ($113 million in 2001, adjusted annually for inflation).

Estimated cost to the Federal Government: The estimated impact of the bill on direct spending is shown in Table 1. Implementing S. 1731 also would affect spending subject to appropriation action, but CBO has not completed an estimate of those discretionary costs. The costs of this legislation fall within budget functions 270 (energy), 300 (natural resources and environment), 350 (agriculture), 450 (community and regional development), and 600 (income security).

Basis of estimate: The bill would make several changes to direct spending programs. For this estimate, CBO assumes that S. 1731

will be enacted by the end of 2001, and thus would affect farm programs for 2002 crops.

TABLE 1.—ESTIMATED IMPACT OF S. 1731 ON DIRECT SPENDING [1]

	By fiscal year, in millions of dollars—				
	2002	2003	2004	2005	2006
DIRECT SPENDING					
Spending under current law: [2]					
Estimated budget authority	33,520	34,014	34,273	34,333	34,027
Estimated outlays	33,219	33,991	34,347	34,161	34,014
Proposed changes:					
Estimated budget authority	7,349	9,913	6,487	9,586	7,530
Estimated outlays	6,276	9,239	6,040	9,394	7,469
Spending under S. 1731:					
Estimated budget authority	40,869	43,927	40,760	43,919	41,557
Estimated outlays	39,495	43,230	40,387	43,555	41,483

[1] The bill also would increase spending subject to appropriation, but CBO has not completed an estimate of those costs.
[2] The amounts shown as direct spending for 2002 are CBO's estimates of farm income support and related spending under current law. The 2003–2006 amounts are CBO's current-law baseline levels, which assume that assistance under the Federal Agricultural Improvement and Reform Act of 1996 (Public Law 104–127) is continued under the terms of that law when it expires at the end of 2002.

Direct Spending: The bill would amend existing programs and establish new programs to be administered by USDA. Under current law, spending for the existing programs is governed, in large part, by provisions of the Federal Agricultural Improvement and Reform Act of 1996 (FAIR Act, Public Law 104–127). The Congress has supplemented that spending with additional farm income support payments over the last four years. For example, Public Law 107–25, enacted in early August, provided $5.5 billion of additional payments to farmers, resulting in total direct spending for agriculture programs in fiscal year 2001 of about $44 billion. CBO estimates that spending under S. 1731 would be much higher than projected under a simple (baseline) extension of the FAIR Act, but that such spending would fall slightly below the total spending in 2001—averaging about $41.6 billion over the 2002–2006 period.

Relative to CBO's current-law baseline projections for direct spending, we estimate that enacting this legislation would cost $38.4 billion over the 2002–2006 period and $71.6 billion over the 2002–2011 period. The following paragraphs detail those proposed changes, which are detailed in Table 2.

TABLE 2.—ESTIMATED CHANGES IN DIRECT SPENDING FOR S. 1731, BY TITLE

	By fiscal year, in millions of dollars—									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Title I—Commodity Programs:										
Fixed, Decoupled Payments	3,471	3,441	−248	−248	−2,079	−2,079	−2,079	−2,079	−2,079	−2,079
Counter-Cyclical Payments	0	0	0	2,789	2,655	3,891	3,493	2,968	2,628	2,298
Market Assistance Loans	1,251	2,656	2,508	2,415	2,437	2,264	1,929	1,540	1,208	1,103
Wool, Mohair, Honey, Lentils	39	46	46	46	46	45	44	43	42	41
Milk Price Support Program	24	90	89	86	85	11	0	0	0	0
National Dairy Program	300	300	300	300	300	300	300	300	300	300

TABLE 2.—ESTIMATED CHANGES IN DIRECT SPENDING FOR S. 1731, BY TITLE—Continued

	By fiscal year, in millions of dollars—									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sugar Program	50	140	21	17	26	32	52	59	50	83
Peanut Program	299	583	579	574	569	336	333	328	324	320
Commodity Purchase Program	130	130	150	170	200	0	0	0	0	0
Hard white wheat payments	0	0	13	13	14	0	0	0	0	0
Payment Limitations	60	60	60	60	60	60	60	60	60	60
Subtotal—Title I	5,624	7,446	3,518	6,222	4,313	4,860	4,132	3,219	2,533	2,126
Title II—Conservation:										
Conservation Security Program	0	11	46	114	216	359	516	674	820	946
Conservation Reserve Program	50	158	185	246	291	294	304	316	290	283
Wetlands Reserve Program	151	260	297	306	250	101	18	0	0	0
Environmental Quality Incentives	92	373	599	760	861	915	954	993	1,018	1,030
Wildlife Habitat Incentives Program	13	41	80	106	113	125	125	125	125	125
Farmland Protection Program	7	42	118	172	203	224	240	248	250	250
Grassland Reserve Program	0	1	5	13	25	38	46	46	40	36
Subtotal—Title II	313	886	1,330	1,717	1,959	2,056	2,203	2,402	2,543	2,670
Title III—Trade	81	130	167	191	215	243	249	249	249	249
Title IV—Nutrition	51	380	425	602	641	655	735	816	861	1,018
Title V—Credit	66	0	0	0	0	0	0	0	0	0
Title VI—Rural Development	30	225	352	379	323	249	133	45	0	0
Title VII—Research and Related Items	6	25	87	122	149	99	73	35	15	0
Title VIII—Forestry Initiatives	50	50	51	51	52	3	5	7	11	16
Title IX—Energy	53	95	110	110	110	57	15	0	0	0
Title X—Miscellaneous Provisions	2	2	0	0	−292	−302	−313	−322	−331	−341
Total changes	6,276	9,239	6,040	9,394	7,469	7,920	7,232	6,451	5,881	5,738

Title I: Commodity Programs

This title would reauthorize and amend the current commodity support programs administered by USDA, and also would implement new programs. CBO estimates that enactment of title I would increase direct spending by $27.1 billion over the 2002–2006 period, and by $44.0 billion over the 2002–2011 period.

Fixed, Decoupled Payments for Covered Commodities. The bill would continue, at declining levels, USDA's fixed payments to producers of grains and cotton, and would allow producers of soybeans and other oilseeds to receive them. Under the bill, farmers would have a one-time opportunity to update their program acreage and yields—the historical averages used to determine their level of program benefits. CBO estimates that program costs would increase by $4.3 billion over the 2002–2006 period because of the cost of adding soybeans and oilseeds to the program and allowing producers to update program acreage and yields. After the first several years, however, declining payment rates would outweigh these initial higher costs and result in a savings relative to the baseline of $6.1 billion over the 2002–2011 period.

Counter-Cyclical Payments for Covered Commodities. The bill would authorize USDA to make automatic payments to producers to offset low prices—known as counter-cyclical payments. Payments under the program would begin in 2005. These payments would be based in part on a farm's production history. The payment rate would be the target price established in the bill less the direct payment rate (also specified in the bill) and less the crop price or the price-support loan rate if it is higher than the crop price. CBO estimates this provision would cost $5.4 billion over the 2002–2006 period and $20.7 billion over the 2002–2011 period.

Marketing Assistance Loans for Covered Commodities. S. 1731 would authorize USDA to continue crop loans and marketing loan programs for major row crops (grains, oilseeds, and cotton). Loan rates would be higher than under current law for most of these crops, but maximum loan rates for soybeans and other oilseeds would decline. CBO estimates these provisions would increase spending by $11.3 billion over the 2002–2006 period and by $19.3 billion over the 2002–2011 period. Income and incentives to grow oilseeds would decline under reduced loan rates, resulting in lower spending for oilseed loans, loan deficiency payments, and marketing loan gains. These lower costs would be offset by increased costs for similar programs for corn and other crops, as growers switched their planting preferences away from soybeans and other oilseeds.

Marketing Assistance Loans for Wool, Mohair, Honey, and Lentils. S. 1731 would establish a nonrecourse marketing assistance loan program for producers of wool, mohair, honey, dry peas, lentils, and chickpeas. Marketing loan gains and loan deficiency payment provisions would apply to these commodities and would be subject to a separate $75,000 payment limitation. Over the 2002–2006 period CBO estimates that these new provisions would cost $87 million for wool and mohair, $61 million for honey, and $75 million for dry peas, lentils, and chickpeas. Over 10 years, those totals would rise to $187 million for wool and mohair, $101 million for honey, and $150 million for dry peas, lentils, and chick peas.

Milk Price Support Program. S. 1731 would extend the current milk price support program through December 31, 2006, at the current purchase price of $9.90 per hundredweight. Under the bill, the recourse loan program for dairy processors would be repealed. CBO estimates this provision would save $65 million over the next five years. CBO estimates that continuing the dairy price support through 2006—when it expires—would cost $439 million over the

2002–2006 period. Under the bill, we estimate that the net cost of the milk price support program would be $374 million over the next five years, and $385 million over the 10-year period.

National Milk Program. Section 132 would authorize the Secretary of Agriculture to make counter-cyclical payments to dairy producers. Payments would be based on a payment rate equal to 25 percent of the difference between $14.25 and the average price of class III milk (milk used for cheese). The payment would be made on total monthly production of milk (excluding milk for fluid use). Payments would be limited to $300 million a year. CBO estimates that this limitation would be binding each year, for a total cost of $1.5 billion over five years and $3.0 billion over 10 years.

Section 132 also would require USDA to amend existing federal regulations, known as milk marketing orders, to require the use of a minimum target price for class I milk (that is milk sold for fluid use) when calculating payments due to producers. For the purpose of calculating payments due to producers from milk handlers, this minimum target price for class I milk would be $14.25 per hundredweight. Handlers that are regulated by a milk marketing order could have to pay a higher price (for fluid milk) that reflects a national average difference between $14.25 and the prices that would otherwise be paid each month under current law. In other words, the prices received by milk producers would still vary by region, but each region's price would be raised by an amount calculated by USDA using the weighted average of milk prices across the regions that are regulated by federal milk marketing orders. (About 80 percent of fluid milk sold in the United States is currently regulated by such orders. California, a handful of other states, and portions of some other states are not currently subject to such federal regulation.) The transactions between milk handlers and producers that occur under milk marketing orders are part of a regulatory program and are thus not accounted for in the budget.

Sugar Program. The bill would extend and amend USDA's sugar program by removing the marketing assessment currently paid by growers, lowering the interest rate charged on price-support loans, and adding a storage facility loan. In addition, the bill would require the Secretary to pay producers loan benefits in cases where a processor cannot provide producers with loan benefits because of bankruptcy or is otherwise insolvent. We estimate these amendments would increase program costs by about $600 million over the next 10 years. Moreover, the bill would provide new authority to pay farmers with government-owned stocks of sugar (payment-in-kind) for idling acreage, and the authority to use marketing allotments to control supply if sugar imports decline in the future. We estimate these new, additional authorities would reduce the cost of the sugar program relative to current law, but that net spending for the sugar program would increase by $254 million over the 2002–2006 period and $530 million over the 2002–2011 period.

Peanuts. S. 1731 would make substantial changes to USDA's peanut program. Under the bill, CBO estimates that the peanut program would cost $2.6 billion over the 2002–2006 period and $4.2 billion over the 2002–2011 period. Peanut marketing quotas and support rates for peanuts produced within the marketing quotas would be eliminated. Instead, peanut producers would become eligible for direct payments, counter-cyclical payments, and marketing

assistance loan benefits. Under the legislation, a single, nonrecourse marketing assistance loan rate would apply to all peanut production that is lower than the current rate. The bill would compensate some peanut growers for the loss of asset value due to the elimination of marketing quotas.

Over the next five years, CBO estimates that the new peanut provisions would cost $315 million for direct payments, $578 million for counter-cyclical payments, $531 million for marketing assistance loans, and $1,180 million for compensation to peanut quota holders. Over the next 10 years, CBO estimates that these provisions would cost $625 million for direct payments, $1,277 million for counter-cyclical payments, and $1,163 million for marketing assistance loans, with no additional compensation to peanut quota holders after 2006.

Commodity Purchases. Section 163 provides $780 million over the 2002–2006 period to purchase certain speciality crops. Purchases would be made on the open market in an effort to support the prices of those commodities.

Hard White Wheat Payments. Section 164 would provide funding of $40 million over crop years 2003 through 2005 to establish an incentive payment program to encourage production of hard white winter wheat. CBO estimates the provision would increase spending by $40 million over the 2002–2006 period, with no additional cost after 2006.

Payment Limits. Section 165 would establish a combined payment limit of $100,000 for direct and counter-cyclical payments. The current payment limit is $40,000 for direct payments. Because counter-cyclical payments would be a new provision no payment limitation currently applies. Based on information from USDA, CBO estimates that a $100,000 payment limit would increase payments to producers by $60 million per year, or $300 million over the 2002–2006 period and $600 million over the 2002–2011 period.

Title II: Conservation Programs

This title would reauthorize and expand land conservation programs administered by USDA. CBO estimates these provisions would cost $6.2 billion over the 2002–2006 period, and $18.1 billion over the 2002–2011 period. (Spending would continue for a number of years after 2011, for a total estimated cost of $20.5 billion.)

Changes to Existing Programs. The bill would increase the maximum acreage enrollment in the Conservation Reserve Program to 40 million acres from the current cap of 36.4 million acres, and would authorize incentive payments for enrollment of acres under the continuous enrollment provisions and under the Conservation Reserve Enhancement Program. We estimate that these changes would cost $930 million over the next five years and $2.4 billion over the 2002–2011 period.

Acreage enrollment in the Wetlands Reserve Program (WRP) would expand by up to 250,000 acres per fiscal year under the bill, for a total acreage enrollment of 2.325 million acres by 2011. We estimate that the WRP provisions would cost $1.3 billion over the next five years and $1.4 billion over the 2002–2011 period.

Funding for the Environmental Quality Incentives Program (EQIP) would be increased by $300 million in 2002 and would rise to an increase of $1.05 billion by 2011. Under the bill, CBO esti-

mates EQIP would cost $2.7 billion over the next five years and $7.6 billion over the 2002–2011 period. (Additional spending would occur after 2011.) Included in the EQIP total is $100 million per year for conservation innovation grants. The bill also would accelerate the timing of EQIP payments to increase outlays by $165 million over the 10-year period.

In addition, the bill would increase funding for the Wildlife Habitat Incentives Program by an average of $98 million a year, and for the Farmland Protection Program by an average of $175 million a year. CBO estimates that the total cost for these amendments would be $895 million over the 2002–2006 period and $2.7 billion over the 2002–2011 period.

New Conservation Program. S. 1731 would establish a conservation security program for producers to receive payments from the Commodity Credit Corporation for implementing certain conservation practices. Payments would be based on a percentage of the average rental rate for farmland in their county, depending on the level of conservation practice implemented. The program establishes three tiers of payments, with higher payments under each successive tier to compensate for higher requirements for conservation practices. Eligible producers would have to develop a conservation security contract describing conservation practices on their land, and have the contract approved by the Secretary before annual incentive payments were paid.

CBO estimates that participation in such a new and potentially wide-ranging program would likely be slow in the beginning as producers obtained information about the program and developed their conservation plans. Hence, we expect that outlays under the new Farmland Protection program would be relatively low in the first five years, but would rise sharply in later years as more acres are enrolled. CBO estimates this program would cost $387 million over the 2002–2006 period and $3.7 billion over the 2002–2011 period.

S. 1731 would also establish the Grasslands Reserve program. This program would authorize the Secretary of Agriculture to enroll up to two million acres in permanent and 30-year easements. CBO estimates that the program would cost $44 million over the 2002–2006 period and $250 million over the 2002–2011 period.

Title III: Trade Programs

Title III would extend USDA's authority to administer programs to promote trade through 2006, and would increase funding for the Market Access Program, the Foreign Market Development Program, and the Food for Progress Program. The bill also would authorize the establishment within the Food for Progress Program of an International Food for Education and Child Nutrition Program. Title III would specify funding levels for most of these trade programs through 2006. CBO estimates that enacting title III would cost $784 million over the next five years and $2.0 billion over the 2002–2011 period.

The bill would gradually increase annual funding for the Market Access Program from $90 million to $190 million, and would increase annual funding for the Foreign Market Development Cooperator Program from $27.5 million to $42.5 million. The bill would cap non-commodity expenditures under the Food for Progress Pro-

gram at $80 million a year. Those provisions account for most of the cost of title III.

Title III also would authorize the establishment of the International Food for Education and Child Nutrition Program. Annual funding for the new program would be capped at the overall funding level provided for the Food for Progress Program. Finally, title III would provide annual funding for five years to carry out an export assistance program for products developed through biotechnology. We estimate this provision would cost $145 million over the next 10 years.

Title IV: Nutrition Programs

Title IV would reauthorize the Food Stamp and related nutrition programs through fiscal year 2006. In addition, it would make several changes in those nutrition programs. Most of these changes would be effective September 1, 2002, although states could opt to delay implementation until October 1, 2002. CBO estimates that the bill would increase direct spending by $51 million in 2002 and by $6.2 billion over the 2002–2011 period (see Table 3).

TABLE 3.—ESTIMATED CHANGES IN DIRECT SPENDING FOR FOOD STAMPS AND OTHER NUTRITION PROGRAMS (TITLE IV)

	By fiscal year, in millions of dollars—									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CHANGES IN DIRECT SPENDING										
Section 412, Definition of income:										
Estimated budget authority	[1]	3	6	6	6	7	7	7	7	8
Estimated outlays	[1]	3	6	6	6	7	7	7	7	8
Section 413, Standard deduction:										
Estimated budget authority	[1]	55	70	85	100	110	180	250	275	420
Estimated outlays	[1]	55	70	85	100	110	180	250	275	420
Section 415, Standard utility allowance:										
Estimated budget authority	2	50	50	55	55	60	60	60	65	65
Estimated outlays	2	50	50	55	55	60	60	60	65	65
Section 417, Determination of deductions:										
Estimated budget authority	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Estimated outlays	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Section 418, Definition of resources:										
Estimated budget authority	[1]	5	15	20	20	20	25	25	25	25
Estimated outlays	[1]	5	15	20	20	20	25	25	25	25
Section 420, State option for reporting requirements:										
Estimated budget authority	2	25	30	35	35	35	35	35	40	40
Estimated outlays	2	25	30	35	35	35	35	35	40	40
Section 421, Time limit for adults without dependents:										
Estimated budget authority	[1]	55	60	90	90	90	95	95	100	100
Estimated outlays	[1]	55	60	90	90	90	95	95	100	100
Section 422, Access to electronic benefits:										
Estimated budget authority	[1]	[1]	1	[1]	[1]	[1]	[1]	[1]	[1]	[1]
Estimated outlays	[1]	[1]	1	[1]	[1]	[1]	[1]	[1]	[1]	[1]
Section 423, Cost neutrality of electronic benefit systems:										
Estimated budget authority	[1]	1	1	1	1	1	1	1	1	1
Estimated outlays	[1]	1	1	1	1	1	1	1	1	1
Section 426, Determination of continuing eligibility:										
Estimated budget authority	[1]	5	5	5	5	5	5	5	5	5
Estimated outlays	[1]	5	5	5	5	5	5	5	5	5
Section 428, Transitional food stamps:										
Estimated budget authority	5	90	120	190	195	200	205	210	215	225

TABLE 3.—ESTIMATED CHANGES IN DIRECT SPENDING FOR FOOD STAMPS AND OTHER NUTRITION PROGRAMS (TITLE IV)—Continued

	By fiscal year, in millions of dollars—									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Estimated outlays	5	90	120	190	195	200	205	210	215	225
Section 430, Quality control systems:										
Estimated budget authority	−28	−58	−59	−61	−62	−63	−65	−66	−67	−69
Estimated outlays	−28	−58	−59	−61	−62	−63	−65	−66	−67	−69
Section 432, Bonus payments:										
Estimated budget authority	0	30	30	30	30	30	30	30	30	30
Estimated outlays	0	30	30	30	30	30	30	30	30	30
Section 433, Employment and training:										
Estimated budget authority	−197	−187	−45	−42	−40	−38	−37	−35	−33	−32
Estimated outlays	4	3	−1	−4	−8	−12	−16	−20	−24	−29
Section 437, Access and outreach pilot projects:										
Estimated budget authority	0	3	[1]	[1]	[1]	[1]	0	0	0	0
Estimated outlays	0	[1]	1	1	1	[1]	0	0	0	0
Section 438, Consolidated block grants:										
Estimated budget authority	0	6	6	6	6	6	6	6	7	7
Estimated outlays	0	5	6	6	6	6	6	6	7	7
Section 439, Community food projects:										
Estimated budget authority	0	3	3	3	3	0	0	0	0	0
Estimated outlays	0	2	3	3	3	1	0	0	0	0
Section 440, TEFAP commodities:										
Estimated budget authority	10	10	10	10	10	10	10	10	10	10
Estimated outlays	6	12	10	10	10	10	10	10	10	10
Section 443, Vitamin and mineral supplements:										
Estimated budget authority	[1]	3	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]
Estimated outlays	[1]	1	1	1	[1]	[1]	[1]	[1]	[1]	[1]
Section 452, Restoration of benefits to certain aliens:										
Estimated budget authority	[1]	25	65	110	135	145	150	160	165	170
Estimated outlays	[1]	25	65	110	135	145	150	160	165	170
Effect in TANF program:										
Estimated budget authority	0	0	0	0	0	0	0	0	0	0
Estimated outlays	0	[1]	−5	1	1	1	1	1	0	0
Section 453, Commodity purchases:										
Estimated budget authority	50	50	0	0	0	0	0	0	0	
Estimated outlays	50	50	0	0	0	0	0	0	0	0
Section 456, Senior farmers' market nutrition program:										
Estimated budget authority	15	15	15	15	15	0	0	0	0	0
Estimated outlays	10	15	15	15	15	5	0	0	0	0
Section 457, Fruit and vegetable pilot program:										
Estimated budget authority	0	0	0	0	0	0	0	0	0	0
Estimated outlays	[1]	5	[1]	0	0	0	0	0	0	0
Interactions:										
Estimated budget authority	[1]	1	1	3	3	4	6	7	7	10
Estimated outlays	[1]	1	1	3	3	4	6	7	7	10
Total changes in direct spending, Title IV:.										
Estimated budget authority	−141	190	384	561	607	622	713	800	852	1,015
Estimated outlays	51	380	425	602	641	655	735	816	861	1,018

[1] Less than $500,000.
[2] CBO cannot estimate, but we expect the annual costs to be small.

Notes. Details may not sum to totals because of rounding.

TEFAP = The Emergency Food Assistance Program.
TANF = Temporary Assistance for Needy Families.

Reauthorization of the Food Stamp Program. Section 434 would reauthorize the Food Stamp program through fiscal year 2006. Because it is assumed to continue in CBO's baseline after it expires at the end of 2002, CBO would not estimate this reauthorization to result in additional federal costs.

Income Definition. Section 412 would allow a state to exclude from gross income in the Food Stamp program any educational loans or other educational assistance that the state is required to exclude in Medicaid. It would also allow a state to exclude the types of income that it excludes in Medicaid or Temporary Assistance for Needy Families (TANF). CBO estimates that this provision would increase spending by $57 million over the next 10 years. CBO used Food Stamp Quality Control (QC) data to estimate the change in benefits if educational assistance that is counted under current law were to be excluded from income in determining benefits. CBO estimates about 5,000 households would be affected with an average benefit increase of $68 per month.

CBO also added costs for excluding a small portion of unearned income. States have flexibility to determine what is excluded from the definition of income in Medicaid and TANF, so the rules vary by state, but most differences are minor. CBO assumes that 90 percent of states would exercise the option to exclude income as allowed under this section.

Standard Deduction. Section 413 would set the amount of the standard deduction as a percentage of the net income threshold in each fiscal year. Under current law, all households receive the same standard deduction from gross income: $134 in the 48 states and the District of Columbia. (Alaska, Hawaii, Guam, and the U.S. Virgin Islands have different standard deductions.) This bill would set the standard at 8 percent of the net income threshold by household size for fiscal years 2002 through 2007, and then incrementally increase the percentage up to 9 percent by 2011. Smaller households would be guaranteed the current-law standard deduction, and no household could receive a standard deduction that is higher than the applicable percentage of the net income threshold for a household of six people.

Under this section, some households would receive higher Food Stamp benefits than under current law, because less of these households' income would be considered available for purchasing food. Most households of 5 people or more would receive higher benefits when the standard is set at 8 percent of the net income threshold. Using QC data, CBO estimates over 700,000 households would receive an average increase in benefits of more than $6 per month for total costs of $55 million in 2003. The 10-year costs would total about $1.5 billion. These costs and the number of affected households would increase over time as a result of subsequent increases in the standard deduction and the projected growth in the eligible population.

Standard Utility Allowance. Section 415 would allow states that choose to make the use of a standard utility allowance (SUA) mandatory to use the full SUA for households that share utility expenses with individuals not in the Food Stamp unit and for public housing residents with central meters who pay for excess utility expenses. The SUA is used along with rent or mortgage payments to determine the amount of the deduction from gross income of excess shelter expenses. Under current law, states can choose to make the use of the SUA mandatory for most households with utility expenses. States accounting for almost 25 percent of total benefits have chosen the mandatory SUA. In other states, households can choose to use either the SUA or actual utility costs.

CBO estimates this provision would cost $50 million in 2003 and $522 million over the 10-year period. The costs to end proration of shared utility expenses would be $45 million in 2003, which CBO estimated using QC data on households living with non-food stamp unit members and administrative data on the value of states' SUAs. This cost also includes savings from about half the remaining states adopting a mandatory SUA. A mandatory SUA would result in some savings because those households with actual utility costs that are higher than the SUA would have lower benefits when required to take the SUA. Finally, CBO estimates a cost of $5 million a year for using the full SUA for households residing in public housing and charged for excess utility expenses.

Resource Definition. Section 418 would allow states to exclude from the definition of resources those types of resources they do not consider when determining eligibility for cash assistance under TANF or for Medicaid, although states would not be allowed to exclude resources that are readily accessible to the household, such as cash or assets in certain financial accounts, or licensed vehicles. Under section 1931 of the Social Security Act (which is the section with which states would be allowed to conform their Food Stamp resources rules), states accounting for about 17 percent of Food Stamp benefits have chosen to disregard all assets in determining eligibility for Medicaid. CBO assumed that most of these states would choose to exclude the types of resources this section allows them to exclude. Using data from the Survey of Income and Program Participation (SIPP), CBO estimates an additional 10,000 households would participate once the provision is fully phased in by 2005 with an average monthly benefit of $150. This section would increase costs by $20 million in 2005 and $180 million over the 10-year period.

Reporting Requirements. Section 420 would provide states with additional options for how households report changes in their circumstances. Under final regulations released in November 2000, states have the option to allow households with earned income to report every six months, unless the household's income exceeds the gross income threshold for eligibility. This section would allow states to implement this option for all households.

CBO estimates this reporting option would result in states missing a net decrease of about one-half of one percent of total benefits. Using data from the SIPP, CBO examined changes in Food Stamp households' income over a six-month period to estimate changes that households would not be required to report under the new option. These changes were adjusted for households' reporting behavior, the number of households that would exceed the gross income limit and become ineligible, and the costs of the reporting option under current regulations. CBO assumes that states with 45 percent of benefits would eventually take this option, given other reporting options that are available such as quarterly reporting, for costs of $25 million in 2003 and $312 million over the 2002–2011 period.

A related provision—Section 417—would allow states to disregard certain changes in deductions from gross income during a household's certification period. Under current law, a state is required to adjust benefits in response to a household's report of changes in spending that affect the amount of deductions. CBO

cannot estimate the costs of this option because there are not sufficient data to assess how the spending of Food Stamp recipients on items such as child care, medical care, and child support payments fluctuates over the course of several months. However, CBO expects that the costs of this provision could be several million dollars a year, but such costs should be significantly lower than the annual $30 million to $40 million costs of section 420.

Time Limit for Adults without Dependents. Section 421 would extend the time limit for participation by able-bodied adults without dependents (ABAWDs) in the Food Stamp program. Under current law, individuals between the ages of 18 and 50 who are not disabled and do not have dependents can participate in the program for only three months out of 36 months, unless they are working or participating in a suitable work activity. The bill would change the time limit for this group to six out of 24 months when not engaged in work or a work activity. CBO estimates an additional 55,000 individuals, on average, eventually would participate with average monthly benefits of $130, for costs of $775 million over the 10-year period. This estimate is based on SIPP data on the work participation of this group prior to enactment of the time limit in Public Law 104–193, the Personal Responsibility and Work Opportunities Reconciliation Act of 1996 (PRWORA). We adjusted the results from the SIPP data for individuals who would be eligible due to waivers, discretionary exemptions, or participation in employment and training programs under current law.

Cost Neutrality for Electronic Benefit Transfer Systems. Section 423 would eliminate the requirement that a state's electronic benefit transfer (EBT) system be cost neutral relative to the costs of the state's coupon issuance system. Based on information from USDA on actual cost overruns and contract negotiations for states, CBO estimates annual costs of $1 million beginning in fiscal year 2003.

Determinations of Continuing Eligibility. Section 426 would allow states to redetermine the eligibility of current participants on a case-by-case basis, instead of setting specific certification periods. States would be required to determine eligibility no less than every 12 months (or 24 months for households in which all adult members are elderly or disabled), which are the same limits for current-law certification periods. Some households may receive benefits for a longer time period than under current law, if a state failed to conduct a review.

Using information from the Food and Nutrition Service (FNS) on cases in which a state fails to act on a recertification and those cases in which the household is no longer eligible for benefits, CBO estimates that fewer than 500 households each month would receive benefits for an additional 4.5 months, on average, resulting in costs of $5 million each year.

Transitional Food Stamps. Section 428 would allow states to provide up to six months of Food Stamp benefits to households leaving the TANF program. These benefits would be set at the level received in the month prior to leaving welfare, adjusted for the loss of cash assistance. Under final regulations released in November 2000, states have the option to provide transitional benefits to these households for up to three months. This section would allow states to provide transitional benefits for an additional three

months, even if the transitional benefit period extends beyond the household's Food Stamp certification period.

Based on the number of active cases and TANF cases closed in 1999, CBO estimates there will be about 1.6 million closed cases annually. We adjusted this number for households who would continue to be Food Stamp recipients under current law, for households who would return to TANF during the transitional period, and for households who would not be eligible because of sanctions or noncooperation with welfare rules. These adjustments are based on various studies of people who leave welfare. CBO estimates about 35,000 TANF households, on average, could potentially be eligible for transitional benefits, and that states accounting for about half these cases would choose this option by 2005. These households would receive an additional three months of benefits relative to current law with average benefits of about $270 per month in 2003, for costs of $90 million in 2003 and about $1.7 billion over the 10-year period.

Quality Control System and Bonus Payments. Section 430 would revise the system under which USDA measures payment accuracy and section 432 would set up a new system of bonus payments for performance. Under current law, USDA measures the accuracy of benefit determinations and computes payment error rates for every state. States that have payment error rates higher than the national performance measure are subject to sanctions. Most states subject to sanction enter into agreements with USDA to reinvest these liabilities into program improvements. The bill would revise the QC system to sanction states that have error rates with a 95 percent statistical probability of being one percentage point greater than the national average for three years in a row. Based on information from USDA, CBO assumes that USDA would continue to work with states to reinvest liabilities into program improvements so there would be no change in collections from sanctions.

The current system also provides enhanced administrative funding for states with a payment error rate below 6 percent. The bill would eliminate this system beginning with fiscal year 2002 error rates, and cut the payments in half for enhanced payments made in 2002 for fiscal year 2001 errors. Based on actual enhanced funding payments for fiscal year 2000 error rates, CBO estimates savings of $28 million in fiscal year 2002 and total savings of $598 million over the 10-year period.

Section 432 would create a new system of performance measures and bonus payments beginning in fiscal year 2003. Five new performance measures would be created and payments of $6 million for each measure would be given out to states with the best or most improved performance, increasing spending by $30 million each year.

Funding for Employment and Training Program. Under current law, states receive funding for employment and training programs that are 100 percent federally financed—$165 million in fiscal year 2002. States are required to spend 80 percent of these funds on able-bodied adults without dependents, with maximum per slot reimbursement rates and a maintenance of effort (MOE) requirement for state spending. Section 433 would reduce budget authority to $115 million each year and rescind all unobligated funds carried over from pre-2002 budget authority. It also would end the MOE

requirement, the limits on slot reimbursement rates, and the requirement to spend at least 80 percent of funds on able-bodied adults. Of the $115 million each year, $90 million would be allocated among all states, and the additional $25 million would be available to states that spend all of their initial allocation and pledge to serve all ABAWDs who would otherwise lose eligibility for the Food Stamp program.

CBO examined the pattern of spending by states in the employment and training program. For states likely to spend less than their estimated allocation of the base funding amount ($90 million), CBO assumed these states would increase spending of the 100 percent federal funds because of the easing of restrictions for spending of those funds, and shift spending from matched funding to full federal funding. For states likely to spend more than their allocation, CBO assumed these states would make up about half of the cut in resources by increasing their use of the 50 percent matched funding. These assumptions result in net savings of $210 million over the 10-year period.

This section would also raise the limit on reimbursement of participant expenses to $50 per month from the current $25 limit. Based on the amount spent in 2000 on these expenses, CBO estimates the federal share of the higher reimbursement limit would total about $10 million annually for costs of $103 million over the 2002–2011 period. This leads to a net cost of $4 million in 2002 and net savings of $107 million over the 2002–2011 period for section 433.

Other Changes in the Food Stamp Program. This title would make several other changes in the Food Stamp program. Section 422 would require states to keep electronic benefits accessible for at least six months after a household last accessed its account. Section 437 would provide $3 million over the 2003–2005 period for grants to states for pilot programs on improving access to and outreach for the Food Stamp program. Finally, section 443 would allow Food Stamp benefits to be used to purchase vitamin and mineral supplements and would authorize $3 million for an evaluation of this new use of benefits. CBO estimates the costs of these provisions would total $10 million over the 2002–2011 period.

Related Nutrition Programs in the Food Stamp Act. Title IV would reauthorize and amend several other nutrition programs included in the Food Stamp Act. Section 438 would combine the nutrition assistance programs for Puerto Rico and American Samoa into one block grant that would be adjusted each year by the change in the Thrifty Food Plan. Under current law, the nutrition assistance program for American Samoa is authorized at $5.3 million each year through 2002. Section 439 would reauthorize assistance for community food projects at $2.5 million each year through 2006. Section 440 would authorize $110 million each year for the purchase of commodities for the Emergency Food Assistance program, with $10 million set aside for the costs associated with distributing such commodities. Under current law, $100 million is authorized each year through 2006. These sections would increase spending by $6 million in 2002 and by a total of $163 million over the 10-year period.

Restoration of Eligibility for Certain Legal Aliens. Section 452 would restore Food Stamp eligibility for certain categories of quali-

fied aliens. PRWORA made most aliens ineligible for food stamps until naturalization, except for refugees or asylees during their first five years in the United States, aliens who have 40 quarters of employment covered by Social Security, or aliens who are veterans or active duty military personnel. Public Law 105–185, the Agricultural Research, Extension, and Education Reform Act of 1998, restored eligibility to refugees and asylees in their first seven years in the country, and children, elderly, or disabled aliens who resided in the United States as of August 22, 1996.

The bill would restore eligibility to all qualified alien children under 18, change the work requirement from 40 quarters to 16 quarters of covered employment, lift the time restriction for refugees and asylees, and restore eligibility to all qualified disabled aliens. This section would be effective September 1, 2002, (or at state option October 1, 2002), except the provision to restore eligibility to children would be effective beginning in fiscal year 2004. Based on fiscal year 1996 QC data, adjusted for current Food Stamp rules, CBO estimates that this section, when fully phased in, would increase participation by 150,000 participants in fiscal year 2006 and cost $25 million in 2003 and $1.1 billion over the 2002–2011 period.

Minimum Commodity Assistance in the School Lunch Program. USDA provides both cash reimbursement and commodity assistance for each meal served under the National School Lunch program, and a minimum of 12 percent of the total assistance must be in the form of commodities. Section 453 would reverse a requirement that the value of bonus commodities (those purchased by USDA to remove surpluses or support prices, and then donated to the school lunch program) be included in calculating this minimum value for fiscal years 2002 and 2003. CBO expects that $50 million of bonus commodities would be provided and would be counted toward the requirement each year under current law. Therefore, the Secretary of Agriculture would have to purchase an additional $50 million to meet the requirement each year, for total costs of $100 million over the two-year period.

Other Nutrition Programs. Section 456 would establish a senior farmers' market nutrition program, funded at $15 million each year over the 2002–2006 period. This program would continue a pilot program established in 2001 to provide access to local produce for low-income seniors. This section would increase spending by $10 million in 2002 and by $75 million over the 10-year period.

Section 457 would require the Secretary to use funds available under section 32 (funds for strengthening markets, income, and supply) to operate a pilot program to provide free fresh fruits and vegetables in schools in four states and on one Indian reservation for the 2003 school year. Using information from FNS and the Bureau of Labor Statistics on the prices of fruits and vegetables that are likely to appeal to children and on average school enrollment from the National Center for Education Statistics, CBO estimates this program would increase spending by $5 million.

Title V: Credit Programs

Under current law, USDA may provide certain loan-servicing benefits to delinquent farm credit borrowers, including deferral and writeoff of scheduled payments. Borrowers whose debt is reduced

under these servicing procedures are subject to shared appreciation agreements that require a portion of the reduced debt be repaid to USDA from appreciation in the value of the property over a 10-year period. Under procedures established by the Federal Credit Reform Act of 1990, the subsidy cost of a direct loan is the estimated long-term cost to the government, calculated on a net present value basis. If legislation modifies the cost of outstanding loans, the change in subsidy cost is recorded the year the legislation is enacted. Section 531 would allow the borrower to agree to a conservation easement on the property in lieu of repayment obligations under the shared appreciation agreement. CBO estimates that implementing the new program would reduce receipts under the shared appreciation agreements. CBO estimates the cost of the provision—the present value of reduced receipts—would total $66 million, which would be recorded as a loan modification in fiscal year 2002.

Title VI: Rural Development Programs

CBO estimates that enacting title VI of S. 1731 would result in direct spending of $1.7 billion over the 2002–2011 period, with most of that spending to occur over the next five years. Section 602 would establish the Rural Business Investment Program (RBIP) to provide federal loan guarantees on debentures to qualified venture capital corporations that invest in small enterprises in rural communities. The bill would authorize USDA to issue up to $350 million of loan guarantees. Based on the experience of similar loan guarantee programs administered by the Small Business Administration, CBO estimates that the subsidy cost to guarantee $350 million in loans under the RBIP program would be about $70 million over the 2002–2006 period.

Section 602 also would provide $50 million for grants to Rural Business Investment Companies to provide assistance to small enterprises financed by these entities. CBO estimates the cost of the grants would be $50 million over the 2002–2006 period.

Section 603 would provide funding for all pending applications for rural water treatment grant and loan programs under the Rural Community Advancement Program that cannot be funded through the fiscal year 2002 appropriations for such programs. Based on information from USDA, CBO estimates that this provision would cost $454 million over the 2002–2007 period.

In addition, title VI would provide funding for several rural development initiatives, including $377 million for value-added agricultural product market development grants, $500 million for grants to enhance broadband access in rural areas, $130 million for grants to rural firefighters and emergency personnel for training, $50 million for assistance to rural entrepreneurs and micro enterprises, and $113 million for the Rural Endowment Program established under this title.

Title VII: Research and Related Items

This title would increase research spending for the Initiative for Future Agriculture and Food Systems by $284 million over the 2002–2006 period and $460 million over the 2002–2011 period. This initiative would award funding to research projects that address critical emerging issues related to future food production, en-

vironmental protection, farm income, or alternative uses of agricultural products.

S. 1731 also would establish two new research programs. The bill would provide both the Beginning Farmer and Rancher Development Program and the Rural Policy Research Program with $15 million a year for five years. CBO estimates these two new research programs would cost $106 million over the 2002–2006 period and $150 million over the 2002–2011 period. Finally, section 723 would authorize the Secretary to use any proceeds from the sale of federal research facilities and equipment for infrastructure security. Since such proceeds would, in general, be deposited in the Treasury, this new authority for the Secretary to use these funds would increase direct spending. Based on information from USDA, however, CBO estimates that additional spending under this provision would be less than $500,000 a year.

Title VIII: Forestry Initiatives

This title would provide $48 million a year over the 2002–2006 period for a new program to provide assistance to owners of private nonindustrial forest lands. Based on information from USDA, we estimate that the proposed program would cost $240 million over the 2002–2011 period. Title VIII also would establish a new competitive grant program to support forestry practices of nonprofit organizations. The bill would provide $2 million a year for that program, for a cost of $10 million over the 2002–2006 period.

This title also would allow USDA and the Department of the Interior to use long-term stewardship contracts to implement projects to remove hazardous fuels (overly dense forest vegetation) from certain federal lands. Under such contracts, the agencies could retain and spend any receipts generated from such contracts to implement additional projects. Based on information from the Forest Service, we estimate that the net increase in direct spending from this provision would total $46 million over the 2002–2011 period. That estimate assumes that, in some cases, the agency would use stewardship contracts to implement projects that otherwise would have been completed using the agency's existing authorities.

Title IX: Energy Programs

This title would provide funding for several renewable energy programs. Specifically, the title would provide $165 million over the next 10 years for loans and grants to encourage small businesses and farmers to develop and use renewable energy. In addition, it would provide $25 million to study hydrogen and fuel cell technology and $75 million for research and development into the use of biomass products for fuel. It would provide an additional $45 million for rural electrification loans. Overall, CBO estimates that enacting title IX would cost $478 million over the 2002–2006 period, and $550 million over the 2002–2011 period.

Title X: Miscellaneous Provisions

Currently, crop insurance coverage is available in 5 percent increments (50, 55, 60, 65, 70, 75, 80, and 85 percent of expected yields). Beginning in 2006, producers will be able to select coverage levels in 1 percent increments. The availability of coverage in 1 percent increments, known as continuous coverage, will increase

the cost of the crop insurance program because in some cases a slight reduction in the coverage level can result in a substantial increase in the subsidy rate. For example, reducing the coverage level from 85 to 84 percent of expected yields would allow producers to increase the subsidy rate from 38 to 48 percent of total premium. Section 1011 would prohibit implementing continuous coverage until after 2011. CBO estimates this provision would save $292 million in 2006 and $1.9 billion over the 2002–2011 period. Finally, section 1030 would provide $4 million in 2002 for the National Organic Certification Cost-Share Program.

Spending Subject to Appropriation

The bill also would authorize discretionary appropriations for existing and new programs for research and education, nutrition, trade promotion, rural development, credit assistance, and forestry initiatives. CBO has not completed an estimate of the cost of these provisions.

Pay-as-you-go Considerations: The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in Table 4. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

TABLE 4.—ESTIMATED EFFECTS OF S. 1731 ON DIRECT SPENDING AND RECEIPTS

	By fiscal year, in millions of dollars—									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	6,276	9,239	6,040	9,394	7,469	7,920	7,232	6,451	5,881	5,738
Changes in receipts	Not applicable									

Estimated Impact on State, Local, and Tribal Governments: S. 1731 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act; those mandates include preemptions of state laws and extensions of intergovernmental mandates already in current law. The preemptions of state law would impose minimal, if any, costs on state governments. However, CBO cannot determine whether the total costs of other intergovernmental mandates in the bill would exceed the threshold established in UMRA ($56 million in 2001, adjusted annually for inflation) because UMRA is unclear about how the costs of extending an existing mandate should be estimated.

Intergovernmental Mandates

The Rural Development title of S. 1731 contains a number of preemptions of state law. These preemptions would be intergovernmental mandates as defined in UMRA because they would prevent the exercise of state or local authority. Specifically, the bill would preempt any state limitations on interest rates with regard to the newly established National Rural Cooperative and Business Equity Fund. It also would preempt any state or local limitations on federal ownership of debentures issued as part of the Rural Business Investment Program, and it would preempt any state laws limiting the investment of banks, associations and other institutions in a

Rural Business Investment Company. Although each of these preemptions would limit the application of state or local laws, CBO estimates that they would not affect the budgets of state, local, or tribal governments because they would impose no duties on states that would result in additional spending.

The bill would require that reductions in federal reimbursements for administrative costs in the Food Stamp program continue beyond the scheduled expiration date in current law (2002) through 2006. In 1997, the Congress enacted a cap on administrative costs that could be charged to the Food Stamp program (Public Law 105–185). CBO identified that cap as an intergovernmental mandate because it would reduce federal reimbursement for food stamp administrative costs and because states have only limited authority to make programmatic or financial changes to offset those costs. At that time, CBO estimated annual costs of between $190 million and $280 million, but the costs have decreased to the lower end of that range.

By extending the reductions in federal reimbursements to states through 2006, the bill would extend an intergovernmental mandate. UMRA is unclear, however, about how to measure costs associated with extending an existing mandate that has not yet expired. On the one hand, if the reductions were allowed to expire, states might adjust their cost allocation procedures and claim larger amounts of federal reimbursement through the Food Stamp program. On the other hand, states have already altered their budgets to accommodate the initial reduction in federal reimbursements, and it is not clear that any state has made budget plans for future budget years that assume such reductions would end. UMRA is unclear about whether the mandate costs should be measured based on current levels of spending or on spending in the absence of the intergovernmental mandate (or reductions). Consequently, CBO cannot determine whether the costs to state governments would exceed the threshold established in UMRA.

Other Impacts

Under current law, states receive an enhanced federal match for administrative funding if they have payment error rates below 6 percent in the Food Stamp program. This bill would cut in half the formula for determining the amount of the increase and then eliminate the system of enhanced funding. Consequently, states that otherwise would have received the enhanced match would receive lesser amounts. CBO estimates that those losses would total between $58 million and $69 million annually over the 2003–2011 period. The bill also would create a new system of performance measures and bonuses in the Food Stamp program; CBO estimates that those bonus payments to states would total $30 million annually.

State, local, and tribal governments receive funds through some of the other programs reauthorized by this bill and probably would receive additional funds from newly authorized programs. Some of these programs—both new and existing—include matching requirements and other conditions of assistance. Any costs these governments might incur to comply with conditions of this assistance would be voluntary. Such costs, however, would be more than offset by the grant funds those governments receive.

Estimated Impact on the Private Sector: S. 1731 contains several private-sector mandates as defined by UMRA. CBO estimates that the aggregate direct costs of those mandates would be well in excess of the annual threshold established by UMRA ($113 million in 2001, adjusted annually for inflation) in each of the first five years the mandates are in effect.

The bill would impose mandates on certain handlers of fluid milk, importers of dairy products, retailers and suppliers of certain commodities, and breeders of certain live animals. Handlers of fluid milk that are subject to milk marketing orders could be required to pay higher prices, based on the bill's minimum target price of $14.25 per hundredweight. Importers of dairy products would have to pay a new assessment fee. Suppliers of certain commodities would have to inform retailers of the country of origin of those commodities and retailers would be required to inform consumers of that same information. Breeders would be prohibited from exporting live animals with the intent to fight, or engaging in interstate transport of live birds with the intent to fight.

Dairy Sector Requirements

Section 132 would set new minimum prices, by region, that handlers of class I milk (that is, milk sold for fluid use) would be required to pay to producers under the federal milk marketing order regulations. Federal milk marketing orders, administered by the Agricultural Marketing Service of the U.S. Department of Agriculture, set minimum prices for milk purchased from producers within areas governed by the orders. Federal marketing orders regulate pricing in major milk production areas in the United States, except for California, a handful of other states, and portions of some other states. California operates under state marketing order regulations, which would be unaffected by this change in the law.

CBO estimates that the new minimum class I prices would cause handlers to pay more for milk than they would pay under current law, with the aggregate increase in their costs totaling about $1.5 billion in each of 2002 and 2003, $1.4 billion in 2004 and 2005, and $1.3 billion in 2006. Most or all of those increased costs faced by milk handlers would be passed on to consumers of milk and milk products through higher retail prices.

Section 136 would impose a mandate on importers of dairy products by expanding a dairy promotion assessment to cover imports of dairy products. Under current law, USDA collects an assessment from domestic dairy producers to fund activities of the National Dairy Promotion and Research Board. The bill would require the assessment rate on imported dairy products to be determined in the same manner as the assessment rate per hundredweight or the equivalent of domestic milk. The funds collected from importers of dairy products would be combined with collections from domestic producers. Using an assessment rate equivalent to the current rate paid by domestic producers of dairy products, CBO estimates the cost of the assessment on importers would total about $11 million annually.

In addition, section 135 would amend the Agriculture Marketing Act to allow the Secretary of Agriculture to expand the reporting requirement now placed on manufacturers and persons who store dairy products. That is, the bill would give the Secretary the au-

thority to expand the list of products for which producers must report on inventories and make records available to the government. The provisions would impose a new mandate if the Secretary used the authority to make additional products subject to current requirements. USDA could not indicate which products, if any, would be added to the list. Nonetheless, since producers already keep extensive records on inventories at storage facilities, the incremental cost of complying with such requirements would be small.

Country-of-Origin Labeling Requirements

Section 1001 would require retailers to inform consumers, at the final point of sale, of the country of origin of beef, lamb, pork, farm-raised fish, fresh fruits and vegetables, and peanuts. Suppliers of those commodities would be required to provide the same information to retailers. The major costs associated with the new country-of-origin labeling requirements are related to the cost to segregate and preserve commodity identity, to label the commodity, and to maintain records.

The incremental cost of this mandate is uncertain. Although rare, some grocers, meat packers, and farmers voluntarily use labels to identify U.S. products. Also, data to estimate compliance costs are not available for some commodities. Moreover, compliance costs depend on the specific standards to be established by the Secretary. According to information from representatives of the industry, the costs to retailers and suppliers to provide country-of-origin information on some of the commodities covered in this bill could be as high as $1 billion annually.

Ban on Commerce in Live Animals with the Intent to Fight

Under current law, any person is prohibited from transporting or delivering a dog or other animal—with the exception of live birds—between states to participate in an animal fighting venture. Section 1025 would amend the Animal Welfare Act to remove that exception and to ban the interstate movement of live birds for the purpose of fighting. The bill would not prohibit breeders from transporting animals for reasons other than to fight. In addition, section 1024 would prohibit the export of live animals with the intent to fight. CBO cannot estimate the direct cost because sufficient information about the export of such live animals is not available.

Previous CBO Estimates: On November 28, 2001, CBO transmitted a summary of the estimated effects of S. 1731. The numbers included in this more-detailed cost estimate are unchanged from those provided on November 28.

On August 23, 2001, CBO transmitted a cost estimate for H.R. 2646, the Farm Security Act of 2001, as reported by the House Committee on Agriculture on August 2, 2001. That bill would have a similar impact on total direct spending for agricultural programs over the 2002–2011 period: an increase of $69.5 billion (as compared to $71.6 billion over the same period for S. 1731). The bills differ significantly, however, in the composition of such spending. In addition, S. 1731 would increase direct spending more than H.R. 2646 in 2002 ($6.3 billion verses $1.9 billion) and over the 2002–2006 period ($38.4 billion verses $33.4 billion).

H.R. 2646 would impose private-sector mandates by charging new assessments on importers of dairy products and U.S. producers

of caneberries. The House bill also would allow the Secretary of Agriculture to expand the reporting requirement now placed on manufacturers and persons who store dairy products. While most of the mandates in H.R. 2646 are also contained in S. 1731, the House bill did not include a minimum price restriction on handlers of fluid milk, a country-of-origin labeling requirement on retailers and suppliers, or a prohibition on the interstate transport or exportation of live animals with the intent to fight. CBO found that the aggregate cost of mandates in H.R. 2646 would fall below the annual threshold for private-sector mandates established in UMRA.

Estimate Prepared by: Federal costs: Jim Langley, Greg Hitz, Dave Hull, Lanette Walker, Megan Carroll, Lisa Cash Driskill, and Mark Hadley; Joseph Whitehill (226–2840); and Valerie Baxter Womer (226–2820). Impact on State, Local, and Tribal Governments: Marjorie Miller and Leo Lex. Impact on the Private Sector: Roger Hitchner, Jean Talarico, Cecil McPherson; and Ralph Smith.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

VIII. Changes in Existing Law

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made in the bill, as reported are shown as follows: existing law proposed to be omitted is enclosed in black brackets and new material is printed in italic.

TITLE 1

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AGRICULTURAL MARKET TRANSITION ACT

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[SEC. 102. DEFINITIONS.

[In this title:

[(1) AGRICULTURAL ACT OF 1949.—Except in section 171, the term "Agricultural Act of 1949" means the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), as in effect prior to the suspensions under section 171(b)(1).

[(2) CONSIDERED PLANTED.—The term "considered planted" means acreage that is considered planted under title V of the Agricultural Act of 1949 (7 U.S.C. 1461 et seq.) and such other acreage as the Secretary considers fair and equitable.

[(3) CONTRACT.—The terms "contract" and "production flexibility contract" mean a production flexibility contract entered into under section 111.

[(4) CONTRACT ACREAGE.—The term "contract acreage" means 1 or more crop acreage bases established for contract commodities under title V of the Agricultural Act of 1949 (7 U.S.C. 1461 et seq.) that would have been in effect for the 1996 crop (but for suspension under section 171(b)(1)).

[(5) CONTRACT COMMODITY.—The term "contract commodity" means wheat, corn, grain sorghum, barley, oats, upland cotton, and rice.

[(6) CONTRACT PAYMENT.—The term "contract payment" means a payment made under this subtitle pursuant to a contract.

[(7) DEPARTMENT.—The term "Department" means the Department of Agriculture.

[(8) EXTRA LONG STAPLE COTTON.—The term "extra long staple cotton" means cotton that—

[(A) is produced from pure strain varieties of the Barbadense species or any hybrid thereof, or other similar types of extra long staple cotton, designated by the Secretary, having characteristics needed for various end uses for which United States upland cotton is not suitable and grown in irrigated cotton-growing regions of the United States designated by the Secretary or other areas designated by the Secretary as suitable for the production of the varieties or types; and

[(B) is ginned on a roller-type gin or, if authorized by the Secretary, ginned on another type gin for experimental purposes.

[(9) FARM PROGRAM PAYMENT YIELD.—The term "farm program payment yield" means the farm program payment yield established for the 1995 crop of a contract commodity under section 505 of the Agricultural Act of 1949 (7 U.S.C. 1465). The Secretary shall adjust the farm program payment yield for the 1995 crop of a contract commodity to account for any additional yield payments made with respect to that crop under subsection (b)(2) of the section.

[(10) LOAN COMMODITY.—The term "loan commodity" means each contract commodity, extra long staple cotton, and oilseed.

[(11) OILSEED.—The term "oilseed" means a crop of soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, or, if designated by the Secretary, other oilseeds.

[(12) PRODUCER.—The term "producer" means an owner, operator, landlord, tenant, or sharecropper who shares in the risk of producing a crop and who is entitled to share in the crop available for marketing from the farm, or would have shared had the crop been produced. In determining whether a grower of hybrid seed is a producer, the Secretary shall not take into consideration the existence of a hybrid seed contract.

[(13) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

[(14) STATE.—The term "State" means each of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any other territory or possession of the United States.

[(15) UNITED STATES.—The term "United States", when used in a geographical sense, means all of the States.]

SEC. 102. DEFINITIONS.

In this title:

(1) AGRICULTURAL ACT OF 1949.—Except in section 171, the term "Agricultural Act of 1949" means the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), as in effect prior to the suspensions under section 171(b)(1).

(2) CONSIDERED PLANTED.—The term "considered planted" means any acreage on the farm that—

(A) producers on a farm were prevented from planting to a crop because of drought, flood, or other natural disaster, or other condition beyond the control of the eligible owners and producers on the farm, as determined by the Secretary; and

(B) was not planted to another contract commodity (other than a contract commodity produced under an established practice of double cropping).

(3) CONTRACT.—The term "contract" means a contract entered into under subtitle B.

(4) CONTRACT ACREAGE.—The term "contract acreage" means the contract acreage determined under section 111(f).

(5) CONTRACT COMMODITY.—The term "contract commodity" means wheat, corn, grain sorghum, barley, oats, upland cotton, rice, and oilseeds.

(6) CONTRACT PAYMENT.—The term "contract payment" means a payment made under subtitle B pursuant to a contract.

(7) DEPARTMENT.—The term "Department" means the Department of Agriculture.

(8) EXTRA LONG STAPLE COTTON.—The term 'extra long staple cotton' means cotton that—

(A) is produced from pure strain varieties of the Barbadense species or any hybrid thereof, or other similar types of extra long staple cotton, designated by the Secretary, having characteristics needed for various end uses for which United States upland cotton is not suitable and grown in irrigated cotton-growing regions of the United States designated by the Secretary or other areas designated by the Secretary as suitable for the production of the varieties or types; and

(B) is ginned on a roller-type gin or, if authorized by the Secretary, ginned on another type gin for experimental purposes.

(9) LOAN COMMODITY.—The term "loan commodity" means wheat, corn, grain sorghum, barley, oats, upland cotton, extra long staple cotton, rice, oilseeds, wool, mohair, honey, dry peas, lentils, and chickpeas.

(10) OILSEED.—The term "oilseed" means a crop of soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, and, if designated by the Secretary, other oilseeds.

(11) PAYMENT YIELD.—The term "payment yield" means a payment yield determined under section 111(g).

(12) PRODUCER.—

(A) IN GENERAL.—The term "producer" means an owner, operator, landlord, tenant, or sharecropper that—

(i) shares in the risk of producing a crop; and

(ii) is entitled to share in the crop available for marketing from the farm, or would have shared had the crop been produced.

(B) HYBRID SEED.—In determining whether a grower of hybrid seed is a producer, the Secretary shall not take into consideration the existence of a hybrid seed contract.

(13) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

(14) STATE.—The term "State" means—

(A) a State;

(B) the District of Columbia;

(C) the Commonwealth of Puerto Rico; and

(D) any other territory or possession of the United States.

(15) UNITED STATES.—The term 'United States', when used in a geographical sense, means all of the States.

Subtitle B—Production Flexibility Contracts

[AUTHORIZATION FOR USE OF PRODUCTION FLEXIBILITY CONTRACTS.

[(a) OFFER AND TERMS.—The Secretary shall offer to enter into a production flexibility contract with an eligible owner or producer described in subsection (b) on a farm containing eligible cropland. Under the terms of a contract, the owner or producer shall agree, in exchange for annual contract payments, to—

[(1) comply with applicable conservation requirements under subtitle B of title XII of the Food Security Act of 1985 (16 U.S.C. 3811 et seq.);

[(2) comply with applicable wetland protection requirements under subtitle C of title XII of the Act (16 U.S.C. 3821 et seq.);

[(3) comply with the planting flexibility requirements of section 118; and

[(4) use the land subject to the contract for an agricultural or related activity, but not for a nonagricultural commercial or industrial use, as determined by the Secretary.

[(b) ELIGIBLE OWNERS AND PRODUCERS DESCRIBED.—The following producers and owners shall be eligible to enter into a contract:

[(1) An owner of eligible cropland who assumes all or a part of the risk of producing a crop.

[(2) A producer (other than an owner) on eligible cropland with a share-rent lease of the eligible cropland, regardless of the length of the lease, if the owner enters into the same contract.

[(3) A producer (other than an owner) on eligible cropland who cash rents the eligible cropland under a lease expiring on or after September 30, 2002, in which case the owner is not required to enter into the contract.

[(4) A producer (other than an owner) on eligible cropland who cash rents the eligible cropland under a lease expiring before September 30, 2002. The owner of the eligible cropland may also enter into the same contract. If the producer elects to enroll less than 100 percent of the eligible cropland in the contract, the consent of the owner is required.

[(5) An owner of eligible cropland who cash rents the eligible cropland and the lease term expires before September 30, 2002, if the tenant declines to enter into a contract. In the case of an owner covered by this paragraph, contract payments shall not begin under a contract until the lease held by the tenant ends.

[(6) An owner or producer described in any preceding paragraph regardless of whether the owner or producer purchased catastrophic risk protection for a 1996 crop under section 508(b) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)).

[(c) TENANTS AND SHARECROPPERS.—In carrying out this subtitle, the Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

[(d) ELIGIBLE CROPLAND DESCRIBED.—Land shall be considered to be cropland eligible for coverage under a contract only if the land has contract acreage attributable to the land and—

[(1) for at least 1 of the 1991 through 1995 crops, at least a portion of the land was enrolled in the acreage reduction program authorized for a crop of a contract commodity under section 101B, 103B, 105B, or 107B of the Agricultural Act of 1949 or was considered planted;

[(2) was subject to a conservation reserve contract under section 1231 of the Food Security Act of 1985 (16 U.S.C. 3831) whose term expired, or was voluntarily terminated, on or after January 1, 1995; or

[(3) is released from coverage under a conservation reserve contract by the Secretary during the period beginning on January 1, 1995, and ending on the date specified in section 112(a)(2).

[(e) QUANTITY OF ELIGIBLE CROPLAND COVERED BY CONTRACT.—Subject to subsection (b)(4), an owner or producer may enroll as contract acreage all or a portion of the eligible cropland on the farm.

[(f) VOLUNTARY REDUCTION IN CONTRACT ACREAGE.—Subject to subsection (b)(4), an owner or producer who enters into a contract may subsequently reduce the quantity of contract acreage covered by the contract.

[SEC. 112. ELEMENTS OF CONTRACTS.

[(a) TIME FOR CONTRACTING.—

[(1) COMMENCEMENT.—To the extent practicable, the Secretary shall commence entering into contracts not later than 45 days after the date of enactment of this title.

[(2) DEADLINE.—Except as provided in paragraph (3), the Secretary may not enter into a contract after August 1, 1996.

[(3) CONSERVATION RESERVE LANDS.—

[(A) IN GENERAL.—At the beginning of each fiscal year, the Secretary shall allow an eligible owner or producer on a farm covered by a conservation reserve contract entered into under section 1231 of the Food Security Act of 1985 (16 U.S.C. 3831) that terminates after the date specified in paragraph (2) to enter into or expand a production flexibility contract to cover the contract acreage of the farm that was subject to the former conservation reserve contract.

[(B) AMOUNT.—Contract payments made for contract acreage under this paragraph shall be made at the rate and amount applicable to the annual contract payment level for the applicable crop. For the fiscal year in which the conservation reserve contract is terminated, the owner or producer subject to the production flexibility contract may elect to receive either contract payments or a prorated payment under the conservation reserve contract, but not both.

[(b) DURATION OF CONTRACT.—

[(1) BEGINNING DATE.—The term of a contract shall begin with—

[(A) the 1996 crop of a contract commodity; or

[(B) in the case of acreage that was subject to a conservation reserve contract described in subsection (a)(3), the date the production flexibility contract was entered into or expanded to cover the acreage.

[(2) ENDING DATE.—The term of a contract shall extend through the 2002 crop, unless earlier terminated by the owner or producer.

[(c) ESTIMATION OF CONTRACT PAYMENTS.—At the time the Secretary enters into a contract, the Secretary shall provide an estimate of the minimum contract payments anticipated to be made during at least the first fiscal year for which contract payments will be made.

[(d) TIME FOR PAYMENT.—

[(1) IN GENERAL.—An annual contract payment shall be made not later than September 30 of each of fiscal years 1996 through 2002.

[(A) FISCAL YEAR 1996.—At the option of the owner or producer, 50 percent of the contract payment for fiscal year 1996 shall be made not later than 30 days after the date on which the contract is entered into and approved by the Secretary and the owner or producer.

[(B) SUBSEQUENT FISCAL YEARS.—At the option of the owner or producer for fiscal year 1997 and each subsequent fiscal year, 50 percent of the annual contract payment shall be made on December 15 or January 15 of the fiscal year. The owner or producer may change the date selected under this subparagraph for a subsequent fiscal year by providing advance notice to the Secretary.

[(2) ADVANCE PAYMENTS.—

[(3) SPECIAL RULE.—Notwithstanding the requirements for making an annual contract payment specified in paragraphs (1) and (2), at the option of the owner or producer, the Secretary shall pay the full amount (or such portion as the owner or producer may specify) of the contract payment required to be paid for any of fiscal years 1999 through 2002 at such time or times during that fiscal year as the owner or producer may specify.

[SEC. 113. AMOUNTS AVAILABLE FOR CONTRACT PAYMENTS.

[(a) FISCAL YEAR AMOUNTS.—The Secretary shall, to the maximum extent practicable, expend the following amounts to satisfy the obligations of the Secretary under all contracts:

[(1) For fiscal year 1996, $5,570,000,000.

[(2) For fiscal year 1997, $5,385,000,000.

[(3) For fiscal year 1998, $5,800,000,000.

[(4) For fiscal year 1999, $5,603,000,000.

[(5) For fiscal year 2000, $5,130,000,000.

[(6) For fiscal year 2001, $4,130,000,000.

[(7) For fiscal year 2002, $4,008,000,000.

[(b) ALLOCATION.—The amount made available for a fiscal year under subsection (a) shall be allocated as follows:

[(1) For wheat, 26.26 percent.

[(2) For corn, 46.22 percent.

[(3) For grain sorghum, 5.11 percent.

[(4) For barley, 2.16 percent.

[(5) For oats, 0.15 percent.

[(6) For upland cotton, 11.63 percent.

[(7) For rice, 8.47 percent.

[(c) ADJUSTMENT.—The Secretary shall adjust the amounts allocated for each contract commodity under subsection (b) for a particular fiscal year by—

[(1) adding an amount equal to the sum of all repayments of deficiency payments required under section 114(a)(2) of the Agricultural Act of 1949 (7 U.S.C. 1445j(a)(2)) for the commodity;

[(2) adding an amount equal to the sum of all refunds of contract payments received during the preceding fiscal year under section 116 for the commodity; and

[(3) subtracting an amount equal to the amount, if any, necessary during that fiscal year to satisfy payment requirements for the commodity under sections 103B, 105B, or 107B of the Agricultural Act of 1949 for the 1994 and 1995 crop years.

[(d) ADDITIONAL RICE ALLOCATION.—In addition to the adjustments required under subsection (c), the amount allocated under subsection (b) for rice contract payments shall be increased by $8,500,000 for each of fiscal years 1997 through 2002.

[(e) EXCLUSION OF CERTAIN AMOUNTS FROM CONTRACT PAYMENTS.—Any amount added pursuant to paragraphs (1) and (2) of subsection (c) to the amount available under subsection (a) for a fiscal year and paid to owners and producers under a contract shall not be treated as a contract payment for purposes of section 115(a) of this title or section 1001(1) of the Food Security Act of 1985 (7 U.S.C. 1308(1)). However, the amount of a payment covered by this subsection may not exceed $50,000 per person.

[(f) EFFECT OF PAYMENT LIMITATION.—The amount available under subsection (a) for a fiscal year shall be reduced by an amount equal to the total amount of contract payments for the fiscal year that owners and producers forgo as a result of operation of the payment limitation under section 1001(1) of the Food Security Act of 1985 (7 U.S.C. 1308(1)).

[SEC. 114. DETERMINATION OF CONTRACT PAYMENTS UNDER CONTRACTS.

[(a) INDIVIDUAL PAYMENT QUANTITY OF CONTRACT COMMODITIES.—For each contract, the payment quantity of a contract commodity for each fiscal year shall be equal to the product of—

[(1) 85 percent of the contract acreage; and

[(2) the farm program payment yield.

[(b) ANNUAL PAYMENT QUANTITY OF CONTRACT COMMODITIES.—The payment quantity of each contract commodity covered by all contracts for each fiscal year shall be equal to the sum of the amounts calculated under subsection (a) for each individual contract.

[(c) ANNUAL PAYMENT RATE.—The payment rate for a contract commodity for each fiscal year shall be equal to—

[(1) the amount made available under section 113 for the contract commodity for the fiscal year; divided by

[(2) the amount determined under subsection (b) for the fiscal year.

[(d) ANNUAL PAYMENT AMOUNT.—The amount to be paid under a contract in effect for each fiscal year with respect to all contract commodities covered by the contract shall be equal to the sum of the products of—

[(1) the payment quantity determined under subsection (a) for each of the contract commodities covered by the contract; and

[(2) the corresponding payment rate for the contract commodity in effect under subsection (c).

[(e) REDUCTION IN PAYMENT AMOUNT.—The contract payment determined under subsection (d) for an owner or producer for a fiscal year shall be immediately reduced by the amount of any repayment of deficiency payments that is required under section 114(a)(2) of the Agricultural Act of 1949 (7 U.S.C. 1445j(a)(2)) and is not repaid as of the date the contract payment is determined. The Secretary shall be required to collect the required repayment, or any claim based on the required repayment, as soon as the contract payment is determined.

[(f) ASSIGNMENT OF CONTRACT PAYMENTS.—The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to contract payments under this section. The owner or producer making the assignment, or the assignee, shall provide the Secretary with notice, in such manner as the Secretary may require in the contract, of any assignment made under this subsection.

[(g) SHARING OF CONTRACT PAYMENTS.—The Secretary shall provide for the sharing of contract payments among the owners and producers subject to the contract on a fair and equitable basis.]

SEC. 111. AUTHORIZATION FOR CONTRACTS.

(a) IN GENERAL.—The Secretary shall offer to enter into a contract with an eligible owner or producer described in subsection (b) on a farm containing eligible cropland under which the eligible owner or producer will receive direct payments and counter-cyclical payments under sections 113 and 114, respectively.

(b) ELIGIBLE OWNERS AND PRODUCERS.—

(1) IN GENERAL.—Subject to paragraphs (2) and (3), an owner or producer on a farm shall be eligible to enter into a contract.

(2) TENANTS.—

(A) SHARE-RENT TENANTS.—A producer on eligible cropland that is a tenant with a share-rent lease of the eligible cropland, regardless of the length of the lease, shall be eligible to enter into a contract, if the owner of the eligible cropland enters into the same contract.

(B) CASH-RENT TENANTS.—

(i) CONTRACTS WITH LONG-TERM LEASES.—A producer on eligible cropland that cash rents the eligible cropland under a lease expiring on or after the termination of the contract shall be eligible to enter into a contract.

(ii) CONTRACTS WITH SHORT-TERM LEASES.—

(I) IN GENERAL.—A producer that cash rents the eligible cropland under a lease expiring before the termination of the contract shall be eligible to enter into a contract.

(II) OWNER'S CONTRACT INTEREST.—The owner of the eligible cropland may also enter into the same contract.

(III) CONSENT OF OWNER.—If the producer elects to enroll less than 100 percent of the eligible cropland in the contract, the consent of the owner shall be required for a valid contract.

(3) CASH-RENT OWNERS.—

(A) IN GENERAL.—An owner of eligible cropland that cash rents the eligible cropland under a lease term that expires before the end of 2006 crop year shall be eligible to enter into a contract if the tenant declines to enter into the contract.

(B) CONTRACT PAYMENTS.—In the case of an owner covered by subparagraph (A), the Secretary shall not make contract payments to the owner under the contract until the lease held by the tenant terminates.

(c) COMPLIANCE WITH CERTAIN REQUIREMENTS.—Under the terms of a contract, the owner or producer shall agree, in exchange for annual contract payments—

(1) to comply with applicable highly erodible land conservation requirements under subtitle B of title XII of the Food Security Act of 1985 (16 U.S.C. 3811 et seq.);

(2) to comply with applicable wetland conservation requirements under subtitle C of title XII of that Act (16 U.S.C. 3821 et seq.);

(3) to comply with the planting flexibility requirements of section 118; and

(4) to use a quantity of land on the farm equal to the contract acreage, for an agricultural or conserving use or related activity, and not for a nonagricultural commercial or industrial use, as determined by the Secretary.

(d) PROTECTION OF INTERESTS OF CERTAIN PRODUCERS.—

(1) TENANTS AND SHARECROPPERS.—In carrying out this subtitle, the Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

(2) SHARING OF PAYMENTS.—The Secretary shall provide for the sharing of contract payments among the eligible producers on a farm on a fair and equitable basis.

(e) ELIGIBLE CROPLAND.—

(1) IN GENERAL.—Land shall be considered to be cropland eligible for coverage under a contract only if the land—

(A) has with respect to a contract commodity—

(i) contract acreage attributable to the land; and

(ii) a payment yield; or

(B) was subject to a conservation reserve contract under section 1231 of the Food Security Act of 1985 (16 U.S.C. 3831) with a term that expired, or was voluntarily terminated, on or after the date of enactment of this paragraph.

(2) QUANTITY OF ELIGIBLE CROPLAND COVERED BY CONTRACT.—An eligible owner or producer may enroll as contract acreage under this subtitle all or a portion of the eligible cropland on the farm.

(3) VOLUNTARY REDUCTION IN CONTRACT ACREAGE.—An eligible owner or producer that enters into a contract may subse-

quently reduce the quantity of contract acreage covered by the contract.

(f) CONTRACT ACREAGE.—

(1) IN GENERAL.—Subject to subsection (h), for the purpose of making direct payments and counter-cyclical payments to eligible owners and producers on a farm, the Secretary shall provide the eligible owners and producers on the farm with an opportunity to elect 1 of the following methods as the method by which the contract acreages for the 2002 through 2006 crops of all contract commodities for a farm are determined:

(A) The 4-year average of acreage planted or considered planted to a contract commodity for harvest, grazing, haying, silage, or other similar purposes during each of the 1998 through 2001 crop years.

(B) The total of—

(i) the contract acreage (as defined in section 102 (as in effect before the amendment made by section 101 of the Agriculture, Conservation, and Rural Enhancement Act of 2001)) that would have been used by the Secretary to calculate the payment for fiscal year 2002 under such section 102 for the contract commodity on the farm; and

(ii) the 4-year average determined under subparagraph (A) for each oilseed produced on the farm.

(C) In the case of land described in section 112(a)(3), land with eligible base, as determined by the Secretary.

(2) PREVENTION OF EXCESS CONTRACT ACREAGES.—

(A) REQUIRED REDUCTION.—If the total of the contract acreages for a farm, together with the acreage described in subparagraph (C), exceeds the actual cropland acreage of the farm, the Secretary shall reduce the quantity of contract acreages for 1 or more contract commodities for the farm or peanut acres as necessary so that the total of the contract acreages and acreage described in subparagraph (C) does not exceed the actual cropland acreage of the farm.

(B) SELECTION OF ACRES.—The Secretary shall give the eligible owners and producers on the farm the opportunity to select the contract acreages or peanut acres against which the reduction will be made.

(C) OTHER ACREAGE.—For purposes of subparagraph (A), the Secretary shall include—

(i) any peanut acres for the farm under chapter 3 of subtitle D;

(ii) any acreage on the farm enrolled in the conservation reserve program or wetlands reserve program under chapter 1 of subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3830 et seq.); and

(iii) any other acreage on the farm enrolled in a voluntary Federal conservation program under which production of any agricultural commodity is prohibited.

(D) DOUBLE-CROPPED ACREAGE.—In applying subparagraph (A), the Secretary shall take into account additional acreage as a result of an established double-cropping history on a farm, as determined by the Secretary.

(g) PAYMENT YIELDS.—

(1) IN GENERAL.—Subject to paragraph (2) and subsection (h), an eligible owner or producer that has entered into a contract under this subtitle may make a 1-time election to have the payment yield for a payment for each of the 2002 through 2006 crops of all contract commodities for a farm be equal to—

(A) an amount that is the greater of—

(i) the average of the yield per harvested acre for the crop of the contract commodity for the farm for the 1998 through 2001 crop years, excluding—

(I) any crop year for which the producers on the farm did not plant the contract commodity; and

(II) at the option of the producers on the farm, 1 additional crop year; or

(ii) the farm program payment yield described in subparagraph (B); or

(B) the farm program payment yield established for the 1995 crop of a contract commodity under section 505 of the Agricultural Act of 1949 (7 U.S.C. 1465), as adjusted by the Secretary to account for any additional yield payments made with respect to that crop under section 505(b)(2) of that Act.

(2) ASSIGNED YIELDS.—In the case of a farm for which yield records are unavailable for a contract commodity (including land of a farm that is devoted to an oilseed under a former conservation reserve contract described in section 112(a)(3)), the Secretary shall establish an appropriate payment yield for the contract commodity on the farm taking in consideration the payment yields applicable to the contract commodity under paragraph (1) for similar farms in the area, taking into consideration the yield election for the farm under subsection (h).

(h) ELIGIBLE OWNER AND PRODUCER ELECTION OPTIONS.—

(1) IN GENERAL.—In making elections under subsections (f) and (g), eligible owners and producers on a farm shall elect to have—

(A)(i) contract acreage for the farm determined under subsection (f)(1)(A); and

(ii) payment yields determined under subsection (g)(1)(A); or

(B)(i) contract acreage for the farm determined under subsection (f)(1)(B); and

(ii) payment yields determined under—

(I) in the case of contract commodities other than oilseeds, subsection (g)(1)(B); and

(II) in the case of oilseeds, subsection (g)(1)(A).

(2) SINGLE ELECTION; TIME FOR ELECTION.—

(A) SINGLE ELECTION.—The eligible owners and producers on a farm shall have 1 opportunity to make the election described in paragraph (1).

(B) TIME FOR ELECTION.—Subject to section 112(a)(3), not later than 180 days after the date of enactment of this subsection, the eligible owners and producers on a farm shall notify the Secretary of the election made by the eligible owners and producers on the farm under paragraph (1).

(3) EFFECT OF FAILURE TO MAKE ELECTION.—If the producers on a farm fail to make the election under paragraph (1), or fail

to timely notify the Secretary of the selected option as required by paragraph (2), the eligible owners and producers on the farm shall be deemed to have made the election described in paragraph (1)(B) for the purpose of determining the contract acreages for all contract commodities on the farm.

(4) APPLICATION OF ELECTION TO ALL CONTRACT COMMODITIES.—The election made under paragraph (1) or deemed to be made under paragraph (3) with respect to a farm shall apply to all of the contract commodities produced on the farm.

SEC. 112. ELEMENTS OF CONTRACTS.

(a) TIME FOR CONTRACTING.—

(1) COMMENCEMENT.—To the extent practicable, the Secretary shall commence entering into contracts not later than 45 days after the date of enactment of the Agriculture, Conservation, and Rural Enhancement Act of 2001.

(2) DEADLINE.—Except as provided in paragraph (3), the Secretary may not enter into a contract after the date that is 180 days after the date of enactment of that Act.

(3) CONSERVATION RESERVE LAND.—

(A) IN GENERAL.—At the beginning of each fiscal year, the Secretary shall allow an eligible owner or producer on a farm covered by a conservation reserve contract entered into under section 1231 of the Food Security Act of 1985 (16 U.S.C. 3831) that terminated after the date specified in paragraph (2) to enter into or expand a contract to cover the eligible cropland of the farm that was subject to the former conservation reserve contract.

(B) ELECTION.—For the fiscal year and crop year for which a contract acreage adjustment under subparagraph (A) is first made, the eligible owners and producers on the farm shall elect to receive—

(i) direct payments and counter-cyclical payments under sections 113 and 114, respectively, with respect to the acreage added to the farm under this paragraph; or

(ii) a prorated payment under the conservation reserve contract.

(b) DURATION OF CONTRACT.—

(1) BEGINNING DATE.—The term of a contract shall begin with—

(A) the 2002 crop of a contract commodity; or

(B) in the case of acreage that was subject to a conservation reserve contract described in subsection (a)(3), the date the contract was entered into or expanded to cover the acreage.

(2) ENDING DATE.—Subject to sections 116 and 117, the term of a contract shall extend through the 2006 crop, unless earlier terminated by the eligible owners or producers on a farm.

SEC. 113. DIRECT PAYMENTS.

(a) IN GENERAL.—For each of the 2002 through 2006 fiscal years, the Secretary shall make direct payments available to eligible owners and producers on a farm that have entered into a contract to receive payments under this section.

(b) PAYMENT AMOUNT.—The amount of a direct payment to be paid to the eligible owners and producers on a farm for a contract commodity for a fiscal year under this section shall be obtained by multiplying—

(1) the payment rate for the contract commodity specified in subsection (c);

(2) the contract acreage attributable to the contract commodity for the farm; and

(3) the payment yield for the contract commodity for the farm.

(c) PAYMENT RATE.—The payment rates used to make direct payments with respect to contract commodities for a fiscal year under this section are as follows:

(1) WHEAT.—In the case of wheat:

(A) For each of fiscal years 2002 and 2003, $0.450 per bushel.

(B) For each of fiscal years 2004 and 2005, $0.225 per bushel.

(C) For fiscal year 2006, $0.113 per bushel.

(2) CORN.—In the case of corn:

(A) For each of fiscal years 2002 and 2003, $0.270 per bushel.

(B) For each of fiscal years 2004 and 2005, $0.135 per bushel.

(C) For fiscal year 2006, $0.068 per bushel.

(3) GRAIN SORGHUM.—In the case of grain sorghum:

(A) For the 2002 fiscal year, $0.310 per bushel.

(B) For the 2003 fiscal year, $0.270 per bushel.

(C) For each of fiscal years 2004 and 2005, $0.135 per bushel.

(D) For fiscal year 2006, $0.068 per bushel.

(4) BARLEY.—In the case of barley:

(A) For each of fiscal years 2002 and 2003, $0.200 per bushel.

(B) For each of fiscal years 2004 and 2005, $0.100 per bushel.

(C) For fiscal year 2006, $0.050 per bushel.

(5) OATS.—In the case of oats:

(A) For each of fiscal years 2002 and 2003, $0.050 per bushel.

(B) For each of fiscal years 2004 and 2005, $0.025 per bushel.

(C) For fiscal year 2006, $0.013 per bushel.

(6) UPLAND COTTON.—In the case of upland cotton:

(A) For each of fiscal years 2002 and 2003, $0.130 per pound.

(B) For each of fiscal years 2004 and 2005, $0.065 per pound.

(C) For fiscal year 2006, $0.0325 per pound.

(7) RICE.—In the case of rice:

(A) For each of fiscal years 2002 and 2003, $2.450 per hundredweight.

(B) For each of fiscal years 2004 and 2005, $1.225 per hundredweight.

(C) For fiscal year 2006, $0.6125 per hundredweight.

(8) SOYBEANS.—In the case of soybeans:

(A) For each of fiscal years 2002 and 2003, $0.550 per bushel.

(B) For each of fiscal years 2004 and 2005, $0.275 per bushel.

(C) For fiscal year 2006, $0.138 per bushel.

(9) OILSEEDS (OTHER THAN SOYBEANS).—In the case of oilseeds (other than soybeans):

(A) For each of fiscal years 2002 and 2003, $0.010 per pound.

(B) For each of fiscal years 2004 and 2005, $0.005 per pound.

(C) For fiscal year 2006, $0.0025 per pound.

(d) TIME FOR PAYMENTS.—

(1) INITIAL PAYMENT.—At the option of the eligible owners and producers on a farm, the Secretary shall pay 50 percent of the direct payment for a crop of a contract commodity for the eligible owners and producers on the farm on or after December 1 of the fiscal year, as determined by the Secretary.

(2) FINAL PAYMENT.—The Secretary shall pay the final amount of the direct payment that is payable to the eligible owners and producers on a farm for a contract commodity under subsection (a) (less the amount of any initial payment made to the producers on the farm of the contract commodity under paragraph (1)) not later than September 30 of the fiscal year, as determined by the Secretary.

SEC. 114. COUNTER-CYCLICAL PAYMENTS.

(a) IN GENERAL.—For each of the 2002 through 2006 crop years, the Secretary shall make counter-cyclical payments to eligible owners and producers on a farm of each contract commodity that have entered into a contract to receive payments under this section.

(b) PAYMENT AMOUNT.—The amount of the payments made to eligible owners and producers on a farm for a crop of a contract commodity under this section shall equal the amount obtained by multiplying—

(1) the payment rate for the contract comodity specified in subsection (c);

(2) the contract acreage attributable to the contract commodity for the farm; and

(3) the payment yield for the contract commodity for the farm.

(c) PAYMENT RATES.—

(1) IN GENERAL.—The payment rate for a crop of a contract commodity under subsection (b)(1) shall equal the difference between—

(A) the income protection price for the contract commodity established under paragraph (2); and

(B) the total of—

(i) the higher of—

(I) the average price of the contract commodity during the first 5 months of the marketing year of the contract commodity, as determined by the Secretary; and

(II) the loan rate for the crop of the contract commodity under section 132; and

(ii) the direct payment for the contract commodity under section 113 for the fiscal year that precedes the date of a payment under this section.

(2) INCOME PROTECTION PRICES.—The income protection prices for contract commodities under paragraph (1)(A) are as follows:

(A) Wheat, $3.45 per bushel.
(B) Corn, $2.35 per bushel.
(C) Grain sorghum, $2.35 per bushel.
(D) Barley, $2.20 per bushel.
(E) Oats, $1.55 per bushel.
(F) Upland cotton, $0.680 per pound.
(G) Rice, $9.30 per hundredweight.
(H) Soybeans, $5.75 per bushel.
(I) Oilseeds (other than soybeans), $0.105 per pound.

(d) TIME FOR PAYMENT.—The Secretary shall make counter-cyclical payments for each of the 2002 through 2006 crop years not later than 190 days after the beginning of marketing year for the crop of the contract commodity.

* * * * * * *

SEC. 116. VIOLATIONS OF CONTRACT.

(a) TERMINATION OF CONTRACT FOR VIOLATION.—Except as provided in [subsection (b)] *subsections (b) and (e),* if an owner or producer subject to a contract violates a requirement of the contract specified in [section 111(a)] *this subtitle,* the Secretary shall terminate the contract with respect to the owner or producer on each farm in which the owner or producer has an interest. On the termination, the owner or producer shall forfeit all rights to receive future contract payments on each farm in which the owner or producer has an interest and shall refund to the Secretary all contract payments received by the owner or producer during the period of the violation, together with interest on the contract payments as determined by the Secretary.

(b) REFUND OR ADJUSTMENT.—[If] *Except as provided in subsection (e),* if the Secretary determines that a violation does not warrant termination of the contract under subsection (a), the Secretary may require the owner or producer subject to the contract—

* * * * * * *

(d) REVIEW.—A determination of the Secretary under this section shall be considered to be an adverse decision for purposes of the availability of administrative review of the determination.

(e) PLANTING FLEXIBILITY.—In the case of a first violation of section 118(b) by an eligible owner or producer that has entered into a contract and that acted in good faith, in lieu of terminating the contract under subsection (a), the Secretary shall require a refund or reduce a future contract payment under subsection (b) in an amount that does not exceed twice the amount otherwise payable under the contract on the number of acres involved in the violation.

* * * * * * *

SEC. 118. PLANTING FLEXIBILITY.

(a) PERMITTED CROPS.—Subject to subsection (b), any commodity or crop may be planted on contract acreage on a farm.

(b) LIMITATIONS AND EXCEPTIONS REGARDING FRUITS AND VEGETABLES.—

[(1) LIMITATIONS.—The planting of fruits and vegetables (other than lentils, mung beans, and dry peas) shall be prohibited on contract acreage.]

(1) LIMITATIONS.—The planting of the following agricultural commodities shall be prohibited on contract acreage:

(A) Fruits.

(B) Vegetables (other than lentils, mung beans, dry peas, and chickpeas).

(C) In the case of the 2003 and subsequent crops of an agricultural commodity, wild rice.

(2) EXCEPTIONS.—Paragraph (1) shall not limit the planting of a fruit or vegetable—

(A) in any region in which there is a history of double-cropping of contract commodities with fruits or vegetables, as determined by the Secretary, in which case the double-cropping shall be permitted;

(B) on a farm that the Secretary determines has a history of planting fruits or vegetables on contract acreage, except that a contract payment shall be reduced by an acre for each acre planted to the fruit or vegetable; or

(C) by a producer who the Secretary determines has an established planting history of a specific fruit or vegetable, except that—

(i) the quantity planted may not exceed the producer's average annual planting history of the fruit or vegetable in the [1991 through 1995] *1996 through 2001* crop years (excluding any crop year in which no plantings were made), as determined by the Secretary; and

(ii) a contract payment shall be reduced by an acre for each acre planted to the fruit or vegetable.

* * * * * * *

SEC. 131. AVAILABILITY OF NONRECOURSE MARKETING ASSISTANCE LOANS.

* * * * * * *

(a) NONRECOURSE LOANS AVAILABLE.—For each of the 1996 through [2002] *2006* crops of each loan commodity, the Secretary shall make available to producers on a farm nonrecourse marketing assistance loans for loan commodities produced on the farm. The loans shall be made under terms and conditions that are prescribed by the Secretary and at the loan rate established under section 132 for the loan commodity.

[(b) ELIGIBLE PRODUCTION.—The following production shall be eligible for a marketing assistance loan under subsection (a):

[(1) In the case of a marketing assistance loan for a contract commodity, any production by a producer on a farm containing eligible cropland covered by a production flexibility contract.

[(2) In the case of a marketing assistance loan for extra long staple cotton and oilseeds, any production.]

(b) ELIGIBLE PRODUCTION.—The producers on a farm shall be eligible for a marketing loan under subsection (a) for any quantity of a loan commodity produced on the farm.

* * * * * * *

[SEC. 132. LOAN RATES FOR MARKETING ASSISTANCE LOANS.

[(a) WHEAT.—

[(1) LOAN RATE.—Subject to paragraph (2), the loan rate for a marketing assistance loan under section 131 for wheat shall be—

[(A) not less than 85 percent of the simple average price received by producers of wheat, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of wheat, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; but

[(B) not more than $2.58 per bushel.

[(2) STOCKS TO USE RATIO ADJUSTMENT.—If the Secretary estimates for any marketing year that the ratio of ending stocks of wheat to total use for the marketing year will be—

[(A) equal to or greater than 30 percent, the Secretary may reduce the loan rate for wheat for the corresponding crop by an amount not to exceed 10 percent in any year;

[(B) less than 30 percent but not less than 15 percent, the Secretary may reduce the loan rate for wheat for the corresponding crop by an amount not to exceed 5 percent in any year; or

[(C) less than 15 percent, the Secretary may not reduce the loan rate for wheat for the corresponding crop.

[(b) FEED GRAINS.—

[(1) LOAN RATE FOR CORN.—Subject to paragraph (2), the loan rate for a marketing assistance loan under section 131 for corn shall be—

[(A) not less than 85 percent of the simple average price received by producers of corn, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of corn, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; but

[(B) not more than $1.89 per bushel.

[(2) STOCKS TO USE RATIO ADJUSTMENT.—If the Secretary estimates for any marketing year that the ratio of ending stocks of corn to total use for the marketing year will be—

[(A) equal to or greater than 25 percent, the Secretary may reduce the loan rate for corn for the corresponding crop by an amount not to exceed 10 percent in any year;

[(B) less than 25 percent but not less than 12.5 percent, the Secretary may reduce the loan rate for corn for the corresponding crop by an amount not to exceed 5 percent in any year; or

[(C) less than 12.5 percent, the Secretary may not reduce the loan rate for corn for the corresponding crop.

[(3) OTHER FEED GRAINS.—The loan rate for a marketing assistance loan under section 131 for grain sorghum, barley, and oats, respectively, shall be established at such level as the Sec-

retary determines is fair and reasonable in relation to the rate that loans are made available for corn, taking into consideration the feeding value of the commodity in relation to corn.

[(c) UPLAND COTTON.—

[(1) LOAN RATE.—Subject to paragraph (2), the loan rate for a marketing assistance loan under section 131 for upland cotton shall be established by the Secretary at such loan rate, per pound, as will reflect for the base quality of upland cotton, as determined by the Secretary, at average locations in the United States a rate that is not less than the smaller of—

[(A) 85 percent of the average price (weighted by market and month) of the base quality of cotton as quoted in the designated United States spot markets during 3 years of the 5-year period ending July 31 of the year preceding the year in which the crop is planted, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; or

[(B) 90 percent of the average, for the 15-week period beginning July 1 of the year preceding the year in which the crop is planted, of the 5 lowest-priced growths of the growths quoted for Middling 1 3/3inch cotton C.I.F. Northern Europe (adjusted downward by the average difference during the period April 15 through October 15 of the year preceding the year in which the crop is planted between the average Northern European price quotation of such quality of cotton and the market quotations in the designated United States spot markets for the base quality of upland cotton), as determined by the Secretary.

[(2) LIMITATIONS.—The loan rate for a marketing assistance loan for upland cotton shall not be less than $0.50 per pound or more than $0.5192 per pound.

[(d) EXTRA LONG STAPLE COTTON.—The loan rate for a marketing assistance loan under section 131 for extra long staple cotton shall be—

[(1) not less than 85 percent of the simple average price received by producers of extra long staple cotton, as determined by the Secretary, during 3 years of the 5-year period ending July 31 of the year preceding the year in which the crop is planted, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; but

[(2) not more than $0.7965 per pound.

[(e) RICE.—The loan rate for a marketing assistance loan under section 131 for rice shall be $6.50 per hundredweight.

[(f) OILSEEDS.—

[(1) SOYBEANS.—The loan rate for a marketing assistance loan under section 131 for soybeans shall be—

[(A) not less than 85 percent of the simple average price received by producers of soybeans, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of soybeans, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; but

[(B) not less than $4.92 or more than $5.26 per bushel.

[(2) SUNFLOWER SEED, CANOLA, RAPESEED, SAFFLOWER, MUSTARD SEED, AND FLAXSEED.—The loan rate for a marketing assistance loan under section 131 for sunflower seed, canola, rapeseed, safflower, mustard seed, and flaxseed, individually, shall be—

[(A) not less than 85 percent of the simple average price received by producers of sunflower seed, individually, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of sunflower seed, individually, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; but

[(B) not less than $0.087 or more than $0.093 per pound.

[(3) OTHER OILSEEDS.—The loan rates for a marketing assistance loan under section 131 for other oilseeds shall be established at such level as the Secretary determines is fair and reasonable in relation to the loan rate available for soybeans, except in no event shall the rate for the oilseeds (other than cottonseed) be less than the rate established for soybeans on a per-pound basis for the same crop.]

SEC. 132. LOAN RATES.

(a) IN GENERAL.—Subject to subsection (b), the loan rate for a marketing assistance loan under section 131 for a loan commodity shall be—

(1) in the case of wheat, $3.00 per bushel;

(2) in the case of corn, $2.08 per bushel;

(3) in the case of grain sorghum, $2.08 per bushel;

(4) in the case of barley, $2.00 per bushel;

(5) in the case of oats, $1.50 per bushel;

(6) in the case of upland cotton, $0.55 per pound;

(7) in the case of extra long staple cotton, $0.7965 per pound;

(8) in the case of rice, $6.85 per hundredweight;

(9) in the case of soybeans, $5.20 per bushel;

(10) in the case of oilseeds (other than soybeans), $0.095 per pound;

(11) in the case of graded wool, $1.00 per pound;

(12) in the case of nongraded wool, $.40 per pound;

(13) in the case of mohair, $2.00 per pound;

(14) in the case of honey, $.60 per pound;

(15) in the case of dry peas, $6.78 per hundredweight;

(16) in the case of lentils, $12.79 per hundredweight;

(17) in the case of large chickpeas, $17.44 per hundredweight; and

(18) in the case of small chickpeas, $8.10 per hundredweight.

(b) ADJUSTMENTS.—

(1) IN GENERAL.—The Secretary may make appropriate adjustments in the loan rates for any loan commodity for differences in grade, type, quality, location, and other factors.

(2) MANNER.—The adjustments under this subsection shall, to the maximum extent practicable, be made in such manner that the average loan rate for the loan commodity will, on the basis of the anticipated incidence of the factors described in paragraph (1), be equal to the loan rate provided under this section.

[SEC. 133. TERM OF LOANS.

[(a) TERM OF LOAN.—In the case of each loan commodity (other than upland cotton or extra long staple cotton), a marketing assistance loan under section 131 shall have a term of 9 months beginning on the first day of the first month after the month in which the loan is made.

[(b) SPECIAL RULE FOR COTTON.—A marketing assistance loan for upland cotton or extra long staple cotton shall have a term of 10 months beginning on the first day of the month in which the loan is made.

[(c) EXTENSIONS PROHIBITED.—The Secretary may not extend the term of a marketing assistance loan for any loan commodity.]

SEC. 133. TERM OF LOANS.

"In the case of each loan commodity, a marketing loan under section 131 shall have a term of 9 months beginning on the first day of the first month after the month in which the loan is made.

SEC. 134. REPAYMENT OF LOANS.

(a) REPAYMENT RATES FOR WHEAT, FEED GRAINS, AND OILSEEDS.—The Secretary shall permit a producer to repay a marketing assistance loan under section 131 for [wheat, corn, grain sorghum, barley, oats, and oilseeds] *a loan commodity (other than upland cotton, rice, and extra long staple cotton)* at a rate that is the lesser of—

(1) the loan rate established for the commodity under section 132, plus interest (as determined by the Secretary); or

(2) a rate that the Secretary determines will—

(A) minimize potential loan forfeitures;

(B) minimize the accumulation of stocks of the commodity by the Federal Government;

(C) minimize the cost incurred by the Federal Government in storing the commodity; [and]

(D) allow the commodity produced in the United States to be marketed freely and competitively, both domestically and internationally[.]*; and*

(E) minimize discrepancies in marketing loan benefits across State boundaries and across county boundaries.

* * * * * * *

SEC. 135. LOAN DEFICIENCY

* * * * * * *

[(a) Availability of Loan Deficiency Payments.—Except as provided in subsection (d), the Secretary may make loan deficiency payments available to—

[(1) producers who, although eligible to obtain a marketing assistance loan under section 131 with respect to a loan commodity, agree to forgo obtaining the loan for the commodity in return for payments under this section; and

[(2) effective only for the 2000 crop year, producers that, although not eligible to obtain such a marketing assistance loan under section 131, produce a contract commodity.]

(a) IN GENERAL.—The Secretary may make loan deficiency payments available to producers on a farm that, although eligible to obtain a marketing assistance loan under section 131 with respect to

a loan commodity, agree to forgo obtaining the loan for the loan commodity in return for payments under this section.

(b) COMPUTATION.—A loan deficiency payment under this section shall be computed by multiplying—

(1) the loan payment rate determined under subsection (c) for the loan commodity; by

(2) the quantity of the loan commodity produced by the eligible producers, excluding any quantity for which the producers obtain a loan under section 131.

(c) LOAN PAYMENT RATE.—For purposes of this section, the loan payment rate shall be the amount by which—

(1) the loan rate established under section 132 for the loan commodity; exceeds

(2) the rate at which a loan for the commodity may be repaid under section 134.

(d) EXCEPTION FOR EXTRA LONG STAPLE COTTON.—This section shall not apply with respect to extra long staple cotton.

[(e) TRANSITION.—A payment to a producer eligible for a payment under subsection (a)(2) that harvested a commodity on or before the date that is 30 days after the promulgation of the regulations implementing subsection (a)(2) shall be determined as the date the producer lost beneficial interest in the commodity, as determined by the Secretary. Subsecs. (e) and (f) added by sec. 206(c) of P.L. 106–224, 114 Stat. 405, June 20, 2000.

[(f) BENEFICIAL INTEREST.—Subject to subsection (e), a producer shall be eligible for a payment under this section only if the producer has a beneficial interest in the commodity, as determined by the Secretary.]

(e) BENEFICIAL INTEREST.—

(1) IN GENERAL.—A producer shall be eligible for a payment for a loan commodity under this section only if the producer has a beneficial interest in the loan commodity, as determined by the Secretary.

(2) APPLICATION.—The Secretary shall make a payment under this section to the producers on a farm with respect to a quantity of a loan commodity as of the earlier of—

(A) the date on which the producers on the farm marketed or otherwise lost beneficial interest in the loan commodity, as determined by the Secretary; or

(B) the date the producers on the farm request the payment.

* * * * * * *

SEC. 136. SPECIAL MARKETING LOAN PROVISIONS FOR UPLAND COTTON.

* * * * * * *

(1) ISSUANCE.—During the period ending July 31, [2003] *2007*, the Secretary shall issue marketing certificates or cash payments, at the option of the recipient, to domestic users and exporters for documented purchases by domestic users and sales for export by exporters made in the week following a consecutive 4-week period in which—

* * * * * * *

SEC. 136A. SPECIAL COMPETITIVE PROVISIONS FOR EXTRA LONG STAPLE COTTON.

(a) COMPETITIVENESS PROGRAM.—Notwithstanding any other provision of law, during the period beginning on October 1, 1999, and ending on July 31, [2003] *2007,* the Secretary shall carry out a program to maintain and expand the domestic use of extra long staple cotton produced in the United States, to increase exports of extra long staple cotton produced in the United States, and to ensure that extra long staple cotton produced in the United States remains competitive in world markets.

* * * * * * *

SEC. 137. AVAILABILITY OF RECOURSE LOANS FOR HIGH MOISTURE FEED GRAINS AND SEED COTTON AND OTHER FIBERS.

(a) HIGH MOISTURE FEED GRAINS.—

(1) RECOURSE LOANS AVAILABLE.—For each of the 1996 through [2002] *2006* crops of corn and grain sorghum, the Secretary shall make available recourse loans, as determined by the Secretary, to producers on a farm containing eligible cropland covered by a production flexibility contract who—

* * * * * * *

(3) HIGH MOISTURE STATE DEFINED.—In this subsection, the term "high moisture state" means corn or grain sorghum having a moisture content in excess of Commodity Credit Corporation standards for marketing assistance loans made by the Secretary under section 131.

(b) RECOURSE LOANS AVAILABLE FOR SEED COTTON.—

(1) UPLAND COTTON.—For each of the 1996 through [2002] *2006* crops of upland cotton, the Secretary shall make available recourse seed cotton loans, as determined by the Secretary, to producers on a farm containing eligible cropland covered by a production flexibility contract.

(2) EXTRA LONG STAPLE COTTON.—For each of the 1996 through [2002] *2006* crops of extra long staple cotton, the Secretary shall make available recourse seed cotton loans, as determined by the Secretary, on any production.

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Subtitle D—Other Commodities

CHAPTER 1—DAIRY

SEC. 141. MILK PRICE SUPPORT PROGRAM.

* * * * * * *

(h) PERIOD OF EFFECTIVENESS.—This section (other than subsection (g)) shall be effective only during the period beginning on the first day of the first month beginning after the date of enactment of this title and ending on December 31, [2001] *2006*. The program authorized by this section shall terminate on December 31, [2001] *2006*, and shall be considered to have expired notwithstanding section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 907).

[SEC. 142. RECOURSE LOAN PROGRAM FOR COMMERCIAL PROCESSORS OF DAIRY PRODUCTS.

[(a) RECOURSE LOANS AVAILABLE.—Under such reasonable terms and conditions as the Secretary may prescribe, the Secretary shall make recourse loans available to commercial processors of eligible dairy products to assist the processors to manage inventories of eligible dairy products and assure a greater degree of price stability for the dairy industry during the year. The Secretary shall use the funds, facilities, and authorities of the Commodity Credit Corporation to carry out this section.

[(b) AMOUNT OF LOAN.—The Secretary shall establish the amount of a loan for eligible dairy products, which shall reflect a milk equivalent value of $9.90 per hundredweight of milk containing 3.67 percent butterfat. The rate of interest charged participants under this section shall not be less than the rate of interest charged the Commodity Credit Corporation by the United States Treasury.

[(c) PERIOD OF LOAN.—The original term of a recourse loan made under this section may not extend beyond the end of the fiscal year in which the loan is made. At the end of the fiscal year, the Secretary may extend the loan for an additional period not to exceed the end of the next fiscal year.

[(d) DEFINITION OF ELIGIBLE DAIRY PRODUCTS.—In this section, the term "eligible dairy products" means cheddar cheese, butter, and nonfat dry milk.

[(e) EFFECTIVE DATE.—This section shall be effective beginning January 1, 2002.

[Sec. 807(b) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106–78; 113 Stat. 1181; Oct. 22, 1999) amended this subsec. by striking "2000" and inserting "2001". Sec. 742(b) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (P.L. 106–387; 114 Stat. 1549, 1549A–35; Oct. 28, 2000) amended this subsec. by striking "2001" and inserting "2002".]

SEC. 142. NATIONAL DAIRY PROGRAM.

(a) PURPOSE.—The purpose of this section is to establish a program that will stabilize the production, price, and marketing of milk and other dairy products in the United States, which is critical to the welfare of the United States.

(b) DEFINITIONS.—In this section:

(1) CLASS I, II, III, AND IV MILK.—The terms "Class I milk", "Class II milk", "Class III milk", and "Class IV milk" mean milk (including milk components) classified as Class I, II, III, or IV milk, respectively, under a Federal milk marketing order.

(2) ELIGIBLE PRODUCTION.—The term "eligible production" means, with respect to each producer that operates a dairy farming operation, the lesser of—

(A) the quantity of milk sold by the dairy farming operation under any Federal milk marketing order during the applicable month; or

(B) 500,000 pounds of milk per month.

(3) FEDERAL MILK MARKETING ORDER.—The term "Federal milk marketing order" means an order issued under section 8c of the Agricultural Adjustment Act (7 U.S.C. 608c), reenacted

with amendments by the Agricultural Marketing Agreement Act of 1937.

(4) MARKETING AREA.—The term "marketing area" means a marketing area defined under a Federal milk marketing order.

(5) PRODUCER.—The term "producer" means an individual or entity that directly or indirectly (as determined by the Secretary)—

(A) shares in the risk of producing milk; and

(B) makes contributions (including land, labor, management, equipment, or capital) to the dairy farming operation of the individual or entity that are at least commensurate with the individual or entity's share of the proceeds of the operation.

(6) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

(c) MINIMUM PRICE.—Effective beginning January 1, 2001, the Secretary shall amend Federal milk marketing orders to establish a minimum price per hundredweight for Class I milk that is not less than the sum of—

(1) the adjusted Class I milk differential specified in section 1000.52 of title 7, Code of Federal Regulations (or a successor regulation); and

(2) the greater of—

(A) the advanced Class III milk price (as determined under section 1000.50(q)(4)(i) of title 7, Code of Federal Regulations (or a successor regulation));

(B) the advanced Class IV milk price (as determined under section 1000.50(q)(4)(ii) of title 7, Code of Federal Regulations (or a successor regulation)); or

(C) $14.25.

(d) NATIONAL POOLING.—Notwithstanding any other provision of law, the Secretary—

(1) shall provide for the uniform national pooling among producers of milk under all Federal milk marketing orders of all funds that are equal to the difference between—

(A) the price of Class I milk as determined under this section; and

(B) the price of Class I milk that would be determined if this section were not in effect;

(2) subject to subsection (e), shall provide for the distribution of amounts described in paragraph (1) to all producers covered by Federal milk marketing orders, based on eligible production under Federal milk marketing orders, at a uniform rate per hundredweight; and

(3) may make such modifications in the operation of Federal milk marketing orders as are necessary to carry out this section.

(e) ADMINISTRATIVE AND FOOD ASSISTANCE COSTS.—The Secretary shall use amounts described in subsection (d)(1) to provide compensation to—

(1) the Secretary for—

(A) administrative costs incurred by the Secretary in carrying out subsections (c) and (d); and

(B) the increased costs incurred by the Secretary of any milk and milk products provided under any food assistance

program administered by the Secretary that results from carrying out subsections (c) and (d);

(2) each State for the increased costs incurred by the State of any milk and milk products provided under the special supplemental nutrition program for women, infants, and children established by section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786) that results from carrying out subsections (c) and (d); and

(3) the Commodity Credit Corporation for any additional costs for a fiscal year to carry out section 141 as a result of increased production of milk in a marketing area that results from carrying out subsections (c) and (d).

(f) COUNTER-CYCLICAL PAYMENTS FROM SECRETARY TO PRODUCERS.—

(1) IN GENERAL.—Subject to paragraph (3), if the average price for Class III milk during a month is less than $14.25 per hundredweight, the Secretary shall use the funds of the Commodity Credit Corporation in such amounts as may be necessary to make a payment to each producer for eligible production of milk in an amount determined by multiplying—

(A) the payment rate determined under paragraph (2); by

(B) the quantity of Class II, Class III, and Class IV milk produced by the producer during the month, as determined by the Secretary.

(2) PAYMENT RATE.—The payment rate for a payment made to a producer for a month under paragraph (1)(A) shall equal 25 percent of the difference between—

(A) $14.25 per hundredweight; and

(B) the average price for Class III milk during the month, as determined by the Secretary.

(3) MAXIMUM AMOUNT OF PAYMENTS.—The total amount of payments made to producers for a fiscal year under this subsection shall not exceed $300,000,000.

* * * * * * *

SEC. 152. PROMOTION OF UNITED STATES DAIRY PRODUCTS IN INTERNATIONAL MARKETS THROUGH DAIRY PROMOTION PROGRAM.

CHAPTER 2—[PEANUTS AND] SUGAR

SEC. 155. PEANUT PROGRAM.

[(a) QUOTA PEANUTS.—

[(1) AVAILABILITY OF LOANS.—The Secretary shall make nonrecourse loans available to producers of quota peanuts.

[(2) LOAN RATE.—The national average quota loan rate for quota peanuts shall be $610 per ton.

[(3) INSPECTION, HANDLING, OR STORAGE.—The loan amount may not be reduced by the Secretary by any deductions for inspection, handling, or storage.

[(4) LOCATION AND OTHER FACTORS.—The Secretary may make adjustments in the loan rate for quota peanuts for location of peanuts and such other factors as are authorized by section 162.

[(5) OFFERS FROM HANDLERS.—If a producer markets a quota peanut crop, meeting quality requirements for domestic edible

use, through the marketing association loan for two consecutive marketing years and the Secretary determines that a handler provided the producer with a written offer, upon delivery, for the purchase of the quota peanut crops at a price equal to or in excess of the quota support price, the producer shall be ineligible for quota price support for the next marketing year. The Secretary shall establish the method by which a producer may appeal a determination under this paragraph regarding ineligibility for quota price support.

[(b) ADDITIONAL PEANUTS.—

[(1) IN GENERAL.—Subject to paragraph (2), the Secretary shall make nonrecourse loans available to producers of additional peanuts at such rates as the Secretary finds appropriate, taking into consideration the demand for peanut oil and peanut meal, expected prices of other vegetable oils and protein meals, and the demand for peanuts in foreign markets.

[(2) LIMITATION.—The Secretary shall establish the support rate on additional peanuts at a level estimated by the Secretary to ensure that there are no losses to the Commodity Credit Corporation on the sale or disposal of the peanuts.

[(3) ANNOUNCEMENT.—The Secretary shall announce the loan rate for additional peanuts of each crop not later than February 15 preceding the marketing year for the crop for which the loan rate is being determined.

[(c) AREA MARKETING ASSOCIATIONS.—

[(1) WAREHOUSE STORAGE LOANS.—

[(A) IN GENERAL.—In carrying out subsections (a) and (b), the Secretary shall make warehouse storage loans available in each of the producing areas (described in section 1446.95 of title 7 of the Code of Federal Regulations (January 1, 1989)) to a designated area marketing association of peanut producers that is selected and approved by the Secretary and that is operated primarily for the purpose of conducting the loan activities. The Secretary may not make warehouse storage loans available to any cooperative that is engaged in operations or activities concerning peanuts other than those operations and activities specified in this section and section 358e of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359a).

[(B) ADMINISTRATIVE AND SUPERVISORY ACTIVITIES.—An area marketing association shall be used in administrative and supervisory activities relating to loans and marketing activities under this section and section 358e of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359a).

[(C) ASSOCIATION COSTS.—Loans made to the association under this paragraph shall include such costs as the area marketing association reasonably may incur in carrying out the responsibilities, operations, and activities of the association under this section and section 358e of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359a).

[(2) POOLS FOR QUOTA AND ADDITIONAL PEANUTS.—

[(A) IN GENERAL.—The Secretary shall require that each area marketing association establish pools and maintain complete and accurate records by area and segregation for quota peanuts handled under loan and for additional pea-

nuts placed under loan, except that separate pools shall be established for Valencia peanuts produced in New Mexico.

[(B) ELIGIBILITY TO PARTICIPATE IN NEW MEXICO POOLS.—

[(i) IN GENERAL.—Except as provided in clause (ii), in the case of the 1996 and subsequent crops, Valencia peanuts not physically produced in the State of New Mexico shall not be eligible to participate in the pools of the State.

[(ii) EXCEPTION.—A producer of Valencia peanuts may enter Valencia peanuts that are produced in Texas into the pools of New Mexico in a quantity not greater than the average annual quantity of the peanuts that the producer entered into the New Mexico pools for the 1990 through 1995 crops.

[(C) TYPES OF PEANUTS.—Bright hull and dark hull Valencia peanuts shall be considered as separate types for the purpose of establishing the pools.

[(D) NET GAINS.—Net gains on peanuts in each pool, unless otherwise approved by the Secretary, shall be distributed only to producers who placed peanuts in the pool and shall be distributed in proportion to the value of the peanuts placed in the pool by each producer. Net gains for peanuts in each pool shall consist of the following:

[(i) QUOTA PEANUTS.—For quota peanuts, the net gains over and above the loan indebtedness and other costs or losses incurred on peanuts placed in the pool.

[(ii) ADDITIONAL PEANUTS.—For additional peanuts, the net gains over and above the loan indebtedness and other costs or losses incurred on peanuts placed in the pool for additional peanuts.

[(d) LOSSES.—Losses in quota area pools shall be covered using the following sources in the following order of priority:

[(1) TRANSFERS FROM ADDITIONAL LOAN POOLS.—The proceeds due any producer from any pool shall be reduced by the amount of any loss that is incurred with respect to peanuts transferred from an additional loan pool to a quota loan pool by the producer under section 358–1(b)(8) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1358–1(b)(8)).

[(2) PRODUCERS IN SAME POOL.—Further losses in an area quota pool shall be offset by reducing the gain of any producer in the pool by the amount of pool gains attributed to the same producer from the sale of additional peanuts for domestic and edible export use.

[(3) OFFSET WITHIN AREA.—Further losses in an area quota pool shall be offset by any gains or profits from additional peanuts (other than separate type pools established under subsection (c)(2)(A) for Valencia peanuts produced in New Mexico) owned or controlled by the Commodity Credit Corporation in that area and sold for domestic edible use, in accordance with regulations issued by the Secretary. This paragraph shall not apply to profits or gains from a farm with 1 acre or less of peanut production.

[(4) FIRST USE OF MARKETING ASSESSMENTS.—The Secretary shall use funds collected under subsection (g) (except funds at-

tributable to handlers) to offset further losses in area quota pools. The Secretary shall transfer to the Treasury those funds collected under subsection (g) and available for use under this paragraph that the Secretary determines are not required to cover losses in area quota pools.

[(5) CROSS COMPLIANCE.—Further losses in area quota pools, other than losses incurred as a result of transfers from additional loan pools to quota loan pools under section 358–1(b)(8) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1358–1(b)(8)), shall be offset by any gains or profits from quota pools in other production areas (other than separate type pools established under subsection (c)(2)(A) for Valencia peanuts produced in New Mexico) in such manner as the Secretary shall by regulation prescribe.

[(6) OFFSET GENERALLY.—If losses in an area quota pool have not been entirely offset under the preceding paragraphs, further losses shall be offset by any gains or profits from additional peanuts (other than separate type pools established under subsection (c)(2)(A) for Valencia peanuts produced in New Mexico) owned or controlled by the Commodity Credit Corporation and sold for domestic edible use, in accordance with regulations issued by the Secretary. This paragraph shall not apply to profits or gains from a farm with 1 acre or less of peanut production.

[(7) SECOND USE OF MARKETING ASSESSMENTS.—The Secretary shall use funds collected under subsection (g) and attributable to handlers to offset further losses in area quota pools. The Secretary shall transfer to the Treasury those funds collected under subsection (g) and available for use under this paragraph that the Secretary determines are not required to cover losses in area quota pools.

[(8) INCREASED ASSESSMENTS.—If use of the authorities provided in the preceding paragraphs is not sufficient to cover losses in an area quota pool, the Secretary shall increase the marketing assessment for producers established under subsection (g) by such an amount as the Secretary considers necessary to cover the losses. The increased assessment shall apply only to quota peanuts in the production area covered by the pool. Amounts collected under subsection (g) as a result of the increased assessment shall be retained by the Secretary to cover losses in that pool.

[(e) DISAPPROVAL OF QUOTAS.—Notwithstanding any other provision of law, no loan for quota peanuts may be made available by the Secretary for any crop of peanuts with respect to which poundage quotas have been disapproved by producers, as provided for in section 358–1(d) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1358–1(d)).

[(f) QUALITY IMPROVEMENT.—

[(1) IN GENERAL.—With respect to peanuts under loan, the Secretary shall—

[(A) promote the crushing of peanuts at a greater risk of deterioration before peanuts of a lesser risk of deterioration;

[(B) ensure that all Commodity Credit Corporation inventories of peanuts sold for domestic edible use must be

shown to have been officially inspected by licensed Department inspectors both as farmer stock and shelled or cleaned in-shell peanuts;

[(C) continue to endeavor to operate the peanut program so as to improve the quality of domestic peanuts and ensure the coordination of activities under the Peanut Administrative Committee established under Marketing Agreement No. 146, regulating the quality of domestically produced peanuts (under the Agricultural Adjustment Act (7 U.S.C. 601 et seq.), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937); and

[(D) ensure that any changes made in the peanut program as a result of this subsection requiring additional production or handling at the farm level shall be reflected as an upward adjustment in the Department loan schedule.

[(2) EXPORTS AND OTHER PEANUTS.—The Secretary shall require that all peanuts in the domestic and export markets fully comply with all quality standards under Marketing Agreement No. 146.

[(g) MARKETING ASSESSMENT.—

[(1) IN GENERAL.—The Secretary shall provide for a nonrefundable marketing assessment. The assessment shall be made on a per pound basis in an amount equal to 1.1 percent for each of the 1994 and 1995 crops, 1.15 percent for the 1996 crop, and 1.2 percent for each of the 1997 through 2002 crops, of the national average quota or additional peanut loan rate for the applicable crop.

[(2) FIRST PURCHASERS.—

[(A) IN GENERAL.—Except as provided under paragraphs (3) and (4), the first purchaser of peanuts shall—

[(i) collect from the producer a marketing assessment equal to the quantity of peanuts acquired multiplied by—

[(I) in the case of each of the 1994 and 1995 crops, .55 percent of the applicable national average loan rate;

[(II) in the case of the 1996 crop, .6 percent of the applicable national average loan rate; and

[(III) in the case of each of the 1997 through 2002 crops, .65 percent of the applicable national average loan rate;

[(ii) pay, in addition to the amount collected under clause (i), a marketing assessment in an amount equal to the quantity of peanuts acquired multiplied by .55 percent of the applicable national average loan rate; and

[(iii) remit the amounts required under clauses (i) and (ii) to the Commodity Credit Corporation in a manner specified by the Secretary.

[(B) DEFINITION OF FIRST PURCHASER.—In this subsection, the term "first purchaser" means a person acquiring peanuts from a producer except that in the case of peanuts forfeited by a producer to the Commodity Credit Cor-

poration, the term means the person acquiring the peanuts from the Commodity Credit Corporation.

[(3) OTHER PRIVATE MARKETINGS.—In the case of a private marketing by a producer directly to a consumer through a retail or wholesale outlet or in the case of a marketing by the producer outside of the continental United States, the producer shall be responsible for the full amount of the assessment and shall remit the assessment by such time as is specified by the Secretary.

[(4) LOAN PEANUTS.—In the case of peanuts that are pledged as collateral for a loan made under this section, the producer portion of the assessment shall be deducted from the proceeds of the loan. The remainder of the assessment shall be paid by the first purchaser of the peanuts. For purposes of computing net gains on peanuts under this section, the reduction in loan proceeds shall be treated as having been paid to the producer.

[(5) PENALTIES.—If any person fails to collect or remit the reduction required by this subsection or fails to comply with the requirements for recordkeeping or otherwise as are required by the Secretary to carry out this subsection, the person shall be liable to the Secretary for a civil penalty up to an amount determined by multiplying—

[(A) the quantity of peanuts involved in the violation; by

[(B) the national average quota peanut rate for the applicable crop year.

[(6) ENFORCEMENT.—The Secretary may enforce this subsection in the courts of the United States.

[(h) CROPS.—Subsections (a) through (g) shall be effective only for the 1996 through 2002 crops of peanuts.

[(i) POUNDAGE QUOTAS.—]

SEC. 156. SUGAR PROGRAM.

(a) SUGARCANE.—The Secretary shall make loans available to processors of domestically grown sugarcane at a rate equal to 18 cents per pound for raw cane sugar.

(b) SUGAR BEETS.—The Secretary shall make loans available to processors of domestically grown sugar beets at a rate equal to 22.9 cents per pound for refined beet sugar.

(c) [REDUCTION IN LOAN RATES] *LOAN RATE ADJUSTMENTS.*—

(1) [REDUCTION REQUIRED] *IN GENERAL.*—The Secretary [shall] *may* reduce the loan rate specified in subsection (a) for domestically grown sugarcane and subsection (b) for domestically grown sugar beets if the Secretary determines that negotiated reductions in export subsidies and domestic subsidies provided for sugar of other major sugar growing, producing, and exporting countries in the aggregate exceed the commitments made as part of the Agreement on Agriculture.

* * * * * * *

[(2) PROCESSOR ASSURANCES.—The Secretary shall obtain from each processor that receives a loan under this section such assurances as the Secretary considers adequate to ensure that the processor will provide payments to producers that are proportional to the value of the loan received by the processor for sugar beets and sugarcane delivered by producers served by the processor. The Secretary may establish appropriate min-

imum payments for purposes of this paragraph. 156–3 Sec. 836(2) and (3) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (P.L. 106–387; 114 Stat. 1549, 1549A–62; Oct. 28, 2000) struck former para. (2) and redesignated former para. (3) as para. (2).]

(2) PROCESSOR ASSURANCES.—

(A) IN GENERAL.—The Secretary shall obtain from each processor that receives a loan under this section such assurances as the Secretary considers adequate to ensure that the processor will provide payments to producers that are proportional to the value of the loan received by the processor for the sugar beets and sugarcane delivered by producers to the processor.

(B) MINIMUM PAYMENTS.—

(i) IN GENERAL.—Subject to clause (ii), the Secretary may establish appropriate minimum payments for purposes of this paragraph.

(ii) LIMITATION.—In the case of sugar beets, the minimum payment established under clause (i) shall not exceed the rate of payment provided for under the applicable contract between a sugar beet producer and a sugar beet processor.

(C) BANKRUPTCY OR INSOLVENCY OF PROCESSORS.—

(i) IN GENERAL.—The Secretary shall use funds of the Commodity Credit Corporation to pay a producer of sugar beets or sugarcane loan benefits described in clause (ii) if—

(I) a processor that has entered into a contract with the producer has filed for bankruptcy protection or is otherwise insolvent;

(II) the assurances under subparagraph (A) are not adequate to ensure compliance with subparagraph (A), as determined by the Secretary;

(III) the producer demands payments of loan benefits required under this section from the processor; and

(IV) the Secretary determines that the processor is unable to provide the loan benefits required under this section.

(ii) AMOUNT.—The amount of loan benefits provided to a producer under clause (i) shall be equal to—

(I) the maximum amount of loan benefits the producer would have been entitled to receive under this section during the 30-day period beginning on the final settlement date provided for in the contract between the producer and processor; less

(II) any such benefits received by the producer from the processor.

(iii) ADMINISTRATION.—On payment to a producer under clause (i), the Secretary shall—

(I) be subrogated to all claims of the producer against the processor and other persons responsible for nonpayment; and

(II) have authority to pursue such claims as are necessary to recover the benefits not paid to the producer by the processor.

(3) ADMINISTRATION.—The Secretary may not impose or enforce any prenotification or similar administrative requirement that has the effect of preventing a processor from electing to forfeit the loan collateral on the maturity of the loan.

[(1) SUGARCANE.—Effective for marketings of raw cane sugar during the 1996 through 2003 fiscal years, the first processor of sugarcane shall remit to the Commodity Credit Corporation a nonrefundable marketing assessment in an amount equal to—

[(A) in the case of marketings during fiscal year 1996, 1.1 percent of the loan rate established under subsection (a) per pound of raw cane sugar, processed by the processor from domestically produced sugarcane or sugarcane molasses, that has been marketed (including the transfer or delivery of the sugar to a refinery for further processing or marketing); and

[(B) in the case of marketings during each of fiscal years 1997 through 2003, 1.375 percent of the loan rate established under subsection (a) per pound of raw cane sugar, processed by the processor from domestically produced sugarcane or sugarcane molasses, that has been marketed (including the transfer or delivery of the sugar to a refinery for further processing or marketing).

[(2) SUGAR BEETS.—Effective for marketings of beet sugar during the 1996 through 2003 fiscal years, the first processor of sugar beets shall remit to the Commodity Credit Corporation a nonrefundable marketing assessment in an amount equal to—

[(A) in the case of marketings during fiscal year 1996, 1.1794 percent of the loan rate established under subsection (a) per pound of beet sugar, processed by the processor from domestically produced sugar beets or sugar beet molasses, that has been marketed; and

[(B) in the case of marketings during each of fiscal years 1997 through 2003, 1.47425 percent of the loan rate established under subsection (a) per pound of beet sugar, processed by the processor from domestically produced sugar beets or sugar beet molasses, that has been marketed.

[(3) COLLECTION.—

[(A) TIMING.—A marketing assessment required under this subsection shall be collected on a monthly basis and shall be remitted to the Commodity Credit Corporation not later than 30 days after the end of each month. Any cane sugar or beet sugar processed during a fiscal year that has not been marketed by September 30 of the year shall be subject to assessment on that date. The sugar shall not be subject to a second assessment at the time that it is marketed.

[(B) MANNER.—Subject to subparagraph (A), marketing assessments shall be collected under this subsection in the manner prescribed by the Secretary and shall be nonrefundable.

[(4) PENALTIES.—If any person fails to remit the assessment required by this subsection or fails to comply with such requirements for recordkeeping or otherwise as are required by the Secretary to carry out this subsection, the person shall be liable to the Secretary for a civil penalty up to an amount determined by multiplying—

[(A) the quantity of cane sugar or beet sugar involved in the violation; by

[(B) the loan rate for the applicable crop of sugarcane or sugar beets.

[(5) ENFORCEMENT.—The Secretary may enforce this subsection in a court of the United States.

[(g) FORFEITURE PENALTY.—

[(1) IN GENERAL.—A penalty shall be assessed on the forfeiture of any sugar pledged as collateral for a nonrecourse loan under this section.

[(2) CANE SUGAR.—The penalty for cane sugar shall be 1 cent per pound.

[(3) BEET SUGAR.—The penalty for beet sugar shall bear the same relation to the penalty for cane sugar as the marketing assessment for sugar beets bears to the marketing assessment for sugarcane.

[(4) EFFECT OF FORFEITURE.—Any payments owed producers by a processor that forfeits any sugar pledged as collateral for a nonrecourse loan shall be reduced in proportion to the loan forfeiture penalty incurred by the processor.]

(f) LOANS FOR IN-PROCESS SUGAR.—

(1) DEFINITION OF IN-PROCESS SUGARS AND SYRUPS.—In this subsection, the term "in-process sugars and syrups" does not include raw sugar, liquid sugar, invert sugar, invert syrup, or other finished product that is otherwise eligible for a loan under subsection (a) or (b).

(2) AVAILABILITY.—The Secretary shall make nonrecourse loans available to processors of a crop of domestically grown sugarcane and sugar beets for in-process sugars and syrups derived from the crops.

(3) LOAN RATE.—The loan rate shall be equal to 80 percent of the loan rate applicable to raw cane sugar or refined beet sugar, as determined by the Secretary on the basis of the source material for the in-process sugars and syrups.

(4) FURTHER PROCESSING ON FORFEITURE.—

(A) IN GENERAL.—As a condition of the forfeiture of in-process sugars and syrups serving as collateral for a loan under paragraph (2), the processor shall, within such reasonable time period as the Secretary may prescribe and at no cost to the Commodity Credit Corporation, convert the in-process sugars and syrups into raw cane sugar or refined beet sugar of acceptable grade and quality for sugars eligible for loans under subsection (a) or (b).

(B) TRANSFER TO CORPORATION.—Once the in-process sugars and syrups are fully processed into raw cane sugar or refined beet sugar, the processor shall transfer the sugar to the Commodity Credit Corporation.

(C) PAYMENT TO PROCESSOR.—On transfer of the sugar, the Secretary shall make a payment to the processor in an amount equal to the amount obtained by multiplying—

(i) the difference between—

(I) the loan rate for raw cane sugar or refined beet sugar, as appropriate; and

(II) the loan rate the processor received under paragraph (3); by

(ii) the quantity of sugar transferred to the Secretary.

(5) LOAN CONVERSION.—If the processor does not forfeit the collateral as described in paragraph (4), but instead further processes the in-process sugars and syrups into raw cane sugar or refined beet sugar and repays the loan on the in-process sugars and syrups, the processor may obtain a loan under subsection (a) or (b) for the raw cane sugar or refined beet sugar, as appropriate.

(g) AVOIDING FORFEITURES; CORPORATION INVENTORY DISPOSITION.—

(1) IN GENERAL.—Subject to subsection (e)(3), to the maximum extent practicable, the Secretary shall operate the program established under this section at no cost to the Federal Government by avoiding the forfeiture of sugar to the Commodity Credit Corporation.

(2) INVENTORY DISPOSITION.—

(A) IN GENERAL.—To carry out paragraph (1), the Commodity Credit Corporation may accept bids to obtain raw cane sugar or refined beet sugar in the inventory of the Commodity Credit Corporation from (or otherwise make available such commodities, on appropriate terms and conditions, to) processors of sugarcane and processors of sugar beets (acting in conjunction with the producers of the sugarcane or sugar beets processed by the processors) in return for the reduction of production of raw cane sugar or refined beet sugar, as appropriate.

(B) ADDITIONAL AUTHORITY.—The authority provided under this paragraph is in addition to any authority of the Commodity Credit Corporation under any other law.

(h) INFORMATION REPORTING.—

(1) DUTY OF PROCESSORS AND REFINERS TO REPORT.—A sugarcane processor, cane sugar refiner, and sugar beet processor shall furnish the Secretary, on a monthly basis, such information as the Secretary may require to administer sugar programs, including the quantity of purchases of sugarcane, sugar beets, and sugar, and production, importation, distribution, and stock levels of sugar.

(2) DUTY OF PRODUCERS TO REPORT.—

(A) PROPORTIONATE SHARE STATES.—As a condition of a loan made to a processor for the benefit of a producer, the Secretary shall require each producer of sugarcane located in a State (other than the Commonwealth of Puerto Rico) in which there are in excess of 250 producers of sugarcane to report, in the manner prescribed by the Secretary, the sugarcane yields and acres planted to sugarcane of the producer.

(B) OTHER STATES.—The Secretary may require each producer of sugarcane or sugar beets not covered by paragraph (1) to report, in a manner prescribed by the Secretary, the yields of, and acres planted to sugarcane or sugar beets, respectively, of the producer.

(3) DUTY OF IMPORTERS TO REPORT.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the Secretary shall require an importer of sugars, syrups, or molasses to be used for human consumption or to be used for the extraction of sugar for human consumption to report, in the manner prescribed by the Secretary, the quantities of the products imported by the importer and the sugar content or equivalent of the products.

(B) TARIFF-RATE QUOTAS.—Subparagraph (A) shall not apply to sugars, syrups, or molasses that are within the quantities of tariff-rate quotas that are subject to the lower rate of duties.

[(2)]*(4)* PENALTY.—Any person willfully failing or refusing to furnish the information, or furnishing willfully any false information, shall be subject to a civil penalty of not more than $10,000 for each such violation.

[(3)]*(5)* MONTHLY REPORTS.—Taking into consideration the information received under [paragraph (1)] *this* subsection, the Secretary shall publish on a monthly basis composite data on production, imports, distribution, and stock levels of sugar.

(i) CROPS.—This section [(other than subsection (f))] shall be effective only for the 1996 through 2002 2006 crops of sugar beets and sugarcane.

SEC. 157. STORAGE FACILITY LOANS.

(a) IN GENERAL.—Notwithstanding any other provision of law and as soon as practicable after the date of enactment of this section, the Commodity Credit Corporation shall amend part 1436 of title 7, Code of Federal Regulations, to establish a sugar storage facility loan program to provide financing for processors of domestically-produced sugarcane and sugar beets to construct or upgrade storage and handling facilities for raw sugars and refined sugars.

(b) ELIGIBLE PROCESSORS.—A storage facility loan shall be made available to any processor of domestically produced sugarcane or sugar beets that (as determined by the Secretary)—

(1) has a satisfactory credit history;

(2) has a need for increased storage capacity, taking into account the effects of marketing allotments); and

(3) demonstrates an ability to repay the loan.

(c) TERM OF LOANS.—A storage facility loan shall—

(1) have a minimum term of 7 years; and

(2) be in such amounts and on such terms and conditions (including terms and conditions relating to downpayments, collateral, and eligible facilities) as are normal, customary, and appropriate for the size and commercial nature of the borrower.

CHAPTER 3—PEANUTS

SEC. 158A. DEFINITIONS.

In this chapter:

(1) COUNTER-CYCLICAL PAYMENT.—The term "counter-cyclical payment" means a payment made to peanut producers on a farm under section 158D.

(2) DIRECT PAYMENT.—The term "direct payment" means a payment made to peanut producers on a farm under section 158C.

(3) EFFECTIVE PRICE.—The term "effective price" means the price calculated by the Secretary under section 158D for peanuts to determine whether counter-cyclical payments are required to be made under section 158D for a crop year.

(4) HISTORICAL PEANUT PRODUCERS ON A FARM.—The term "historical peanut producers on a farm" means the peanut producers on a farm in the United States that produced or were prevented from planting peanuts during any of the 1998 through 2001 crop years.

(5) INCOME PROTECTION PRICE.—The term "income protection price" means the price per ton of peanuts used to determine the payment rate for counter-cyclical payments.

(6) PAYMENT ACRES.—The term "payment acres" means 85 percent of the peanut acres on a farm, as established under section 158B, on which direct payments and counter-cyclical payments are made.

(7) PEANUT ACRES.—The term "peanut acres" means the number of acres assigned to a particular farm for historical peanut producers on a farm pursuant to section 158B(b).

(8) PAYMENT YIELD.—The term "payment yield" means the yield assigned to a farm by historical peanut producers on the farm pursuant to section 158B(b).

(9) PEANUT PRODUCER.—The term "peanut producer" means an owner, operator, landlord, tenant, or sharecropper that—

(A) shares in the risk of producing a crop of peanuts in the United States; and

(B) is entitled to share in the crop available for marketing from the farm or would have shared in the crop had the crop been produced.

SEC. 158B. PAYMENT YIELDS, PEANUT ACRES, AND PAYMENT ACRES FOR FARMS.

(a) PAYMENT YIELDS AND PAYMENT ACRES.—

(1) AVERAGE YIELD.—

(A) IN GENERAL.—The Secretary shall determine, for each historical peanut producer, the average yield for peanuts on all farms of the historical peanut producer for the 1998 through 2001 crop years, excluding any crop year during which the producers did not produce peanuts.

(B) ASSIGNED YIELDS.—If, for any of the crop years referred to in subparagraph (A) in which peanuts were planted on a farm by the historical peanut producer, the historical peanut producer has satisfied the eligibility criteria established to carry out section 1102 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (7 U.S.C. 1421 note; Public Law 105–277), the Secretary shall assign to the historical peanut producer a yield for the farm for the crop year equal to 65 percent of the average yield for peanuts for the previous 5 crop years.

(2) ACREAGE AVERAGE.—Except as provided in paragraph (3), the Secretary shall determine, for the historical peanut producer, the 4-year average of—

(A) acreage planted to peanuts on all farms for harvest during the 1998 through 2001 crop years; and

(B) any acreage that was prevented from being planting to peanuts during the crop years because of drought, flood, or other natural disaster, or other condition beyond the control of the historical peanut producer, as determined by the Secretary.

(3) SELECTION BY PRODUCER.—If a county in which a historical peanut producer described in paragraph (2) is located is declared a disaster area during 1 or more of the 4 crop years described in paragraph (2), for purposes of determining the 4-year average acreage for the historical peanut producer, the historical peanut producer may elect to substitute, for not more than 1 of the crop years during which a disaster is declared—

(A) the State average of acreage actually planted to peanuts; or

(B) the average of acreage for the historical peanut producer determined by the Secretary under paragraph (2).

(4) TIME FOR DETERMINATIONS; FACTORS.—

(A) TIMING.—The Secretary shall make the determinations required by this subsection not later than 90 days after the date of enactment of this section.

(B) FACTORS.—In making the determinations, the Secretary shall take into account changes in the number and identity of historical peanut producers sharing in the risk of producing a peanut crop since the 1998 crop year, including providing a method for the assignment of average acres and average yield to a farm when a historical peanut producer is no longer living or an entity composed of historical peanut producers has been dissolved.

(b) ASSIGNMENT OF YIELD AND ACRES TO FARMS.—

(1) ASSIGNMENT BY HISTORICAL PEANUT PRODUCERS.—The Secretary shall provide each historical peanut producer with an opportunity to assign the average peanut yield and average acreage determined under subsection (a) for the historical peanut producer to cropland on a farm.

(2) PAYMENT YIELD.—The average of all of the yields assigned by historical peanut producers to a farm shall be considered to be the payment yield for the farm for the purpose of making direct payments and counter-cyclical payments under this chapter.

(3) PEANUT ACRES.—Subject to subsection (e), the total number of acres assigned by historical peanut producers to a farm shall be considered to be the peanut acres for the farm for the purpose of making direct payments and counter-cyclical payments under this chapter.

(c) ELECTION.—Not later than 180 days after the date of enactment of this section, a historical peanut producer shall notify the Secretary of the assignments described in subsection (b).

(d) PAYMENT ACRES.—The payment acres for peanuts on a farm shall be equal to 85 percent of the peanut acres assigned to the farm.

(e) PREVENTION OF EXCESS PEANUT ACRES.—

(1) REQUIRED REDUCTION.—If the total of the peanut acres for a farm, together with the acreage described in paragraph (3), exceeds the actual cropland acreage of the farm, the Secretary shall reduce the quantity of peanut acres for the farm or contract acreage for 1 or more covered commodities for the farm as necessary so that the total of the peanut acres and acreage described in paragraph (3) does not exceed the actual cropland acreage of the farm.

(2) SELECTION OF ACRES.—The Secretary shall give the peanut producers on the farm the opportunity to select the peanut acres or contract acreage against which the reduction will be made.

(3) OTHER ACREAGE.—For purposes of paragraph (1), the Secretary shall include—

(A) any contract acreage for the farm under subtitle B;

(B) any acreage on the farm enrolled in the conservation reserve program or wetlands reserve program under chapter 1 of subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3830 et seq.); and

(C) any other acreage on the farm enrolled in a conservation program for which payments are made in exchange for not producing an agricultural commodity on the acreage.

(4) DOUBLE-CROPPED ACREAGE.—In applying paragraph (1), the Secretary shall take into account additional acreage as a result of an established double-cropping history on a farm, as determined by the Secretary.

SEC. 158C. DIRECT PAYMENTS FOR PEANUTS.

(a) IN GENERAL.—For each of the 2002 through 2006 fiscal years, the Secretary shall make direct payments to peanut producers on a farm with peanut acres under section 158B and a payment yield for peanuts under section 158B.

(b) PAYMENT RATE.—The payment rate used to make direct payments with respect to peanuts for a fiscal year shall be equal to $0.018 per pound.

(c) PAYMENT AMOUNT.—The amount of the direct payment to be paid to the peanut producers on a farm for peanuts for a fiscal year shall be equal to the product obtained by multiplying—

(1) the payment rate specified in subsection (b);

(2) the payment acres on the farm; by

(3) the payment yield for the farm.

(d) TIME FOR PAYMENT.—

(1) IN GENERAL.—The Secretary shall make direct payments—

(A) in the case of the 2002 fiscal year, during the period beginning December 1, 2001, and ending September 30, 2002; and

(B) in the case of each of the 2003 through 2006 fiscal years, not later than September 30 of the fiscal year.

(2) ADVANCE PAYMENTS.—

(A) IN GENERAL.—At the option of the peanut producers on a farm, the Secretary shall pay 50 percent of the direct payment for a fiscal year for the producers on the farm on a date selected by the peanut producers on the farm.

(B) SELECTED DATE.—The selected date for a fiscal year shall be on or after December 1 of the fiscal year.

(C) SUBSEQUENT FISCAL YEARS.—The peanut producers on a farm may change the selected date for a subsequent fiscal year by providing advance notice to the Secretary.

(3) REPAYMENT OF ADVANCE PAYMENTS.—If any peanut producer on a farm that receives an advance direct payment for a fiscal year ceases to be eligible for a direct payment before the date the direct payment would have been made by the Secretary under paragraph (1), the peanut producer shall be responsible for repaying the Secretary the full amount of the advance payment.

SEC. 158D. COUNTER-CYCLICAL PAYMENTS FOR PEANUTS.

(a) IN GENERAL.—For each of the 2002 through 2006 crops of peanuts, the Secretary shall make counter-cyclical payments with respect to peanuts if the Secretary determines that the effective price for peanuts is less than the income protection price for peanuts.

(b) EFFECTIVE PRICE.—For purposes of subsection (a), the effective price for peanuts is equal to the total of—

(1) the greater of—

(A) the national average market price received by peanut producers during the 12-month marketing year for peanuts, as determined by the Secretary; or

(B) the national average loan rate for a marketing assistance loan for peanuts under section 158G in effect for the 12-month marketing year for peanuts under this chapter; and

(2) the payment rate in effect for peanuts under section 158C for the purpose of making direct payments with respect to peanuts.

(c) INCOME PROTECTION PRICE.—For purposes of subsection (a), the income protection price for peanuts shall be equal to $520 per ton.

(d) PAYMENT AMOUNT.—The amount of the counter-cyclical payment to be paid to the peanut producers on a farm for a crop year shall be equal to the product obtained by multiplying—

(1) the payment rate specified in subsection (e);

(2) the payment acres on the farm; by

(3) the payment yield for the farm.

(e) PAYMENT RATE.—The payment rate used to make counter-cyclical payments with respect to peanuts for a crop year shall be equal to the difference between—

(1) the income protection price for peanuts; and

(2) the effective price determined under subsection (b) for peanuts.

(f) TIME FOR PAYMENTS.—

(1) IN GENERAL.—The Secretary shall make counter-cyclical payments to peanut producers on a farm under this section for a crop of peanuts as soon as practicable after determining under subsection (a) that the payments are required for the crop year.

(2) PARTIAL PAYMENT.—

(A) IN GENERAL.—At the option of the Secretary, the peanut producers on a farm may elect to receive up to 40 percent of the projected counter-cyclical payment to be made

under this section for a crop of peanuts on completion of the first 6 months of the marketing year for the crop, as determined by the Secretary.

(B) REPAYMENT.—The peanut producers on a farm shall repay to the Secretary the amount, if any, by which the payment received by producers on the farm (including any partial payments) exceeds the counter-cyclical payment the producers on the farm are eligible for under this section.

SEC. 158E. PRODUCER AGREEMENTS.

(a) COMPLIANCE WITH CERTAIN REQUIREMENTS.—

(1) REQUIREMENTS.—Before the peanut producers on a farm may receive direct payments or counter-cyclical payments with respect to the farm, the peanut producers on the farm shall agree during the fiscal year or crop year, respectively, for which the payments are received, in exchange for the payments—

(A) to comply with applicable highly erodible land conservation requirements under subtitle B of title XII of the Food Security Act of 1985 (16 U.S.C. 3811 et seq.);

(B) to comply with applicable wetland conservation requirements under subtitle C of title XII of that Act (16 U.S.C. 3821 et seq.);

(C) to comply with the planting flexibility requirements of section 158F; and

(D) to use a quantity of the land on the farm equal to the peanut acres, for an agricultural or conserving use, and not for a nonagricultural commercial or industrial use, as determined by the Secretary.

(2) COMPLIANCE.—The Secretary may promulgate such regulations as the Secretary considers necessary to ensure peanut producer compliance with paragraph (1).

(b) FORECLOSURE.—

(1) IN GENERAL.—The Secretary shall not require the peanut producers on a farm to repay a direct payment or counter-cyclical payment if a foreclosure has occurred with respect to the farm and the Secretary determines that forgiving the repayment is appropriate to provide fair and equitable treatment.

(2) COMPLIANCE WITH REQUIREMENTS.—

(A) IN GENERAL.—This subsection shall not void the responsibilities of the peanut producers on a farm under subsection (a) if the peanut producers on the farm continue or resume operation, or control, of the farm.

(B) APPLICABLE REQUIREMENTS.—On the resumption of operation or control over the farm by the peanut producers on the farm, the requirements of subsection (a) in effect on the date of the foreclosure shall apply.

(c) TRANSFER OR CHANGE OF INTEREST IN FARM.—

(1) TERMINATION.—Except as provided in paragraph (5), a transfer of (or change in) the interest of the peanut producers on a farm in peanut acres for which direct payments or counter-cyclical payments are made shall result in the termination of the payments with respect to the peanut acres, unless the transferee or owner of the acreage agrees to assume all obligations under subsection (a).

(2) EFFECTIVE DATE.—The termination takes effect on the date of the transfer or change.

(3) TRANSFER OF PAYMENT BASE AND YIELD.—The Secretary shall not impose any restriction on the transfer of the peanut acres or payment yield of a farm as part of a transfer or change described in paragraph (1).

(4) MODIFICATION.—At the request of the transferee or owner, the Secretary may modify the requirements of subsection (a) if the modifications are consistent with the purposes of subsection (a), as determined by the Secretary.

(5) EXCEPTION.—If a peanut producer entitled to a direct payment or counter-cyclical payment dies, becomes incompetent, or is otherwise unable to receive the payment, the Secretary shall make the payment, in accordance with regulations promulgated by the Secretary.

(d) ACREAGE REPORTS.—As a condition on the receipt of any benefits under this chapter, the Secretary shall require the peanut producers on a farm to submit to the Secretary acreage reports for the farm.

(e) TENANTS AND SHARECROPPERS.—In carrying out this chapter, the Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

(f) SHARING OF PAYMENTS.—The Secretary shall provide for the sharing of direct payments and counter-cyclical payments among the peanut producers on a farm on a fair and equitable basis.

SEC. 158F. PLANTING FLEXIBILITY.

(a) PERMITTED CROPS.—Subject to subsection (b), any commodity or crop may be planted on peanut acres on a farm.

(b) LIMITATIONS AND EXCEPTIONS REGARDING CERTAIN COMMODITIES.—

(1) LIMITATIONS.—The planting of the following agricultural commodities shall be prohibited on peanut acres:

(A) Fruits.

(B) Vegetables (other than lentils, mung beans, and dry peas).

(C) In the case of the 2003 and subsequent crops of an agricultural commodity, wild rice.

(2) EXCEPTIONS.—Paragraph (1) shall not limit the planting of an agricultural commodity specified in paragraph (1)—

(A) in any region in which there is a history of double-cropping of peanuts with agricultural commodities specified in paragraph (1), as determined by the Secretary, in which case the double-cropping shall be permitted;

(B) on a farm that the Secretary determines has a history of planting agricultural commodities specified in paragraph (1) on peanut acres, except that direct payments and counter-cyclical payments shall be reduced by an acre for each acre planted to the agricultural commodity; or

(C) by the peanut producers on a farm that the Secretary determines has an established planting history of a specific agricultural commodity specified in paragraph (1), except that—

(i) the quantity planted may not exceed the average annual planting history of the agricultural commodity by the peanut producers on the farm during the 1996 through 2001 crop years (excluding any crop year in

which no plantings were made), as determined by the Secretary; and

(ii) direct payments and counter-cyclical payments shall be reduced by an acre for each acre planted to the agricultural commodity.

SEC. 158G. MARKETING ASSISTANCE LOANS AND LOAN DEFICIENCY PAYMENTS FOR PEANUTS.

(a) NONRECOURSE LOANS AVAILABLE.—

(1) AVAILABILITY.—For each of the 2002 through 2006 crops of peanuts, the Secretary shall make available to peanut producers on a farm nonrecourse marketing assistance loans for peanuts produced on the farm.

(2) TERMS AND CONDITIONS.—The loans shall be made under terms and conditions that are prescribed by the Secretary and at the loan rate established under subsection (b).

(3) ELIGIBLE PRODUCTION.—The producers on a farm shall be eligible for a marketing assistance loan under this section for any quantity of a peanuts produced on the farm.

(4) TREATMENT OF CERTAIN COMMINGLED COMMODITIES.—In carrying out this section, the Secretary shall make loans to peanut producers on a farm that would be eligible to obtain a marketing assistance loan but for the fact the peanuts owned by the peanut producers on the farm are commingled with other peanuts of other producers in facilities unlicensed for the storage of agricultural commodities by the Secretary or a State licensing authority, if the peanut producers on a farm obtaining the loan agree to immediately redeem the loan collateral in accordance with section 158E.

(5) OPTIONS FOR OBTAINING LOAN.—A marketing assistance loan under this subsection, and loan deficiency payments under subsection (e), may be obtained at the option of the peanut producers on a farm through—

(A) a designated marketing association of peanut producers that is approved by the Secretary;

(B) the Farm Service Agency; or

(C) a loan servicing agent approved by the Secretary.

(b) LOAN RATE.—The loan rate for a marketing assistance loan for peanuts under subsection (a) shall be equal to $400 per ton.

(c) TERM OF LOAN.—

(1) IN GENERAL.—A marketing assistance loan for peanuts under subsection (a) shall have a term of 9 months beginning on the first day of the first month after the month in which the loan is made.

(2) EXTENSIONS PROHIBITED.—The Secretary may not extend the term of a marketing assistance loan for peanuts under subsection (a).

(d) REPAYMENT RATE.—The Secretary shall permit peanut producers on a farm to repay a marketing assistance loan for peanuts under subsection (a) at a rate that is the lesser of—

(1) the loan rate established for peanuts under subsection (b), plus interest (as determined by the Secretary); or

(2) a rate that the Secretary determines will—

(A) minimize potential loan forfeitures;

(B) minimize the accumulation of stocks of peanuts by the Federal Government;

(C) minimize the cost incurred by the Federal Government in storing peanuts; and

(D) allow peanuts produced in the United States to be marketed freely and competitively, both domestically and internationally.

(e) LOAN DEFICIENCY PAYMENTS.—

(1) AVAILABILITY.—The Secretary may make loan deficiency payments available to the peanut producers on a farm that, although eligible to obtain a marketing assistance loan for peanuts under subsection (a), agree to forgo obtaining the loan for the peanuts in return for payments under this subsection.

(2) AMOUNT.—A loan deficiency payment under this subsection shall be obtained by multiplying—

(A) the loan payment rate determined under paragraph (3) for peanuts; by

(B) the quantity of the peanuts produced by the peanut producers on the farm, excluding any quantity for which the producers on the farm obtain a loan under subsection (a).

(3) LOAN PAYMENT RATE.—For purposes of this subsection, the loan payment rate shall be the amount by which—

(A) the loan rate established under subsection (b); exceeds

(B) the rate at which a loan may be repaid under subsection (d).

(4) TIME FOR PAYMENT.—The Secretary shall make a payment under this subsection to the peanut producers on a farm with respect to a quantity of peanuts as of the earlier of—

(A) the date on which the peanut producers on the farm marketed or otherwise lost beneficial interest in the peanuts, as determined by the Secretary; or

(B) the date the peanut producers on the farm request the payment.

(f) COMPLIANCE WITH CONSERVATION REQUIREMENTS.—As a condition of the receipt of a marketing assistance loan under subsection (a), the peanut producers on a farm shall comply during the term of the loan with—

(1) applicable highly erodible land conservation requirements under subtitle B of title XII of the Food Security Act of 1985 (16 U.S.C. 3811 et seq.); and

(2) applicable wetland conservation requirements under subtitle C of title XII of that Act (16 U.S.C. 3821 et seq.).

(g) REIMBURSABLE AGREEMENTS AND PAYMENT OF EXPENSES.—To the maximum extent practicable, the Secretary shall implement any reimbursable agreements or provide for the payment of expenses under this chapter in a manner that is consistent with the implementation of the agreements or payment of the expenses for other commodities.

SEC. 158H. QUALITY IMPROVEMENT.

(a) OFFICIAL INSPECTION.—

(1) MANDATORY INSPECTION.—All peanuts placed under a marketing assistance loan under section 158G shall be officially inspected and graded by a Federal or State inspector.

(2) OPTIONAL INSPECTION.—Peanuts not placed under a marketing assistance loan may be graded at the option of the peanut producers on a farm.

(b) TERMINATION OF PEANUT ADMINISTRATIVE COMMITTEE.—The Peanut Administrative Committee established under Marketing Agreement No. 1436, which regulates the quality of domestically produced peanuts under the Agricultural Adjustment Act (7 U.S.C. 601 et seq.), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is terminated.

(c) ESTABLISHMENT OF PEANUT STANDARDS BOARD.—

(1) IN GENERAL.—The Secretary shall establish a Peanut Standards Board for the purpose of assisting in the establishment of quality standards with respect to peanuts.

(2) COMPOSITION.—The Secretary shall appoint members to the Board that, to the maximum extent practicable, reflect all regions and segments of the peanut industry.

(3) DUTIES.—The Board shall assist the Secretary in establishing quality standards for peanuts.

(d) CROPS.—This section shall apply beginning with the 2002 crop of peanuts.

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Subtitle E—Administration

SEC. 161. ADMINISTRATION.

* * * * * * *

(d) REGULATIONS.—Not later than 90 days after the date of enactment of this title, the Secretary and the Commodity Credit Corporation, as appropriate, shall issue such regulations as are necessary to implement this title. The issuance of the regulations shall be made without regard to—

(1) the notice and comment provisions of section 553 of title 5, United States Code;

(2) the Statement of Policy of the Secretary of Agriculture effective July 24, 1971 (36 Fed. Reg. 13804) relating to notices of proposed rulemaking and public participation in rulemaking; and

(3) chapter 35 of title 44, United States Code (commonly know as the "Paperwork Reduction Act").

(e) ADJUSTMENT AUTHORITY RELATED TO URUGUAY ROUND COMPLIANCE.—If the Secretary determines that expenditures under subtitles A through D that are subject to the total allowable domestic support levels under the Uruguay Round Agreements (as defined in section 2 of the Uruguay Round Agreements Act (19 U.S.C. 3501)), as in effect on the date of enactment of this subsection, will exceed the allowable levels for any applicable reporting period, the Secretary may make adjustments in the amount of the expenditures to ensure that the expenditures do not exceed, but are not less than, the allowable levels.

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SEC. 163. COMMODITY CREDIT CORPORATION INTEREST RATE.

(*a*) *IN GENERAL*.—Notwithstanding any other provision of law, the monthly Commodity Credit Corporation interest rate applicable to loans provided for agricultural commodities by the Corporation shall be 100 basis points greater than the rate determined under the applicable interest rate formula in effect on October 1, 1995.

(b) SUGAR.—For purposes of this section, raw cane sugar, refined beet sugar, and in-process sugar eligible for a loan under section 156 shall not be considered an agricultural commodity.

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SEC. 171. SUSPENSION AND REPEAL OF PERMANENT PRICE SUPPORT AUTHORITY.

(a) AGRICULTURAL ADJUSTMENT ACT OF 1938.—

(1) SUSPENSIONS.—The following provisions of the Agricultural Adjustment Act of 1938 shall not be applicable to the 1996 through **[**2002**]** *2006* crops of loan commodities, peanuts, and sugar and shall not be applicable to milk during the period beginning on the date of enactment of this title and ending on December 31, 2002 *2006*:

(A) Parts II through V of subtitle B of title III (7 U.S.C. 1326–1351).

(B) Subsections (a) through (j) of section 358 (7 U.S.C. 1358).

(C) Subsections (a) through (h) of section 358a (7 U.S.C. 1358a).

(D) Subsections (a), (b), (d), and (e) of section 358d (7 U.S.C. 1359).

[(E) Part VII of subtitle B of title III (7 U.S.C. 1359aa–1359jj).**]**

[(F)**]** *(E)* In the case of peanuts, part I of subtitle C of title III (7 U.S.C. 1361–1368).

[(G)**]** *(F)* In the case of upland cotton, section 377 (7 U.S.C. 1377).

[(H)**]** *(G)* Subtitle D of title III (7 U.S.C. 1379a–1379j).

[(I)**]** *(H)* Title IV (7 U.S.C. 1401–1407).

(2) REPORTS AND RECORDS.—

(b) AGRICULTURAL ACT OF 1949.—

(1) SUSPENSIONS.—The following provisions of the Agricultural Act of 1949 shall not be applicable to the 1996 through **[**2002**]** *2006* crops of loan commodities, peanuts, and sugar and shall not be applicable to milk during the period beginning on the date of enactment of this title and ending on December 31, **[**2002**]** *2006*:

(A) Section 101 (7 U.S.C. 1441).

(B) Section 103(a) (7 U.S.C. 1444(a)).

(C) Section 105 (7 U.S.C. 1444b).

(D) Section 107 (7 U.S.C. 1445a).

(E) Section 110 (7 U.S.C. 1445e).

(F) Section 112 (7 U.S.C. 1445g).

(G) Section 115 (7 U.S.C. 1445k).

(H) Section 201 (7 U.S.C. 1446).

(I) Title III (7 U.S.C. 1447–1449).

(J) Title IV (7 U.S.C. 1421–1433d), other than sections 404, 412, and 416 (7 U.S.C. 1424, 1429, and 1431).

(K) Title V (7 U.S.C. 1461–1469).

(L) Title VI (7 U.S.C. 1471–1471j).

(2) REPEALS.—The following provisions of the Agricultural Act of 1949 are repealed:

(A) Section 101B (7 U.S.C. 1441–2).

(B) Section 103B (7 U.S.C. 1444–2).

(C) Section 105B (7 U.S.C. 1444f).

(D) Section 107B (7 U.S.C. 1445–3a).

(E) Section 108B (7 U.S.C. 1445c–3).

(F) Section 113 (7 U.S.C. 1445h).

(G) Subsections (b) and (c) of section 114 (7 U.S.C. 1445j).

(H) Sections 205, 206, and 207 (7 U.S.C. 1446f, 1446g, and 1446h).

(I) Sections 406 and 427 (7 U.S.C. 1426 and 1433f).

(3) POTENTIAL PRICE SUPPORT FOR RICE.—

(c) SUSPENSION OF CERTAIN QUOTA PROVISIONS.—The joint resolution entitled "A joint resolution relating to corn and wheat marketing quotas under the Agricultural Adjustment Act of 1938, as amended", approved May 26, 1941 (7 U.S.C. 1330 and 1340), shall not be applicable to the crops of wheat planted for harvest in the calendar years 1996 through [2002] *2006*.

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SEC. 188. TERMINATION OF COMMISSION.

The Commission shall terminate on submission of the final report required by section 184.

Subtitle H—Miscellaneous Commodity Provisions

[SEC. 191. OPTIONS PILOT PROGRAM.

[(a) PILOT PROGRAMS AUTHORIZED.—Until December 31, 2002, the Secretary of Agriculture may conduct a pilot program for 1 or more agricultural commodities supported under this title to ascertain whether futures and options contracts can provide producers with reasonable protection from the financial risks of fluctuations in price, yield, and income inherent in the production and marketing of the commodities. The pilot program shall be an alternative to other related programs of the Department of Agriculture.

[(b) DISTRIBUTION OF PILOT PROGRAM.—For each agricultural commodity included in the pilot program, the Secretary may operate the pilot program in not more than 300 counties, except that not more than 25 of the counties may be located in any 1 State. The pilot program for a commodity shall not be operated in any county for more than 3 of the 1996 through 2002 calendar years.

[(c) ELIGIBLE PARTICIPANTS.—In operating the pilot program, the Secretary may enter into contract with a producer who—

[(1) is eligible for a production flexibility contract, a marketing assistance loan, or other assistance under this title;

[(2) volunteers to participate in the pilot program during any calendar year in which a county in which the farm of the producer is located is included in the pilot program;

[(3) operates a farm located in a county selected for the pilot program; and

[(4) meets such other eligibility requirements as the Secretary may establish.

[(d) NOTICE TO PRODUCERS.—The Secretary shall provide notice to each producer participating in the pilot program that—

[(1) the participation of the producer is voluntary; and

[(2) neither the United States, the Commodity Credit Corporation, the Federal Crop Insurance Corporation, the Depart-

ment of Agriculture, nor any other Federal agency is authorized to guarantee that participants in the pilot program will be better or worse off financially as a result of participation in the pilot program than the producer would have been if the producer had not participated in the pilot program.

[(e) CONTRACTS.—The Secretary shall set forth in each contract under the pilot program the terms and conditions for participation in the pilot program and the notice required by subsection (d).

[(f) ELIGIBLE MARKETS.—Trades for futures and options contracts under the pilot program shall be carried out on commodity futures and options markets designated as contract markets under the Commodity Exchange Act (7 U.S.C. 1 et seq.).

[(g) RECORDKEEPING.—A producer participating in the pilot program shall compile, maintain, and submit (or authorize the compilation, maintenance, and submission) of such documentation as the regulations governing the pilot program require.

[(h) USE OF COMMODITY CREDIT CORPORATION.—The Secretary shall fund and operate the pilot program through the Commodity Credit Corporation, except that the amount of Commodity Credit Corporation funds used to carry out this section shall not exceed, to the maximum extent practicable, $9,000,000 for fiscal year 2001, $15,000,000 for fiscal year 2002, and $2,000,000 for fiscal year 2003. To the maximum extent practicable, the Secretary shall operate the pilot program in a budget neutral manner.

[(i) CONFORMING REPEAL.—]

SEC. 191. COMMODITY PURCHASES.

(a) IN GENERAL.—To purchase agricultural commodities under this section, the Secretary shall use funds of the Commodity Credit Corporation in an amount equal to—

(1) for each of fiscal years 2002 and 2003, $130,000,000, of which not less than $100,000,000 shall be used for the purchase of specialty crops;

(2) for fiscal year 2004, $150,000,000, of which not less than $120,000,000 shall be used for the purchase of specialty crops;

(3) for fiscal year 2005, $170,000,000, of which not less than $140,000,000 shall be used for the purchase of specialty crops;

(4) for fiscal year 2006, $200,000,000, of which not less than $170,000,000 shall be used for the purchase of specialty crops;

(5) for fiscal year 2007, $0.

(b) OTHER PURCHASES.—The Secretary shall ensure that purchases of agricultural commodities under this section are in addition to purchases by the Secretary under any other law.

(c) PURCHASES BY DEPARTMENT OF DEFENSE FOR SCHOOL LUNCH PROGRAM.—The Secretary shall provide not less than $50,000,000 for each fiscal year of the funds made available under subsection (a) to the Secretary of Defense to purchase fresh fruits and vegetables for distribution to schools and service institutions in accordance with section 6(a) of the Richard B. Russell National School Lunch Act (42 U.S.C. 1755(a)) in a manner prescribed by the Secretary of Agriculture.

(d) PURCHASES FOR EMERGENCY FOOD ASSISTANCE PROGRAM.—The Secretary shall use not less than $40,000,000 for each fiscal year of the funds made available under subsection (a) to purchase

agricultural commodities for distribution under the Emergency Food Assistance Act of 1983 (7 U.S.C. 7501 et seq.).

* * * * * * *

[SEC. 193. CROP INSURANCE.

[(a) CATASTROPHIC RISK PROTECTION.—

[(1) SINGLE DELIVERY.—

[(2) WAIVER OF MANDATORY LINKAGE.—

[(3) SPECIAL RULE FOR 1996.—

[(A) EFFECTIVE PERIOD.—This paragraph shall apply only to the 1996 crop year.

[(B) AVAILABILITY.—During a period of not less than 2 weeks, but not more than 4 weeks, beginning on the date of enactment of this title, the Secretary shall provide producers with an opportunity to obtain catastrophic risk protection insurance under section 508(b) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)) for a spring-planted crop, and limited additional coverage for malting barley under the Malting Barley Price and Quality Endorsement. The Federal Crop Insurance Corporation may attach such limitations and restrictions on obtaining insurance during this period as the Corporation considers necessary to maintain the actuarial soundness of the crop insurance program.

[(C) ATTACHMENT.—Insurance coverage under any policy obtained under this paragraph during the extended sales period shall not attach until 10 days after the application.

[(D) CANCELLATION.—During the extended period, a producer may cancel a catastrophic risk protection policy if—

[(i) the policy is a continuation of a policy that was obtained for a previous crop year; and

[(ii) the cancellation request is made before the acreage reporting date for the policy for the 1996 crop year.

[(b) CROP INSURANCE PILOT PROJECT.—

[(1) COVERAGE.—The Secretary of Agriculture shall develop and administer a pilot project for crop insurance coverage that indemnifies crop losses due to a natural disaster such as insect infestation or disease.

[(2) ACTUARIAL SOUNDNESS.—A pilot project under this paragraph shall be actuarially sound, as determined by the Secretary and administered at no net cost.

[(3) DURATION.—A pilot project under this paragraph shall be of two years' duration.

[(c) CROP INSURANCE FOR NURSERY CROPS.—

[(d) MARKETING WINDOWS.—

[(e) FUNDING.—

[(f) LIMITATION ON MULTIPLE BENEFITS FOR SAME LOSS.—]

SEC. 193. HARD WHITE WHEAT INCENTIVE PAYMENTS.

(a) IN GENERAL.—For the period of crop years 2003 through 2005, the Secretary shall use $40,000,000 of funds of the Commodity Credit Corporation to provide incentive payments to producers of hard white wheat to ensure that hard white wheat, produced on a total of not more than 2,000,000 acres, meets minimum quality standards established by the Secretary.

(b) APPLICATION.—The amounts payable to producers in the form of payments under this section shall be determined through the submission of bids by producers in such manner as the Secretary may prescribe.

(c) DEMAND FOR WHEAT.—To be eligible to obtain a payment under this section, a producer shall demonstrate to the Secretary the availability of buyers and end-users for the wheat that is the covered by the payment.

* * * * * * *

AGRICULTURAL ADJUSTMENT ACT OF 1938

[[Part VII was made inapplicable to the 1996 through 2002 crops of sugar.]

[PART VII—MARKETING QUOTAS—SUGAR AND CRYSTALLINE FRUCTOSE]

PART VII—FLEXIBLE MARKETING ALLOTMENTS FOR SUGAR

SEC. 359. DEFINITIONS.

In this part:

(1) MAINLAND STATE.—The term "mainland State" means a State other than an offshore State.

(2) OFFSHORE STATE.—The term "offshore State" means a sugarcane producing State located outside of the continental United States.

(3) STATE.—Notwithstanding section 301, the term "State" means—

(A) a State;

(B) the District of Columbia; and

(C) the Commonwealth of Puerto Rico.

(4) UNITED STATES.—The term "United States", when used in a geographical sense, means all of the States.

[Part VII was made inapplicable to the 1996 through 2002 crops of sugar by sec. 171(a)(1)(E) of the Agricultural Market Transition Act, P.L. 104–127, 110 Stat. 937, April 4, 1996.

[SEC. 359a. INFORMATION REPORTING.

[(a) DUTY OF PROCESSORS, REFINERS AND MANUFACTURERS TO REPORT.—

[(1) PROCESSORS AND REFINERS.—All sugarcane processors, cane sugar refiners, and sugar beet processors shall furnish the Secretary, on a monthly basis, such information as the Secretary may require to administer sugar programs, including the quantity of purchases of sugarcane, sugar beets, and sugar, and production, importation, distribution, and stock levels of sugar.

[(2) MANUFACTURERS OF CRYSTALLINE FRUCTOSE.—All manufacturers of crystalline fructose from corn (hereafter in this part referred to as "crystalline fructose") shall furnish the Secretary, on a monthly basis, such information as the Secretary may require with respect to the manufacturer's distribution of crystalline fructose.

[(b) DUTY OF PRODUCERS TO REPORT.—The Secretary may require a producer of sugarcane or sugar beets to report, in the manner prescribed by the Secretary, the producer's sugarcane or sugar beet yields and acres planted to sugarcane or sugar beets, respectively.

[(c) PENALTY.—Any person willfully failing or refusing to furnish the information, or furnishing willfully any false information, shall be subject to a civil penalty of not more than $10,000 for each such violation.

[(d) MONTHLY REPORTS.—Taking into consideration the information received under subsection (a), the Secretary shall publish on a monthly basis composite data on production, imports, distribution, and stock levels of sugar and composite data on distributions of crystalline fructose.]

SEC. 359b. *FLEXIBLE* MARKETING ALLOTMENTS FOR SUGAR [AND CRYSTALLINE FRUCTOSE].

(a) SUGAR ESTIMATES.—

(1) IN GENERAL.—[Before] *Not later than August 1 before* the beginning of each of the fiscal years [1992 through 1998] *2002 through 2006,* the Secretary shall estimate—

(2) EXCLUSION.—The estimates under this subsection shall not apply to sugar imported for the production of polyhydric alcohol or to any sugar refined and reexported in refined form or in products containing sugar.

(A) the quantity of sugar that will be consumed in the United States during the fiscal year [(other than sugar imported for the production of polyhydric alcohol or to be refined and reexported in refined form or in sugar containing products) and the quantity of sugar that would provide for reasonable carryover stocks];

(B) the quantity of sugar that would provide for reasonable carryover stocks;

[(B)] *(C)* the quantity of sugar that will be available from carry-in stocks [or from domestically-produced sugarcane and sugar beets] for consumption in the United States during the year; [and]

(D) the quantity of sugar that will be available from the domestic processing of sugarcane and sugar beets; and

[(C)] (*E*) the [quantity of sugar] *quantity of sugars, syrups, and molasses* that will be imported for human consumption or to be used for the extraction of sugar for human consumption in the United States during the [year] *year, whether such articles are under a tarriff-rate quota or are in excess or outside of a tarriff rate quota.* [(other than sugar imported for the production of polyhydric alcohol or to be refined and reexported in a refined form or in sugar containing products), based on the difference between—

[(i) the sum of the quantity of estimated consumption and reasonable carryover stocks; and

[(ii) the quantity of sugar estimated to be available from domestically-produced sugarcane and sugar beets and from carry-in stocks.

[(2)] *(3)* [QUARTERLY REESTIMATES] *REESTIMATES.*—The Secretary shall make quarterly reestimates of sugar consump-

tion, stocks, production, and imports for a fiscal year as necessary, but no later than the beginning of each of the second through fourth quarters of the fiscal year.

(b) SUGAR ALLOTMENTS.—

[(1) IN GENERAL.—For any fiscal year in which the Secretary estimates, under subsection (a)(1)(C), that imports of sugar for consumption in the United States (other than sugar imported for the production of polyhydric alcohol or to be refined and re-exported in refined form or in sugar containing products) will be less than 1,250,000 short tons, raw value, the Secretary shall establish for that year appropriate allotments under section 359c for the marketing by processors of sugar processed from domestically-produced sugarcane and sugar beets, at a level that the Secretary estimates will result in imports of sugar of not less than 1,250,000 short tons, raw value, for that year.]

(1) IN GENERAL.—By the beginning of each fiscal year, the Secretary shall establish for that fiscal year appropriate allotments under section 359c for the marketing by processors of sugar processed from sugar beets and from domestically-produced sugarcane at a level that the Secretary estimates will result in no forfeitures of sugar to the Commodity Credit Corporation under the loan program for sugar established under section 156 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7251).”; and

(2) PRODUCTS.—The Secretary may include sugar products, whose majority content is sucrose [or crystalline fructose] for human consumption, derived from sugarcane, sugar beets, molasses or sugar in the allotments under paragraph (1) if the Secretary determines it to be appropriate for purposes of this part.

[(c) CRYSTALLINE FRUCTOSE ALLOTMENTS.—For any fiscal year in which the Secretary establishes allotments for the marketing of sugar under section 359c, the Secretary shall establish for that year appropriate allotments for the marketing by manufacturers of crystalline fructose manufactured from corn, at a total level not to exceed the equivalent of 200,000 tons of sugar, raw value, during the fiscal year, in a manner that is fair, efficient, and equitable to manufacturers.]

[(d)] *(c)* PROHIBITIONS.—

(1) IN GENERAL.—During any fiscal year or portion thereof for which marketing allotments have been established, no processor of sugar beets or sugarcane shall market a quantity of sugar in excess of the allocation established for such processor, except to enable another processor to fulfill an allocation established for such other processor or to facilitate the exportation of such sugar.

[(2) CRYSTALLINE FRUCTOSE.—At any time crystalline fructose allotments are in effect for manufacturers under subsection (c), no manufacturer may market crystalline fructose in excess of the manufacturer's allotment. No restrictions or allotments shall be established on the marketings of any liquid fructose produced from corn.]

[(3)] *(2)* CIVIL PENALTY.—Any processor who knowingly violates paragraph (1) [or manufacturer who knowingly violates

paragraph (2)] shall be liable to the Commodity Credit Corporation for a civil penalty in an amount equal to 3 times the United States market value, at the time of the commission of the violation, of that quantity of sugar [or crystalline fructose] involved in the violation.

[(4)] *(3)* DEFINITION OF MARKET.—For purposes of this part, the term "market" shall mean to sell or otherwise dispose of in commerce in the United States (including, with respect to any integrated processor and refiner, the movement of raw cane sugar into the refining process).

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SEC. 359c. ESTABLISHMENT OF *FLEXIBLE* MARKETING ALLOTMENTS.

(a) IN GENERAL.—The Secretary shall establish flexible marketing allotments for sugar for any fiscal year in which the allotments are required under section 359b(b) in accordance with this section.

(b) OVERALL ALLOTMENT QUANTITY.—

(1) IN GENERAL.—The Secretary shall establish the overall quantity of sugar to be allotted for the fiscal year (hereafter in this part referred to as the "overall allotment quantity") by deducting from the sum of the estimated sugar consumption and reasonable carryover stocks (at the end of the fiscal year) for the fiscal year, as determined under section 359b(a)—

(A) [1,250,000] *1,532,000 short tons, raw value; and*

(B) carry-in stocks of sugar, including sugar in Commodity Credit Corporation inventory.

(2) ADJUSTMENT.—The Secretary shall adjust the overall allotment quantity [to the maximum extent practicable] to avoid the forfeiture of sugar to the Commodity Credit Corporation.

[(c) ALLOTMENT.—The overall allotment quantity for the fiscal year shall be allotted among—

[(1) sugar derived from sugar beets; and

[(2) sugar derived from sugarcane.]

(c) MARKETING ALLOTMENT FOR SUGAR DERIVED FROM SUGAR BEETS AND SUGAR DERIVED FROM SUGARCANE.—The overall allotment quantity for the fiscal year shall be allotted between—

(1) sugar derived from sugar beets by establishing a marketing allotment for a fiscal year at a quantity equal to the product of multiplying the overall allotment quantity for the fiscal year by 54.35 percent; and

(2) sugar derived from sugarcane by establishing a marketing allotment for a fiscal year at a quantity equal to the product of multiplying the overall allotment quantity for the fiscal year by 45.65 percent.";

[(d) PERCENTAGE FACTORS.—

[(1) IN GENERAL.—The Secretary shall establish percentage factors for the overall beet sugar and cane sugar allotments applicable for a fiscal year. The Secretary shall establish the percentage factors in a fair and equitable manner on the basis of past marketings of sugar (considering for such purposes the marketings of sugar processed from sugarcane and sugar beets of any or all of the 1985 through 1989 crops), processing and refining capacity, and the ability of processors to market the sugar covered under the allotments.

[(2) PUBLICATION.—The Secretary shall publish these percentage factors in the Federal Register, along with a description of the Secretary's reasons for establishing the factors, as provided in section 359h(c).]

(d) FILLING CANE SUGAR AND BEET SUGAR ALLOTMENTS.—

(1) CANE SUGAR.—Each marketing allotment for cane sugar established under this section may only be filled with sugar processed from domestically grown sugarcane.

(2) BEET SUGAR.—Each marketing allotment for beet sugar established under this section may only be filled with sugar domestically processed from sugar beets.

[(e) MARKETING ALLOTMENT.—The marketing allotment for sugar derived from sugarcane and the marketing allotment for sugar derived from sugar beets for a fiscal year, in each case, shall be a quantity equal to the product of multiplying the overall allotment quantity for the fiscal year by the percentage factor established by the Secretary under subsection (d)(1) for the allotment.]

[(f)] *(e)* STATE CANE SUGAR ALLOTMENTS.—[The allotment]

(1) IN GENERAL.—The allotment for sugar derived from sugarcane shall be further allotted, among [the 5] *the* States in the United States in which sugarcane is produced, *after a hearing (if requested by the affected sugarcane processors and growers) and on such notice as the Secretary by regulation may prescribe,* in a fair and equitable manner [on the basis of past marketings of sugar (considering for such purposes the average of marketings of sugar processed from sugarcane in the 2 highest years of production from each State from the 1985 through 1989 crops), processing capacity, and the ability of processors to market the sugar covered under the allotments.] as provided in this subsection and section 359d *(a)(2)(A)(iv)*.

(f) FILLING CANE SUGAR ALLOTMENTS.—Except as provided in section 359e, a State cane sugar allotment established under subsection (e) for a fiscal year may be filled only with sugar processed from sugarcane grown in the State covered by the allotment.

(2) OFFSHORE ALLOTMENT.—

(A) COLLECTIVELY.—Prior to the allotment of sugar derived from sugarcane to any other State, 325,000 short tons, raw value shall be allotted to the offshore States.

(B) INDIVIDUALLY.—The collective offshore State allotment provided for under subparagraph (A) shall be further allotted among the offshore States in which sugarcane is produced, after a hearing (if requested by the affected sugarcane processors and growers) and on such notice as the Secretary by regulation may prescribe, in a fair and equitable manner on the basis of—

(i) past marketings of sugar, based on the average of the 2 highest years of production of raw cane sugar from the 1996 through 2000 crops;

(ii) the ability of processors to market the sugar covered under the allotments for the crop year; and

(iii) past processings of sugar from sugarcane based on the 3-year average of the 1998 through 2000 crop years.

(3) MAINLAND ALLOTMENT.—The allotment for sugar derived from sugarcane, less the amount provided for under paragraph

(2), shall be allotted among the mainland States in the United States in which sugarcane is produced, after a hearing (if requested by the affected sugarcane processors and growers) and on such notice as the Secretary by regulation may prescribe, in a fair and equitable manner on the basis of—

(A) past marketings of sugar, based on the average of the 2 highest years of production of raw cane sugar from the 1996 through 2000 crops;

(B) the ability of processors to market the sugar covered under the allotments for the crop year; and

(C) past processings of sugar from sugarcane, based on the 3 crop years with the greatest processings (in the mainland States collectively) during the 1991 through 2000 crop years.

(g) ADJUSTMENT OF MARKETING ALLOTMENTS.—

(1) IN GENERAL.—The Secretary shall, based on reestimates under section ⟦359b(a)(2)—

⟦(A) adjust upward or downward marketing allotments established under subsections (a) through (f) in a fair and equitable manner;

⟦(B) establish marketing allotments for the fiscal year or any portion of such fiscal year; or

⟦(C) suspend the allotments,⟧

359b(a)(3), adjust upward or downward marketing allotments in a fair and equitable manner as the Secretary determines appropriate, to reflect changes in estimated sugar consumption, stocks, production, or imports.

(2) ALLOCATION TO PROCESSORS.—In the case of any increase or decrease in an allotment, each allocation to a processor of the allotment under section 359d, and each proportionate share established with respect to the allotment under section ⟦359f(b)⟧ *359f(c)*, shall be increased or decreased by the same percentage that the allotment is increased or decreased.

(3) ⟦REDUCTIONS⟧ *CARRY-OVER OF REDUCTIONS.*—Whenever a marketing allotment for a fiscal year is required to be reduced during the fiscal year under this subsection, if *at the time of the reduction* the quantity of sugar marketed, including sugar pledged as collateral for a ⟦price support⟧ *nonrecourse* loan under section ⟦206 of the Agricultural Act of 1949 (7 U.S.C. 1446g), for the fiscal year at the time of the reduction by any individual processor covered by the allotment⟧ *156 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7251),* exceeds the processor's reduced allocation, the allocation of an allotment⟦, if any,⟧ next established for the processor shall be reduced by the quantity of the excess sugar marketed.

⟦(h) FILLING CANE SUGAR AND BEET SUGAR ALLOTMENTS.—Each marketing allotment for cane sugar established under this section may only be filled with sugar processed from domestically grown sugarcane, and each marketing allotment for beet sugar established under this section may only be filled with sugar processed from domestically grown sugar beets.

(h) SUSPENSION OF ALLOTMENTS.—Whenever the Secretary estimates or reestimates under section 359b(a), or has reason to believe, that imports of sugars, syrups or molasses for human consumption

or to be used for the extraction of sugar for human consumption, whether under a tariff-rate quota or in excess or outside of a tariff-rate quota, will exceed 1,532,000 short tons (raw value equivalent), and that the imports would lead to a reduction of the overall allotment quantity, the Secretary shall suspend the marketing allotments established under this section until such time as the imports have been restricted, eliminated, or reduced to or below the level of 1,532,000 short tons (raw value equivalent).

* * * * * * *

SEC. 359d. ALLOCATION OF MARKETING

* * * * * * *

(1) ALLOCATION TO PROCESSORS.—Whenever marketing allotments are established for a fiscal year under section 359c, in order to afford all interested persons an equitable opportunity to market sugar under an allotment, the Secretary shall allocate each such allotment among the processors covered by the allotment.

(2) HEARING AND NOTICE.—

(A) CANE SUGAR.—[The Secretary] *(i) IN GENERAL.—The Secretary* shall make allocations for cane sugar after a hearing, if requested by [interested parties] *the affected sugar cane processors and growers* and on such notice as the Secretary by regulation may prescribe, in such manner and in such quantities as to provide a fair, efficient, and equitable distribution of the allocations [by taking into consideration processing capacity, past marketings of sugar, and the ability of each processor to market sugar covered by that portion of the allotment allocated.] *under this subparagraph.* Each such allocation shall be subject to adjustment under section 359c(g).

(ii) MULTIPLE PROCESSOR STATES.—Except as provided in clauses (iii) and (iv), the Secretary shall allocate the allotment for cane sugar among multiple cane sugar processors in a single State based on—

(I) past marketings of sugar, based on the average of the 2 highest years of production of raw cane sugar from among the 1996 through 2000 crops;

(II) the ability of processors to market sugar covered by that portion of the allotment allocated for the crop year; and

(III) past processings of sugar from sugarcane, based on the average of the 3 highest years of production during the 1996 through 2000 crop years.

(iii) TALISMAN PROCESSING FACILITY.—In the case of allotments under clause (ii) attributable to the operations of the Talisman processing facility before the date of enactment of this clause, the Secretary shall allocate the allotment among processors in the State under clause (i) in accordance with the agreements of March 25 and 26, 1999, between the affected processors and the Secretary of the Interior.

(iv) PROPORTIONATE SHARE STATES.—In the case of States subject to section 359f(c), the Secretary shall allocate

the allotment for cane sugar among multiple cane sugar processors in a single state based on—

(I) past marketings of sugar, based on the average of the 2 highest years of production of raw cane sugar from among the 1997 through 2001 crop years;

(II) the ability of processors to market sugar covered by that portion of the allotments allocated for the crop year; and

(III) past processings of sugar from sugarcane, based on the average of the 2 highest crop years of crop production during the 1997 through 2001 crop years.

(v) NEW ENTRANTS.—

(I) IN GENERAL.—Notwithstanding clauses (ii) and (iv), the Secretary, on application of any processor that begins processing sugarcane on or after the date of enactment of this clause, and after a hearing (if requested by the affected sugarcane processors and growers) and on such notice as the Secretary by regulation may prescribe, may provide the processor with an allocation that provides a fair, efficient and equitable distribution of the allocations from the allotment for the State in which the processor is located.

(II) PROPORTIONATE SHARE STATES.—In the case of proportionate share States, the Secretary shall establish proportionate shares in a quantity sufficient to produce the sugarcane required to satisfy the allocations.

(III) LIMITATION.—The allotment for a new processor under this clause shall not exceed 50,000 short tons (raw value).

(vi) TRANSFER OF OWNERSHIP.—Except as otherwise provided in section 359f(c)(8), if a sugarcane processor is sold or otherwise transferred to another owner, or closed as part of an affiliated corporate group processing consolidation, the Secretary shall transfer the allotment allocation for the processor to the purchaser, new owner, or successor in interest, as applicable, of the processor.

(B) BEET SUGAR.—[The Secretary]

(i) IN GENERAL.—The Secretary shall make allocations for beet sugar after a hearing, if requested by [interested parties] *the affected sugar beet processors and growers* and on such notice as the Secretary by regulation may prescribe, in such manner and in such quantities as to provide a fair, efficient, and equitable distribution of the allocations by taking into consideration [processing capacity, past marketings of sugar (considering for the purposes the marketings of sugar processed from sugar beets of any or all of the 1985 through 1989 crops), and the ability of each processor to market sugar covered by that portion of the allotment allocated] *the marketings of sugar processed from sugar beets of any or all of the 1996 through 2000 crops, and such other factors as the Secretary may consider appropriate after consultation with the affected sugar beet processors and growers.* Each such alloca-

tion shall be subject to adjustment under section 359c(g).

(b) FILLING CANE SUGAR ALLOTMENTS.—Except as otherwise provided in section 359e, a State cane sugar allotment established under section 359c(f) for a fiscal year may be filled only with sugar processed from sugarcane grown in the State covered by the allotment.

(ii) NEW PROCESSORS.—In the case of any processor that has started processing sugar beets after January 1, 1996, the Secretary shall provide the processor with an allocation that provides a fair, efficient and equitable distribution of the allocations.

* * * * * * *

(B) if after the reassignments the deficit cannot be completely eliminated, the Secretary shall reassign the estimated quantity of the deficit proportionately to the allotments for other cane sugar States, depending on the capacity of each other State to fill the portion of the deficit to be assigned to it, with the reassigned quantity to each State to be allocated among processors in that State in proportion to the allocations of the processors; [and]

(C) if after the reassignments, the deficit cannot be completely eliminated, the Secretary shall reassign the estimated quantity of the deficit to the sale of any inventories of sugar held by the Commodity Credit Corporation; and

[(C)] *(D)* if after the reassignments and sales, the deficit cannot be completely eliminated, the Secretary shall reassign the remainder to imports.

(2) BEET SUGAR.—If the Secretary determines that a sugar beet processor who has been allocated a share of the beet sugar allotment will be unable to market that allocation—

(A) the Secretary first shall reassign the estimated quantity of the deficit to the allotments for other sugar beet processors, depending on the capacity of each other processor to fill the portion of the deficit to be assigned to it and taking into account the interests of producers served by the processors; [and]

(B) if after the reassignments, the deficit cannot be completely eliminated, the Secretary shall [reassign the remainder to imports.] *use the estimated quantity of the deficit for the sale of any inventories of sugar held by the Commodity Credit Corporation; and*

(C) if after the reassignments and sales, the deficit cannot be completely eliminated, the Secretary shall reassign the remainder to imports.

* * * * * * *

(3) CORRESPONDING INCREASE.—The allocation of each processor receiving a reassigned quantity of an allotment under this subsection for a fiscal year shall be increased to reflect the reassignment.

SEC. 359f. PROVISIONS APPLICABLE TO PRODUCERS.

(a) PROCESSOR ASSURANCES.—[Whenever]

(1) IN GENERAL.—If allotments for a fiscal year are allocated to processors under section 359d, the Secretary shall obtain

from the processors such assurances as the Secretary considers adequate that the allocation will be shared among producers served by the processor in a fair and equitable manner that adequately reflects producers' production histories. [Any dispute]

(2) ARBITRATION.—

(A) IN GENERAL.—Any dispute between a processor and a producer, or group of producers, with respect to the sharing of the [processor's allocation] *allocation to the processor* shall be resolved through arbitration by the Secretary on the request of either party.

(B) PERIOD.—The arbitration shall, to the maximum extent practicable, be (i) commenced not more than 45 days after the request; and (ii) shall be completed not more than 60 days after the request.

* * * * * * *

(b) SUGAR BEET PROCESSING FACILITY CLOSURES.—

(1) IN GENERAL.—If a sugar beet processing facility is closed and the sugar beet growers that previously delivered beets to the facility elect to deliver their beets to another processing company, the growers may petition the Secretary to modify allocations under this part to allow the delivery.

(2) INCREASED ALLOCATION FOR PROCESSING COMPANY.—The Secretary may increase the allocation to the processing company to which the growers elect to deliver their sugar beets, with the approval of the processing company, to a level that does not exceed the processing capacity of the processing company, to accommodate the change in deliveries.

(3) DECREASED ALLOCATION FOR CLOSED COMPANY.—The increased allocation shall be deducted from the allocation to the company that owned the processing facility that has been closed and the remaining allocation shall be unaffected.

(4) TIMING.—The determinations of the Secretary on the issues raised by the petition shall be made within 60 days after the filing of the petition.

[(b)] *(c)* PROPORTIONATE SHARES OF CERTAIN ALLOTMENTS.—

* * * * * * *

(3) METHOD OF DETERMINING.—For purposes of determining proportionate shares for any crop of sugarcane:

(A) The Secretary shall establish the State's per-acre yield goal for a crop of sugarcane at a level (not less than the average per-acre yield in the State for [the preceding 5 years] *the two highest of the 1999, 2000,* and *2001 crop years,* as determined by the Secretary) that will ensure an adequate net return per pound to producers in the State, taking into consideration any available production research data that the Secretary considers relevant.

* * * * * * *

(7) ADJUSTMENTS.—Whenever the Secretary determines that, because of a natural disaster or other condition beyond the control of producers that adversely affects a crop of sugarcane subject to proportionate shares, the amount of sugarcane produced by producers subject to the proportionate shares will not

be sufficient to enable processors in the State to meet the State's cane sugar allotment and provide a normal carryover inventory of sugar, the Secretary may uniformly allow producers to harvest an amount of sugarcane in excess of their proportionate share, or suspend proportionate shares entirely, as necessary to enable processors to meet the State allotment and provide a normal carryover inventory of sugar.

(8) PROCESSING FACILITY CLOSURES.—

(A) IN GENERAL.—If a sugarcane processing facility subject to this subsection is closed and the sugarcane growers that delivered sugarcane to the facility prior to closure elect to deliver their sugarcane to another processing company, the growers may petition the Secretary to modify allocations under this part to allow the delivery.

(B) INCREASED ALLOCATION FOR PROCESSING COMPANY.—The Secretary may increase the allocation to the processing company to which the growers desire to deliver the sugarcane, with the approval of the processing company, to a level that does not exceed the processing capacity of the processing company, to accommodate the change in deliveries;

(C) DECREASED ALLOCATION FOR CLOSED COMPANY.—The increased allocation shall be deducted from the allocation to the company that owned the processing facility that has been closed and the remaining allocation will be unaffected.

(D) TIMING.—The determinations of the Secretary on the issues raised by the petition shall be made within 60 days after the filing of the petition.

* * * * * * *

SEC. 359g. SPECIAL RULES.

(a) TRANSFER OF ACREAGE BASE HISTORY.—For the purpose of establishing proportionate shares for sugarcane farms under section [359f] *359f(c)*, the Secretary, on application of any producer, with the written consent of all owners of a farm, may transfer the acreage base history of the farm to any other parcels of land of the applicant.

(b) PRESERVATION OF ACREAGE BASE HISTORY.—If for reasons beyond the control of a producer on a farm, the producer is unable to harvest an acreage of sugarcane for sugar or seed with respect to all or a portion of the proportionate share established for the farm under section [359f] *359f(c)*, the Secretary, on the application of the producer and with the written consent of all owners of the farm, may preserve for a period of not more than [3 consecutive years] *5 consecutive years* the acreage base history of the farm to the extent of the proportionate share involved. The Secretary may permit the proportionate share to be redistributed to other farms, but no acreage base history for purposes of establishing acreage bases shall accrue to the other farms by virtue of the redistribution of the proportionate share.

(c) REVISIONS OF ALLOCATIONS AND PROPORTIONATE SHARES.—The Secretary, after such notice as the Secretary by regulation may prescribe, may revise or amend any allocation of a marketing allotment under section 359d, or any proportionate share established *or*

adjusted for a farm under section [359f] *359f(c)*, on the same basis as the initial allocation or proportionate share was required to be established.

* * * * * * *

SEC. 359j. ADMINISTRATION.

(a) USE OF CERTAIN AGENCIES.—In carrying out this part, the Secretary may use the services of local committees of sugar beet or sugarcane producers, sugarcane processors, or sugar beet processors, State and county committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)), and the departments and agencies of the United States Government.

(b) USE OF COMMODITY CREDIT CORPORATION.—The Secretary shall use the services, facilities, funds, and authorities of the Commodity Credit Corporation to carry out sections 359a through 359i.

[(c) DEFINITION OF UNITED STATES AND STATE.—Notwithstanding section 301, for purposes of this part, the terms "United States" and "State" means the 50 States, the District of Columbia, and the Commonwealth of Puerto Rico.]

* * * * * * *

Sec. 361. This part shall apply to the publication and review of farm marketing quotas established for tobacco, corn, wheat, cotton, [peanuts,] and rice, established under subtitle B.

* * * * * * *

PART II—ADJUSTMENT OF QUOTAS AND ENFORCEMENT

SEC. 371. GENERAL ADJUSTMENTS OF QUOTAS

[Sec. 371 is inapplicable to the 1991 through 1995 crops of peanuts.]

(a) If at any time the Secretary has reason to believe that in the case of cotton, rice, [peanuts,] or tobacco the operation of farm marketing quotas in effect will cause the amount of such commodity which is free of marketing restrictions to be less than the normal supply for the marketing year for the commodity then current, he shall cause an immediate investigation to be made with respect thereto. In the course of such investigation due notice and opportunity for hearing shall be given to interested persons. If upon the basis of such investigation the Secretary finds the existence of such fact, he shall proclaim the same forthwith. He shall also in such proclamation specify such increase in, or termination of, existing quotas as he finds, on the basis of such investigation, is necessary to make the amount of such commodity which is free of marketing restrictions equal to the normal supply.

(b) If the Secretary has reason to believe that, because of a national emergency or because of a material increase in export demand, any national marketing quota or acreage allotment for cotton, rice, [peanuts] or tobacco should be increased or terminated, he shall cause an immediate investigation to be made to determine whether the increase or termination is necessary to meet such emergency or increase in export demand. If, on the basis of such investigation, the Secretary finds that such increase or termination is necessary, he shall immediately proclaim such finding (and if he finds an increase is necessary, the amount of the increase found by

him to be necessary) and thereupon such quota or allotment shall be increased, or shall terminate, as the case may be.

* * * * * * *

SEC. 373. REPORTS AND RECORDS

(a) This subsection shall apply to warehousemen, processors, and common carriers of corn, wheat, cotton, rice, [peanuts,] or tobacco, and all ginners of cotton, all persons engaged in the business of purchasing corn, wheat, cotton, rice, peanuts, or tobacco from producers *and,* all persons engaged in the business of redrying, prizing, or stemming tobacco [for producers, all producers engaged in the production of peanuts, 373–1 all brokers and dealers in peanuts, agents marketing peanuts for producers, or acquiring peanuts for buyers and dealers, and all peanut growers' cooperative associations, all persons engaged in the business of cleaning, shelling, crushing, and salting of peanuts and the manufacture of peanut products, and all persons owning or operating peanut-picking or peanut-threshing machines.] *for producers.* Any such person shall, from time to time on request of the Secretary, report to the Secretary such information and keep such records as the Secretary finds to be necessary to enable him to carry out the provisions of this title. Such information shall be reported and such records shall be kept in accordance with forms which the Secretary shall prescribe. For the purpose of ascertaining the correctness of any report made or record kept, or of obtaining information required to be furnished in any report, but not so furnished, the Secretary is hereby authorized to examine such books, papers, records, accounts, correspondence, contracts, documents, and memoranda as he has reason to believe are relevant and are within the control of such person. Any such person failing to make any report or keep any record as required by this subsection or making any false report or record shall be deemed guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of not more than $500; and any tobacco warehouseman or dealer who fails to remedy such violation by making a complete and accurate report or keeping a complete and accurate record as required by this subsection within fifteen days after notice to him of such violation shall be subject to an additional fine of $100 for each ten thousand pounds of tobacco, or fraction thereof, bought or sold by him after the date of such violation: Provided, That such fine shall not exceed $5,000; and notice of such violation shall be served upon the tobacco warehouseman or dealer by mailing the same to him by registered mail or by certified mail or by posting the same at any established place of business operated by him, or both. The phrase "all producers engaged in the production of peanuts" was added by sec. 171(a)(2) of the Agricultural Market Transition Act, P.L. 104–127, 110 Stat. 937, April 4, 1996, and is effective only for the 1996 through 2002 crops of peanuts. For similar provisions effective for prior crop years, see p. 12–2 of Volume I—Domestic Agricultural Programs (as of Dec. 8, 1994), p. 11–2 of Volume I—Domestic Agricultural Programs (through P.L. 101–240), and p. 16–2 of the Agriculture Handbook No. 476 (revised Jan. 1985).

(b) Farmers engaged in the production of corn, wheat, cotton, rice, [peanuts,] or tobacco for market shall furnish such proof of their acreage, yield, storage, and marketing of the commodity in

the form of records, marketing cards, reports, storage under seal, or otherwise as the Secretary may prescribe as necessary for the administration of this title.

* * * * * * *

(b) The provisions of this section shall not be applicable if (1) there is any marketing quota penalty due with respect to the marketing of the commodity from the farm acquired by the Federal, State, or other agency or by the owner of the farm; (2) any of the commodity produced on such farm has not been accounted for as required by the Secretary; or (3) the allotment next established for the farm acquired by the Federal, State, or other agency would have been reduced because of false or improper identification of the commodity produced on or marketed from such farm or due to a false acreage report.

(c) This section shall not be applicable, in the case of [cotton] *cotton and* tobacco, [and peanuts,] to any farm from which the owner was displaced prior to 1950, in the case of wheat and corn, to any farm from which the owner was displaced prior to 1954, and in the case of rice, to any farm from which the owner was displaced prior to 1955. In any case where the cropland acquired for nonfarming purposes from an owner by an agency having the right of eminent domain represents less than 15 per centum of the total cropland on the farm, the allotment attributable to that portion of the farm so acquired shall be transferred to that portion of the farm not so acquired.

* * * * * * *

AGRICULTURAL MARKETING ACT OF 1946

* * * * * * *

SEC. 272. DEFINITIONS.

In this subtitle:

(1) DAIRY PRODUCTS.—The term "dairy products" [means manufactured dairy products] *means*—

(A) *manufactured dairy products* that are used by the Secretary to establish minimum prices for Class III and Class IV milk under a Federal milk marketing order issued under section 8c of the Agricultural Adjustment Act (7 U.S.C. 608c), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937[.]*; and substantially identical products designated by the Secretary*.

(2) MANUFACTURER.—The term "manufacturer" means any person engaged in the business of buying milk in commerce for the purpose of manufacturing dairy products.

(3) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

* * * * * * *

FLUID MILK PROMOTION ACT OF 1990

Subtitle H—Processor-Funded Milk Promotion Program

* * * * * * *

SEC. 1999C. DEFINITIONS.

As used in this subtitle:

(1) ADVERTISING.—The term "advertising" means any advertising or promotion program involving only fluid milk products and directed toward increasing the general demand for fluid milk products.

(2) BOARD.—The term "Board" means the National Processor Advertising and Promotion Board established under section 1999H(b).

[(3) FLUID MILK PRODUCT.—The term "fluid milk product"—

[(A) means any of the following products in fluid or frozen form: milk, skim milk, lowfat milk, milk drinks, buttermilk, filled milk, and milkshake and ice milk mixes containing less than 20 percent total solids, including any such products that are flavored, cultured, modified with added nonfat milk solids, concentrated (if in a consumer-type package), or reconstituted; and

[(B) does not include evaporated or condensed milk (plain or sweetened), evaporated or condensed skim milk (plain or sweetened), formulas specially prepared for infant feeding or dietary use that are packaged in hermetically sealed glass or all-metal containers, any product that contains by weight less than 6.5 percent nonfat milk solids, and whey.]

(3) FLUID MILK PRODUCT.—The term "fluid milk product" has the meaning given the term in—

(A) section 1000.15 of title 7, Code of Federal Regulations, subject to such amendments as may be made by the Secretary; or

(B) any successor regulation.

* * * * * * *

(4) FLUID MILK PROCESSOR.—The term "fluid milk processor" means any person who processes and markets commercially more than [500,000] *3,000,000* pounds of fluid milk products in consumer-type packages per month.

* * * * * * *

SEC. 1999O. SUSPENSION OR TERMINATION OF ORDERS.

[(a) TERMINATION OF ORDER.—Any order effective under this subtitle shall be terminated December 31, 2002. The Secretary shall—]

(1) terminate the collection of assessments under the order upon such date; and

(2) terminate activities under the order in an orderly manner as soon as practicable after such date.

[(b)] *(a)* SUSPENSION OR TERMINATION BY SECRETARY.—The Secretary shall, whenever the Secretary finds that the order or any provision of the order obstructs or does not tend to effectuate the

declared policy of this subtitle, terminate or suspend the operation of the order or provision.

[(c)] *(b)* OTHER REFERENDA.—

* * * * * * *

Section 1001 of the Food Security Act of 1985 (7 U.S.C. 1308)

* * * * * * *

(1) LIMITATION ON DIRECT AND COUNTER-CYCLICAL PAYMENTS.—The total amount of direct payments and counter-cyclical payments to a person during any fiscal year may not exceed $100,000, with a separate limitation for—

(A) all contract commodities; and

(B) peanuts.

(2) LIMITATION ON MARKETING LOAN GAINS AND LOAN DEFICIENCY PAYMENTS.—The total amount of the payments specified in paragraph (3) that a person shall be entitled to receive under title I of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7201 et seq.) for 1 or more loan commodities during any crop year may not exceed $150,000, with a separate limitation for—

(A) all contract commodities;

(B) wool and mohair;

(C) honey; and

(D) peanuts.

(3) DESCRIPTION OF PAYMENTS SUBJECT TO LIMITATION.—The payments referred to in paragraph (2) are the following:

(A) Any gain realized by a producer from repaying a marketing assistance loan under section 131 or 158G(a) of the Federal Agriculture Improvement and Reform Act of 1996 for a crop of any loan commodity or peanuts, respectively, at a lower level than the original loan rate established for the loan commodity or peanuts under section 132 or 158G(d) of that Act, respectively.

(B) Any loan deficiency payment received for a loan commodity or peanuts under section 135 or 158G(e) of that Act, respectively.

(4) DEFINITIONS.—In paragraphs (1) through (3):

(A) CONTRACT COMMODITY.—The term "contract commodity" has the meaning given the term in section 102 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7202).

(B) COUNTER-CYCLICAL PAYMENT.—The term "counter-cyclical payment" means a payment made under section 114 or 158D of that Act.

(C) DIRECT PAYMENT.—The term "direct payment" means a payment made under section 113 or 158C of that Act.

(D) LOAN COMMODITY.—The term "loan commodity" has the meaning given the term in section 102 of that Act.

* * * * * * *

§ 713a–14. Dairy export incentive program

(a) ESTABLISHMENT AND OPERATION.—During the period beginning 60 days after December 23, 1985, and ending on December 31, [2002] *2006*, the Commoodity Credit Corporation shall establish and operate an export incentive program as described in this section for dairy products under section 714c of this title.

* * * * * * *

§ 1308. Payment limitations: production flexibility contracts, marketing loan gains and deficiencies, contract commodities and oilseeds; regulations

Notwithstanding any other provision of law:

[(1) LIMITATION ON PAYMENTS UNDER PRODUCTION FLEXIBILITY CONTRACTS.—The total amount of contract payments made under the Agricultural Market Transition Act [7 U.S.C.A. § 7201 et seq.] to a person under 1 or more production flexibility contracts during any fiscal year may not exceed $40,000.

[(2) LIMITATION ON MARKETING LOAN GAINS AND LOAN DEFICIENCY PAYMENTS.—The total amount of the payments specified in paragraph (3) that a person shall be entitled to receive under the Agricultural Market Transition Act [7 U.S.C.A. § 7201 et seq.] for 1 or more contract commodities and oilseeds during any crop year may not exceed $75,000.

[(3) DESCRIPTION OF PAYMENTS SUBJECT TO LIMITATION.—The payments referred to in paragraph (2) are the following:

[(A) Any gain realized by a producer from repaying a marketing assistance loan under section 131 of the Agricultural Market Transition Act [7 U.S.C.A. § 7231] for a crop of any loan commodity at a lower level than the original loan rate established for the loan commodity under section 132 of the Act [7 U.S.C.A. § 7232].

[(B) Any loan deficiency payment received for a loan commodity under section 135 of the Act [7 U.S.C.A. § 7235].

[(4) DEFINITIONS.—In this title, the terms "contract commodity", "contract payment", "loan commodity", "oilseed", and "production flexibility contract" have the meaning given those terms in section 102 of the Agricultural Market Transition Act [7 U.S.C.A. § 7202].]

(1) LIMITATION ON DIRECT AND COUNTER-CYCLICAL PAYMENTS.—The total amount of direct payments and counter-cyclical payments to a person during any fiscal year may not exceed $100,000, with a separate limitation for—

(A) all contract commodities; and

(B) peanuts.

(2) LIMITATION ON MARKETING LOAN GAINS AND LOAN DEFICIENCY PAYMENTS.—The total amount of the payments specified in paragraph (3) that a person shall be entitled to receive under title I of the Federal Agricultural Improvement and Reform Act of 1996 (7 U.S.C. 7201 et seq.) for 1 or more loan commodities during any crop year may not exceed $150,000, with a separate limitation for—

(A) all contract commodities;

(B) wool and mohair;

(C) honey; and

(D) peanuts.

(3) DESCRIPTION OF PAYMENTS SUBJECT TO LIMITATION.—The payments referred to in paragraph (2) are the following:

(A) Any gain realized by a producer from repaying a marketing assistance loan under section 131 or 158G(a) of the Federal Agriculture Improvement and Reform Act of 1996 for a crop of any loan commodity or peanuts, respectively, at a lower level than the original loan rate established for the loan commodity or peanuts under section 132 or 158G(d) of that Act, respectively.

(B) Any loan deficiency payment received for a loan commodity or peanuts under section 135 or 158G(e) of that Act, respectively.

(4) DEFINITIONS.—In paragraphs (1) through (3):

(A) CONTRACT COMMODITY.—The term "contract commodity" has the meaning given the term in section 102 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7202).

(B) COUNTER-CYCLICAL PAYMENT.—The term "counter-cyclical payment" means a payment made under section 114 or 158D of that Act.

(C) DIRECT PAYMENT.—The term "direct payment" means a payment made under section 113 or 158C of that Act.

(D) LOAN COMMODITY.—The term "loan commodity" has the meaning given the term in section 102 of that Act.

* * * * * * *

§ 6414. Suspension or termination of orders

[(a) TERMINATION OF ORDER.—Any order effective under this chapter shall be terminated December 31, 2002. The Secretary shall—

[(1) terminate the collection of assessments under the order upon such date; and

[(2) terminate activities under the order in an orderly manner as soon as practicable after such date.]

[(b)] (*a*) SUSPENSION OR TERMINATION BY SECRETARY.—The Secretary shall, whenever the Secretary finds that the order or any provision of the order obstructs or does not tend to effectuate the declared policy of this chapter, terminate or suspend the operation of the order or provision.

[(c)] (*b*) OTHER REFERENDA.—

(1) IN GENERAL.—The Secretary may conduct at any time a referendum of persons who, during a representative period as determined by the Secretary, have been fluid milk processors on whether to suspend or terminate the order, and shall hold such a referendum on request of the Board or any group of such processors that among them marketed during a representative period, as determined by the Secretary, 10 percent or more of the volume of fluid milk products marketed by fluid milk processors voting in the preceding referendum.

* * * * * * *

§ 470*l*. Expiration of dairy farmer indemnity program

The authority granted under sections 450j to 450l of this title shall expire on September 30, 2006.

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TITLE 2—CONSERVATION

FEDERAL AGRICULTURE IMPROVEMENT AND REFORM ACT OF 1996

* * * * * * *

SEC. 356. CORPORATE POWERS AND OBLIGATIONS OF THE FOUNDATION.

(a) IN GENERAL.—The Foundation—

* * * * * * *

(2) to acquire by purchase or exchange any real or personal property or interest in property, except that funds provided under section 360 may not be used to purchase an interest in real property;

(3) unless otherwise required by instrument of transfer, to sell, donate, lease, invest, reinvest, retain, or otherwise dispose of any property or income from property;

(4) on the written approval of the Secretary, to use, license, or transfer symbols, slogans, and logos of the Department;

[(4)**]** *(5)* to borrow money from private sources and issue bonds, debentures, or other debt instruments, subject to section 359, except that the aggregate amount of the borrowing and debt instruments outstanding at any time may not exceed $1,000,000;

[(5)**]** *(6)* to sue and be sued, and complain and defend itself, in any court of competent jurisdiction, except that a member of the Board shall not be personally liable for an action in the performance of services for the Board, except for gross negligence;

[(6)**]** *(7)* to enter into a contract or other agreement with an agency of State or local government, educational institution, or other private organization or person and to make such payments as may be necessary to carry out the functions of the Foundation; and

[(7)**]** *(8)* to do any and all acts that are necessary to carry out the purposes of the Foundation.

(d) INTERESTS IN PROPERTY.—

(1) INTERESTS IN REAL PROPERTY.—The Foundation may acquire, hold, and dispose of lands, waters, or other interests in real property by donation, gift, devise, purchase, or exchange. An interest in real property shall be treated, among other things, as including an easement or other right for the preservation, conservation, protection, or enhancement of agricultural, natural, scenic, historic, scientific, educational, inspirational, or recreational resources.

(2) GIFTS.—A gift, devise, or bequest may be accepted by the Foundation even though the gift, devise, or bequest is encumbered, restricted, or subject to a beneficial interest of a private

person if any current or future interest in the gift, devise, or bequest is for the benefit of the Foundation.

(3) USE OF SYMBOLS, SLOGANS, AND LOGOS.—

(A) IN GENERAL.—The Secretary may authorize the Foundation to use, license, or transfer symbols, slogans, and logos of the Department.

(B) INCOME.—

(i) IN GENERAL.—All revenue received by the Foundation from the use, licensing, or transfer of symbols, slogans, and logos of the Department shall be transferred to the Secretary.

(ii) CONSERVATION OPERATIONS.—The Secretary shall transfer all revenue received under clause (i) to the account within the Natural Resources Conservation Service that is used to carry out conservation operations.

* * * * * * *

[SEC. 386. CONSERVATION OF PRIVATE GRAZING LAND.

[(a) FINDINGS.—Congress finds that—

[(1) private grazing land constitutes nearly 1/2 of the non-Federal land of the United States and is basic to the environmental, social, and economic stability of rural communities;

[(2) private grazing land contains a complex set of interactions among soil, water, air, plants, and animals;

[(3) grazing land constitutes the single largest watershed cover type in the United States and contributes significantly to the quality and quantity of water available for all of the many uses of the land;

[(4) private grazing land constitutes the most extensive wildlife habitat in the United States;

[(5) private grazing land can provide opportunities for improved nutrient management from land application of animal manures and other by-product nutrient resources;

[(6) owners and managers of private grazing land need to continue to recognize conservation problems when the problems arise and receive sound technical assistance to improve or conserve grazing land resources to meet ecological and economic demands;

[(7) new science and technology must continually be made available in a practical manner so owners and managers of private grazing land may make informed decisions concerning vital grazing land resources;

[(8) agencies of the Department with private grazing land responsibilities are the agencies that have the expertise and experience to provide technical assistance, education, and research to owners and managers of private grazing land for the long-term productivity and ecological health of grazing land;

[(9) although competing demands on private grazing land resources are greater than ever before, assistance to private owners and managers of private grazing land is currently limited and does not meet the demand and basic need for adequately sustaining or enhancing the private grazing land resources; and

[(10) private grazing land can be enhanced to provide many benefits to all citizens of the United States through voluntary cooperation among owners and managers of the land, local conservation districts, and the agencies of the Department responsible for providing assistance to owners and managers of land and to conservation districts.

[(b) PURPOSE.—It is the purpose of this section to authorize the Secretary to provide a coordinated technical, educational, and related assistance program to conserve and enhance private grazing land resources and provide related benefits to all citizens of the United States by—

[(1) establishing a coordinated and cooperative Federal, State, and local grazing conservation program for management of private grazing land;

[(2) strengthening technical, educational, and related assistance programs that provide assistance to owners and managers of private grazing land;

[(3) conserving and improving wildlife habitat on private grazing land;

[(4) conserving and improving fish habitat and aquatic systems through grazing land conservation treatment;

[(5) protecting and improving water quality;

[(6) improving the dependability and consistency of water supplies;

[(7) identifying and managing weed, noxious weed, and brush encroachment problems on private grazing land; and

[(8) integrating conservation planning and management decisions by owners and managers of private grazing land, on a voluntary basis.

[(c) DEFINITIONS.—In this section:

[(1) DEPARTMENT.—The term "Department" means the Department of Agriculture.

[(2) PRIVATE GRAZING LAND.—The term "private grazing land" means private, State-owned, tribally-owned, and any other non-federally owned rangeland, pastureland, grazed forest land, and hay land.

[(3) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

[(d) PRIVATE GRAZING LAND CONSERVATION ASSISTANCE.—

[(1) ASSISTANCE TO GRAZING LANDOWNERS AND OTHERS.—Subject to the availability of appropriations for this section, the Secretary shall establish a voluntary program to provide technical, educational, and related assistance to owners and managers of private grazing land and public agencies, through local conservation districts, to enable the landowners, managers, and public agencies to voluntarily carry out activities that are consistent with this section, including—

[(A) maintaining and improving private grazing land and the multiple values and uses that depend on private grazing land;

[(B) implementing grazing land management technologies;

[(C) managing resources on private grazing land, including—

[(i) planning, managing, and treating private grazing land resources;

[(ii) ensuring the long-term sustainability of private grazing land resources;

[(iii) harvesting, processing, and marketing private grazing land resources; and

[(iv) identifying and managing weed, noxious weed, and brush encroachment problems;

[(D) protecting and improving the quality and quantity of water yields from private grazing land;

[(E) maintaining and improving wildlife and fish habitat on private grazing land;

[(F) enhancing recreational opportunities on private grazing land;

[(G) maintaining and improving the aesthetic character of private grazing lands; and (

[(H) identifying the opportunities and encouraging the diversification of private grazing land enterprises.

[(2) PROGRAM ELEMENTS.—

[(A) FUNDING.—If funding is provided to carry out this section, it shall be provided through a specific line-item in the annual appropriations for the Natural Resources Conservation Service.

[(B) TECHNICAL ASSISTANCE AND EDUCATION.—Personnel of the Department trained in pasture and range management shall be made available under the program to deliver and coordinate technical assistance and education to owners and managers of private grazing land, at the request of the owners and managers.

[(e) GRAZING TECHNICAL ASSISTANCE SELF-HELP.—

[(1) FINDINGS.—Congress finds that—

[(A) there is a severe lack of technical assistance for farmers and ranchers who graze livestock;

[(B) Federal budgetary constraints preclude any significant expansion, and may force a reduction of, current levels of technical support; and

[(C) farmers and ranchers have a history of cooperatively working together to address common needs in the promotion of their products and in the drainage of wet areas through drainage districts.

[(2) ESTABLISHMENT OF GRAZING DEMONSTRATION.—In accordance with paragraph (3), the Secretary may establish 2 grazing management demonstration districts at the recommendation of the grazing lands conservation initiative steering committee.

[(3) PROCEDURE.—

[(A) PROPOSAL.—Within a reasonable time after the submission of a request of an organization of farmers or ranchers engaged in grazing, the Secretary shall propose that a grazing management district be established.

[(B) FUNDING.—The terms and conditions of the funding and operation of the grazing management district shall be proposed by the producers.

[(C) APPROVAL.—The Secretary shall approve the proposal if the Secretary determines that the proposal—

[(i) is reasonable;

[(ii) will promote sound grazing practices; and

[(iii) contains provisions similar to the provisions contained in the beef promotion and research order issued under section 4 of the Beef Research and Information Act (7 U.S.C. 2903) in effect on the date of enactment of this Act.

[(D) AREA INCLUDED.—The area proposed to be included in a grazing management district shall be determined by the Secretary on the basis of a petition by farmers or ranchers.

[(E) AUTHORIZATION.—The Secretary may use authority under the Agricultural Adjustment Act (7 U.S.C. 601 et seq.), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, to operate, on a demonstration basis, a grazing management district.

[(F) ACTIVITIES.—The activities of a grazing management district shall be scientifically sound activities, as determined by the Secretary in consultation with a technical advisory committee composed of ranchers, farmers, and technical experts.

[(f) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section—

[(1) $20,000,000 for fiscal year 1996;

[(2) $40,000,000 for fiscal year 1997; and

[(3) $60,000,000 for fiscal year 1998 and each subsequent fiscal year.

* * * * * * *

[SEC. 388. FARMLAND PROTECTION PROGRAM.

[(a) IN GENERAL.—The Secretary of Agriculture shall establish and carry out a farmland protection program under which the Secretary shall purchase conservation easements or other interests in not less than 170,000, nor more than 340,000, acres of land with prime, unique, or other productive soil that is subject to a pending offer from a State or local government for the purpose of protecting topsoil by limiting nonagricultural uses of the land.

[(b) CONSERVATION PLAN.—Any highly erodible cropland for which a conservation easement or other interest is purchased under this section shall be subject to the requirements of a conservation plan that requires, at the option of the Secretary, the conversion of the cropland to less intensive uses.

[(c) FUNDING.—The Secretary shall use not more than $35,000,000 of the funds of the Commodity Credit Corporation to carry out this section.]

* * * * * * *

FOOD SECURITY ACT OF 1985

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SEC. 1230. [ENVIRONMENTAL CONSERVATION ACREAGE RESERVE PROGRAM] *COMPREHENSIVE CONSERVATION ENHANCEMENT PROGRAM.*

(a) ESTABLISHMENT.—

(1) IN GENERAL.—During the 1996 through [2002] *2006* calendar years, the Secretary shall establish an [environmental conservation acreage reserve program] *comprehensive conservation enhancement program* (referred to in this section as ["ECARP"] *"CCEP"*) to be implemented through contracts and the acquisition of easements to assist owners and operators of farms and ranches to conserve and enhance soil, water, and related natural resources, including grazing land, wetland, and wildlife habitat.

(2) MEANS.—The Secretary shall carry out the [ECARP] *CCEP* by—

(A) providing for the long-term protection of environmentally sensitive land; and

(B) providing technical and financial assistance to farmers and ranchers to—

(i) improve the management and operation of the farms and ranches; and

(ii) reconcile productivity and profitability with protection and enhancement of the environment.

(3) PROGRAMS.—The [ECARP] *CCEP* shall consist of—

(A) the conservation reserve program established under subchapter B;

(B) the wetlands reserve program established under subchapter C; and

(C) the environmental quality incentives program established under chapter 4.

(b) ADMINISTRATION.—

(1) IN GENERAL.—In carrying out the [ECARP] *CCEP*, the Secretary shall enter into contracts with owners and operators and acquire interests in land through easements from owners, as provided in this chapter and chapter 4.

(2) PRIOR ENROLLMENTS.—Acreage enrolled in the conservation reserve or wetlands reserve program prior to the date of enactment of this paragraph shall be considered to be placed into the [ECARP] *CCEP*.

* * * * * * *

[SEC. 1230A. GOOD FAITH RELIANCE.

[(a) IN GENERAL.—Except as provided in subsection (d) and notwithstanding any other provision of this chapter, the Secretary shall provide equitable relief to an owner or operator that has entered into a contract under this chapter, and that is subsequently determined to be in violation of the contract, if the owner or operator in attempting to comply with the terms of the contract and enrollment requirements took actions in good faith reliance on the action or advice of an authorized representative of the Secretary.

[(b) TYPES OF RELIEF.—The Secretary shall—

[(1) to the extent the Secretary determines that an owner or operator has been injured by good faith reliance described in subsection (a), allow the owner or operator to do any one or more of the following—

[(A) to retain payments received under the contract;

[(B) to continue to receive payments under the contract;

[(C) to keep all or part of the land covered by the contract enrolled in the applicable program under this chapter;

[(D) to reenroll all or part of the land covered by the contract in the applicable program under this chapter; or

[(E) or any other equitable relief the Secretary deems appropriate; and

[(2) require the owner or operator to take such actions as are necessary to remedy any failure to comply with the contract.

[(c) RELATION TO OTHER LAW.—The authority to provide relief under this section shall be in addition to any other authority provided in this or any other Act.

[(d) EXCEPTION.—This section shall not apply to a pattern of conduct in which an authorized representative of the Secretary takes actions or provides advice with respect to an owner or operator that the representative and the owner or operator know are inconsistent with applicable law (including regulations).

[(e) APPLICABILITY OF RELIEF.—Relief under this section shall be available for contracts in effect on January 1, 2000 and for all subsequent contracts.

[Subchapter B—Conservation Reserve]

SEC. 1231. CONSERVATION RESERVE.

(a) IN GENERAL.—Through the [2002] *2006* calendar year, the Secretary shall formulate and carry out the enrollment of lands in a conservation reserve program through the use of contracts to assist owners and operators of lands specified in subsection (b) to conserve and improve the soil and water resources of such lands.

(b) ELIGIBLE LANDS.—The Secretary may include in the program established under this subchapter—

[(1) highly erodible croplands that—

[(A) if permitted to remain untreated could substantially reduce the production capability for future generations; or

[(B) can not be farmed in accordance with a plan under section 1212;]

(1) highly erodible cropland that—

(A)(i) if permitted to remain untreated could substantially reduce the production capability for future generations; or

(ii) cannot be farmed in accordance with a conservation plan that complies with the requirements of subtitle B; and

(B) the Secretary determines had a cropping history or were considered to be planted for 3 of the 6 years preceding the date of enactment of the Agriculture, Conservation, and Rural Enhancement Act of 2001 (except for land enrolled in the conservation reserve program on that date);";

(2) marginal pasture lands converted to wetland or established as wildlife habitat prior to the enactment of the Food, Agriculture, Conservation, and Trade Act of 1990;

(3) marginal pasture lands to be devoted to trees in or near riparian areas or for similar water quality purposes, not to exceed 10 percent of the number of acres of land that is placed in the conservation reserve under this subchapter in each of the 1991 through [2002] *2006* calendar years;

(A) if the Secretary determines that (i) such lands contribute to the degradation of water quality or would pose an on-site or off-site environmental threat to water quality if permitted to remain in agricultural production, and (ii) water quality objectives with respect to such land cannot be achieved under the water quality incentives program established under chapter 2;

* * * * * * *

(d) MAXIMUM ENROLLMENT.—The Secretary may maintain up to [36,400,000] *40,000,000* acres in the conservation reserve at any one time during the 1986 through [2002] *2006* calendar years (including contracts extended by the Secretary pursuant to section 1437(c) of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101–624; 16 U.S.C. 3831 note)).

(e) DURATION OF CONTRACT.—

(1) IN GENERAL.—For the purpose of carrying out this subchapter, the Secretary shall enter into contracts of not less than 10, nor more than 15, years.

(2) CERTAIN LANDS.—[In the]

(A) IN GENERAL.—In the case of land devoted to hardwood trees, shelterbelts, windbreaks, or wildlife corridors under a contract entered into under this subchapter after October 1, 1990, and land devoted to such uses under contracts modified under section 1235A, the owner or operator of such land may, within the limitations prescribed under this section, specify the duration of the contract. [The Secretary]

(B) EXISTING HARDWOOD TREE CONTRACTS.—The Secretary may, in the case of land that is devoted to hardwood trees under a contract entered into under this subchapter prior to October 1, 1990, extend such contract for not to exceed 5 years, as agreed to by the owner or operator of such land and the Secretary.

(C) EXTENSION OF HARDWOOD TREE CONTRACTS.—

(i) IN GENERAL.—In the case of land devoted to hardwood trees under a contract entered into under this subchapter before the date of enactment of this subparagraph, the Secretary may extend the contract for a term of not more than 15 years.

(ii) RENTAL PAYMENTS.—The amount of a rental payment for a contract extended under clause (i)—

(I) shall be determined by the Secretary; but

(II) shall not exceed 50 percent of the rental payment that was applicable to the contract before the contract was extended.".

* * * * * * *

(4) DUTY OF SECRETARY.—In utilizing the authority granted under this subsection, the Secretary shall attempt to maximize water quality and habitat benefits in such watersheds by promoting a significant level of enrollment of lands within such watersheds in the program under this subchapter by whatever means the Secretary determines appropriate and consistent with the purposes of this subchapter.

(5) PRIORITY.—In designating conservation priority areas under paragraph (1), the Secretary shall give priority to areas in which designated land would facilitate the most rapid completion of projects that—

(A) are ongoing as of the date of the application; and

(B) meet the purposes of the program established under this subchapter.

(g) MULTI-YEAR GRASSES AND LEGUMES.—For purposes of this subchapter, alfalfa and other multi-year grasses and legumes in a rotation practice, approved by the Secretary, shall be considered agricultural commodities.

(h) [Pilot] PROGRAM FOR ENROLLMENT OF WETLAND AND BUFFER ACREAGE IN CONSERVATION RESERVE.—

(1) IN GENERAL.—[During the 2001 and 2002 calendar years, the Secretary shall carry out a pilot program] *During the 2001 and 2002 calendar years, the Secretary shall carry out a program* in the States of Iowa, Minnesota, Montana, Nebraska, North Dakota, and South Dakota under which the Secretary shall include eligible acreage described in paragraph (3) in the program established under this subchapter.

(2) PARTICIPATION AMONG STATES.—The Secretary shall ensure, to the maximum extent practicable, that owners and operators in each of the States referred to in paragraph (1) have an equitable opportunity to participate in the [pilot] program established under this subsection.

* * * * * * *

(D) OWNER OR OPERATOR LIMITATIONS.—

(i) WETLAND.—The maximum size of any wetland described in subparagraph (A)(i) of an owner or operator enrolled in the conservation reserve under this subsection shall be [5 contiguous acres] *10 contiguous acres, of which—*

(I) not more than 5 acres shall be eligible for payment; and

(II) all acres (including acres that are ineligible for payment) shall be covered by the conservation contract.

* * * * * * *

(C) INCENTIVES.—The amounts payable to owners and operators in the form of rental payments under contracts entered into under this subsection shall reflect incentives that are provided to owners and operators to enroll filterstrips in the conservation reserve under section 1234[.] *and*

(5) the portion of land in a field not enrolled in the conservation reserve in a case in which more than 50 percent of the land in the field is enrolled as a buffer under a program described in section 1234(i)(1), if the land is enrolled as part of the buffer;

(6) land (including land that is not cropland) enrolled through continuous signup—

(A) to establish conservation buffers as part of the program described in a notice issued on March 24, 1998 (63 Fed. Reg. 14109) or a successor program; or

(B) into the conservation reserve enhancement program described in a notice issued on May 27, 1998 (63 Fed. Reg. 28965) or a successor program.

* * * * * * *

(A) to forfeit all rights to rental payments and cost sharing payments under the contract; [and]

(B) to refund to the United States all rental payments and cost sharing payments received by the owner or operator, or accept such payment adjustments or make such refunds as the Secretary considers appropriate and consistent with the objectives of this subchapter, unless the transferee of such land agrees with the Secretary to assume all obligations of the contract; Provided however, no refund of rental payments and cost sharing payments shall be required when the land is purchased by or for the United States Fish and Wildlife Service, or the transferee and the Secretary agree to modifications to such contract, where such modifications are consistent with the objectives of the program as determined by the Secretary; and

(C) in the case of marginal pasture land, an owner or operator shall not be required to plant trees if native prairie grass may be retained or restored;

* * * * * * *

(7) not to conduct any harvesting or grazing, nor otherwise make commercial use of the forage, on land that is subject to the contract, nor adopt any similar practice specified in the contract by the Secretary as a practice that would tend to defeat the purposes of the contract, [except that the Secretary—] *except that—*

[(A) may] *(A) the Secretary may permit—*

(i) harvesting or grazing or other commercial use of the forage on land that is subject to the contract in response to a drought or other similar emergency; [and]

* * * * * * *

[(B) shall] *(B) the Secretary shall* approve not more than six projects, no more than one of which may be in any State, under which land subject to the contract may be harvested for recovery of biomass used in energy production if—

* * * * * * *

(C) the total acres for all of the projects shall not exceed 250,000 acres[.]; *and*

(D) for maintenance purposes, the Secretary shall permit harvesting or grazing or other commercial uses of forage, in a manner that is consistent with the purposes of this subchapter and a conservation plan approved by the Secretary, on acres enrolled—

(i) to establish conservation buffers as part of the program described in a notice issued on March 24, 1998 (63 Fed. Reg. 14109) or a successor program; and

(ii) into the conservation reserve enhancement program described in a notice issued on May 27, 1998 (63 Fed. Reg. 28965) or a successor program.

(8) not to conduct any planting of trees on land that is subject to the contract unless the contract specifies that the harvesting and commercial sale of trees such as Christmas trees are prohibited, nor otherwise make commercial use of trees on land that is subject to the contract unless it is expressly permitted in the contract, nor adopt any similar practice specified in the contract by the Secretary as a practice that would tend to defeat the purposes of the contract, except that no contract shall prohibit activities consistent with customary forestry practice, such as pruning, thinning, or stand improvement of trees, on lands converted to forestry use;

(9) not to adopt any practice specified by the Secretary in the contract as a practice that would tend to defeat the purposes of this subchapter; **[**and**]**

(10) with respect to any contract entered into after the date of enactment of the Agriculture, Conservation, and Rural Enhancement Act of 2001—

(A) not to produce a crop for the duration of the contract on any other highly erodible land that the owner or operator owns unless the highly erodible land—

(i) has a history of being used to produce a crop other than a forage crop, as determined by the Secretary; or

(ii) is being used as a homestead or building site at the time of purchase; and

(B) on a violation of a contract described in subparagraph (A), to be subject to the requirements paragraph (5); and

[(10)**]** (*11*) to comply with such additional provisions as the Secretary determines are desirable and are included in the contract to carry out this subchapter or to facilitate the practical administration thereof.

* * * * * * *

(d) ALLEY-CROPPING.—

* * * * * * *

(e) FORECLOSURE.—Notwithstanding any other provision of law, an owner or operator who is a party to a contract entered into under this subchapter may not be required to make repayments to the Secretary of amounts received under such contract if the land that is subject to such contract has been foreclosed upon and the Secretary determines that forgiving such repayments is appropriate in order to provide fair and equitable treatment. This subsection shall not void the responsibilities of such an owner or operator under the contract if such owner or operator resumes control over the property that is subject to the contract within the period specified in the contract. Upon the resumption of such control over the property by the owner or operator, the provisions of the contract in effect on the date of the foreclosure shall apply.

(f) WIND TURBINES.—

(1) IN GENERAL.—Subject to paragraph (2), the Secretary may permit an owner or operator of land that is enrolled in the conservation reserve program, but that is not enrolled under continuous signup (as described in section 1231(b)(6)) to install wind turbines on the land.

(2) NUMBER; LOCATION.—The Secretary shall determine the number and location of wind turbines that may be installed on a tract of land under paragraph (1), taking into account—

(A) the location, size, and other physical characteristics of the land;

(B) the extent to which the land contains wildlife and wildlife habitat; and

(C) the purposes of the conservation reserve program.

(3) PAYMENT LIMITATION.—Notwithstanding the amount of a rental payment limited by section 1234(c)(2) and specified in a contract entered into under this chapter, the Secretary shall reduce the amount of the rental payment paid to an owner or operator of land on which 1 or more wind turbines are installed under this subsection by an amount determined by the Secretary to be commensurate with the value of the reduction of benefit gained by enrollment of the land in the conservation reserve program.

* * * * * * *

SEC. 1234. (a) The Secretary shall provide payment for obligations incurred by the Secretary under a contract entered into under this subchapter—

(1) with respect to any cost-sharing payment obligation incurred by the Secretary, as soon as possible after the obligation is incurred; and

(2) with respect to any annual rental payment obligation incurred by the Secretary—

(A) as soon as practicable after October 1 of each calendar year; or

(B) at the discretion of the Secretary, at any time prior to such date during the year that the obligation is incurred.

(b)(1) In making cost sharing payments to an owner or operator under a contract entered into under this subchapter, [the Secretary] *Except for land enrolled under continuous signup or under the conservation reserve enhancement program described in a notice issued on May 27, 1998 (63 Fed. Reg. 28965) (or a successor program), the Secretary* shall pay 50 percent of the cost of establishing water quality and conservation measures and practices required under such contracts for which the Secretary determines that cost-sharing is appropriate and in the public interest.

* * * * * * *

(h) In addition to any payment under this subchapter, an owner or operator may receive cost share assistance, rental payments, or tax benefits from a State or subdivision thereof for enrolling lands in the conservation reserve program.

(i) PAYMENTS.—

(1) IN GENERAL.—Subject to paragraph (2), the Secretary shall provide signing and practice incentive payments under the conservation reserve program to owners and operators that implement a practice under—

(A) the program to establish conservation buffers described in a notice issued on March 24, 1998 (63 Fed. Reg. 14109) or a successor program; or

(B) the conservation reserve enhancement program described in a notice issued on May 27, 1998 (63 Fed. Reg. 28965) or a successor program.

(2) OTHER PRACTICES.—The Secretary shall administer paragraph (1) in a manner that does not reduce the amount of payments made by the Secretary for other practices under the conservation reserve program.

* * * * * * *

SEC. 1237. WETLANDS RESERVE PROGRAM.

(a) ESTABLISHMENT.—The Secretary shall establish a wetlands reserve program to assist owners of eligible lands in restoring and protecting wetlands (*including the provision of technical assistance.)*

(b) ENROLLMENT CONDITIONS.—

[(1) MAXIMUM ENROLLMENT.—The total number of acres enrolled in the wetlands reserve program shall not exceed 975,000 acres.]

(1) MAXIMUM ENROLLMENT.—

(A) IN GENERAL.—The total number of acres enrolled in the wetlands reserve program shall not exceed 2,225,000 acres, of which, to the maximum extent practicable subject to subparagraph (B), the Secretary shall enroll 250,000 acres in each calendar year.

(B) WETLANDS RESERVE ENHANCEMENT ACREAGE.—Of the acreage enrolled under subparagraph (A) for a calendar year, not more than 25,000 acres may be enrolled in the wetlands reserve enhancement program described in subsection (h).

* * * * * * *

(g) EASEMENTS.—The Secretary shall enroll lands in the wetland reserve through the purchase of easements as provided for in section 1237A.

(h) WETLANDS RESERVE ENHANCEMENT PROGRAM.—

(1) IN GENERAL.—The Secretary may enter into cooperative agreements with State or local governments, and with private organizations, to develop, on land that is enrolled, or is eligible to be enrolled, in the wetland reserve established under this subchapter, wetland restoration activities in watershed areas.

(2) PURPOSE.—The purpose of the agreements shall be to address critical environmental issues.

(3) LIMITATION.—The total number of acres that may be covered by agreements entered into under this subsection shall not exceed 25,000 acres for each calendar year.

* * * * * * *

SEC. 1237C. DUTIES OF THE SECRETARY.

(a) IN GENERAL.—In return for the granting of an easement by an owner under this subchapter, the Secretary shall—

(1) share the cost of carrying out the establishment of conservation measures and practices, and the protection of the wetland functions and values, as set forth in the plan to the extent that the Secretary determines that cost sharing is appropriate and in the public interest; and

(2) provide necessary technical [assistance] *assistance (including monitoring and maintenance)* to assist owners in complying with the terms and conditions of the easement and the plan.

* * * * * * *

[CHAPTER 2—AGRICULTURAL WATER QUALITY INCENTIVES]

CHAPTER 2—CONSERVATION SECURITY AND FARMLAND PROTECTION

Subchapter A—Conservation Security Program

SEC. 1238. DEFINITIONS.

In this subchapter:

(1) BASE PAYMENT.—The term "base payment" means the amount paid to an producer under a conservation security contract that is equal to the total of the amounts described in clauses (i) and (ii) of subparagraphs (C), (D), or (E) of section 1238C(b)(1), as appropriate.

(2) BEGINNING FARMER OR RANCHER.—The term "beginning farmer or rancher" has the meaning provided under section 343(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1999(a)).

(3) BONUS AMOUNT.—The term 'bonus amount' means the amount paid to a producer under a conservation security contract that is equal to the total of the amounts described in clauses (iii) and (iv) of subparagraph (C), and of clause (iii) of subparagraph (D) or (E), of section 1238C(b)(1), as appropriate.

(4) CONSERVATION PRACTICE.—The term 'conservation practice' means a land-based farming technique that—

(A) requires planning, implementation, management, and maintenance; and

(B) promotes 1 or more of the purposes described in section 1238A(a).

(5) CONSERVATION SECURITY CONTRACT.—The term "conservation security contract" means a contract described in section 1238A(e).

(6) CONSERVATION SECURITY PLAN.—The term "conservation security plan" means a plan described in section 1238A(c).

(7) CONSERVATION SECURITY PROGRAM.—The term "conservation security program" means the program established under section 1238A(a).

(8) CONTINUOUS SIGNUP.—The term "continuous signup", with respect to land, means land enrolled in a program described in section 1231(b)(6)(A) on which conservation practices are carried out.

(9) INDIAN TRIBE.—The term "Indian tribe" has the meaning given the term in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

(10) NUTRIENT MANAGEMENT.—The term "nutrient management" means management of the quantity, source, placement, form, and timing of the land application of nutrients and other

additions to soil on land enrolled in the conservation security program—

(A) to achieve or maintain adequate soil fertility for agricultural production;

(B) to minimize the potential for loss of environmental quality, including soil, water, fish and wildlife habitat, and air and water quality; or

(C) to reduce energy consumption.

(11) PRODUCER.—The term "producer" has the meaning given the term in section 102 of the Agricultural Market Transition Act (7 U.S.C. 7202).

(12) RESOURCE OF CONCERN.—The term "resource of concern" means a conservation priority of a State and locality under section 1238A(c)(3).

(13) RESOURCE-CONSERVING CROP.—The term "resource-conserving crop" means—

(A) a perennial grass;

(B) a legume grown for use as—

(i) forage;

(ii) seed for planting; or

(iii) green manure;

(C) a legume-grass mixture;

(D) a small grain grown in combination with a grass or legume, whether interseeded or planted in succession; and

(E) such other plantings, including trees and annual grasses, as the Secretary considers appropriate for a particular area.

(14) RESOURCE-CONSERVING CROP ROTATION.—The term "resource-conserving crop rotation" means a crop rotation that—

(A) includes at least 1 resource-conserving crop;

(B) reduces erosion;

(C) improves soil fertility and tilth; and

(D) interrupts pest cycles.

(15) RESOURCE MANAGEMENT SYSTEM.—The term "resource management system" means a system of conservation practices and management relating to land or water use that is designed to prevent resource degradation and permit sustained use of land and water, as defined in accordance with the technical guide of the Natural Resources Conservation Service.

(16) SECRETARY.—The term "Secretary" means the Secretary of Agriculture, acting through the Natural Resources Conservation Service.

(17) TIER I CONSERVATION PRACTICE.—The term "Tier I conservation practice" means a conservation practice described in section 1238A(d)(4)(A)(ii).

(18) TIER I CONSERVATION SECURITY CONTRACT.—The term "Tier I conservation security contract" means a contract described in section 1238A(d)(4)(A).

(19) TIER II CONSERVATION PRACTICE.—The term "Tier II conservation practice" means a conservation practice described in section 1238A(d)(4)(B)(ii).

(20) TIER II CONSERVATION SECURITY CONTRACT.—The term "Tier II conservation security contract" means a contract described in section 1238A(d)(4)(B).

(21) TIER III CONSERVATION PRACTICE.—The term "Tier III conservation practice" means a conservation practice described in section 1238A(d)(4)(C)(ii).

(22) TIER III CONSERVATION SECURITY CONTRACT.—The term "Tier III conservation security contract" means a contract described in section 1238A(d)(4)(C).

SEC. 1238A. CONSERVATION SECURITY PROGRAM.

(a) IN GENERAL.—For each of fiscal years 2003 through 2006, the Secretary shall establish a conservation security program to assist owners and operators of agricultural operations to promote, as is applicable for each operation—

(1) conservation of soil, water, energy, and other related resources;

(2) soil quality protection and improvement;

(3) water quality protection and improvement;

(4) air quality protection and improvement;

(5) soil, plant, or animal health and well-being;

(6) diversity of flora and fauna;

(7) on-farm conservation and regeneration of biological resources, including plant and animal germplasm;

(8) wetland restoration, conservation, and enhancement;

(9) wildlife habitat management, with special emphasis on species identified by any natural heritage program of the applicable State;

(10) reduction of greenhouse gas emissions and enhancement of carbon sequestration;

(11) environmentally sound management of invasive species;

(12) enhancement of conservation technology and resource management practices approved by the Secretary; or

(13) any similar conservation purpose (as determined by the Secretary).

(b) ELIGIBILITY.—

(1) ELIGIBLE OWNERS AND OPERATORS.—To be eligible to participate in the conservation security program (other than to receive technical assistance under section 1238C(g) for the development of conservation security contracts), a producer shall—

(A) develop and submit to the Secretary, and obtain the approval of the Secretary of, a conservation security plan that meets the requirements of subsection (c)(1); and

(B) enter into a conservation security contract with the Secretary to carry out the conservation security plan.

(2) ELIGIBLE LAND.—

(A) IN GENERAL.—Except as provided in subparagraph (C)(iii), private agricultural land (including cropland, grassland, prairie land, pasture land, and rangeland) and land under the jurisdiction of an Indian tribe shall be eligible for enrollment in the conservation security program.

(B) FORESTED LAND.—Private forested land shall be eligible for enrollment in the conservation security program if the forested land is part of the agricultural land described in subparagraph (A), including land that is used for—

(i) alley cropping;

(ii) forest farming;

(iii) forest buffers;

(iv) windbreaks;

(v) silvopasture systems; and

(vi) such other integrated agroforestry uses as the Secretary may determine to be appropriate.

(C) EXCLUSIONS.—

(i) CONSERVATION RESERVE PROGRAM.—Land enrolled in the conservation reserve program under subchapter B of chapter 1 shall not be eligible for enrollment in the conservation security program except for land described in section 1231(b)(6)(A).

(ii) WETLANDS RESERVE PROGRAM.—Land enrolled in the wetlands reserve program established under subchapter C of chapter 1 shall not be eligible for enrollment in the conservation security program.

(iii) CONVERSION TO CROPLAND.—Land that is used for crop production after the date of enactment of this subchapter that had not been in crop production for at least 3 of the 10 years preceding that date (except for land enrolled in the conservation reserve program under subchapter B of chapter 1) shall not be eligible for enrollment in the conservation security program.

(3) SUSTAINABLE ECONOMIC USES.—The Secretary shall permit a producer to implement, with respect to eligible land covered by a conservation security plan, sustainable economic uses (including Tier II conservation practices) that—

(A) maintain the agricultural nature of the land; and (B) are consistent with the natural resource and environmental benefits of the conservation security plan.

(c) CONSERVATION SECURITY PLANS.—

(1) IN GENERAL.—A conservation security plan shall—

(A) identify the resources and designated land to be conserved under the conservation security plan;

(B) describe—

(i) the tier of conservation security contracts, and the particular conservation practices to be implemented, maintained, or improved, in accordance with subsection (d) on the land covered by the conservation security contract for the specified term; and

(ii) as appropriate for the land covered by the conservation security contract, at least, the minimum number and scope of conservation practices described in clause (i) that are required to be carried out on the land before the producer is eligible to receive—

(I) a base payment; and

(II) a bonus amount;

(C) contain a schedule for the implementation, maintenance, or improvement of the conservation practices described in the conservation security plan during the term of the conservation security contract;

(D) meet the highly erodible land and wetland conservation requirements of subtitles B and C; and

(E) identify, and authorize the implementation of, sustainable economic uses described in subsection (b)(3).

(2) COMPREHENSIVE PLANNING.—The Secretary shall encourage owners and operators that enter into conservation security contracts—

(A) to undertake a comprehensive examination of the opportunities for conserving natural resources and improving the profitability, environmental health, and quality of life in relation to their entire agricultural operation;

(B) to develop a long-term strategy for implementing, monitoring, and evaluating conservation practices and environmental results in the entire agricultural operation;

(C) to participate in other Federal, State, local, or private conservation programs;

(D) to maintain the agricultural integrity of the land; and

(E) to adopt innovative conservation technologies and management practices.

(3) STATE AND LOCAL CONSERVATION PRIORITIES.—

(A) IN GENERAL.—To the maximum extent practicable and in a manner consistent with the conservation security program, each conservation security plan shall address, at least, the of conservation priorities of the State and locality in which the agricultural operation is located.

(B) ADMINISTRATION.—The conservation priorities of the State and locality in which the agricultural operation is located shall be—

(i) determined by the State conservationist, in consultation with the State technical committee established under subtitle G and the local subcommittee of the State technical committee; and

(ii) approved by the Secretary.

(4) SUBMISSION OF PLAN.—

(A) IN GENERAL.—During the development of a conservation security plan by a producer, at the request of the producer, the Secretary shall supply to the producer a statement of the minimum number, type, and scope of conservation practices described in paragraph (1)(B)(ii).

(B) APPROVAL FOR BASE PAYMENTS.—If a conservation security plan submitted to the Secretary contains, at least, the conservation practices referred to in paragraph (1)(B)(ii)—

(i) the Secretary shall approve the conservation security plan; and

(ii) the producer of the conservation security plan, on approval of and compliance with the plan, as determined by the Secretary, shall be eligible to receive a base payment.

(C) APPROVAL FOR BONUS AMOUNTS.—If a conservation security plan submitted to the Secretary contains a proposal for the implementation, maintenance, or improvement of a conservation practice that qualifies for a bonus amount under section 1238C(b)(1)(C)(iii), the Secretary may increase the base payment of the producer by such bonus amount as the Secretary determines is appropriate.

(d) CONSERVATION CONTRACTS AND PRACTICES.—

(1) IN GENERAL.—

(A) ESTABLISHMENT OF TIERS.—The Secretary shall establish 3 tiers of conservation contracts under which a payment under this subchapter may be recieved.

(B) ELIGIBLE CONSERVATION PRACTICES.—

(i) IN GENERAL.—The Secretary shall make eligible for payment under a conservation security contract land management, vegetative, and structural practices that—

(I) are necessary to achieve the purposes of the conservation security plan; and

(II) primarily provide for, and have as a primary purpose, resource protection and environmental improvement.

(ii) DETERMINATION.—

(I) IN GENERAL.—Subject to subclause (II), in determining the eligibility of a practice described in clause (i), the Secretary shall require, to the maximum extent practicable, the lowest cost alternatives be used to fulfill the purposes of the conservation security plan, as determined by the Secretary.

(II) INNOVATIVE TECHNOLOGIES.—Subclause (I) shall not apply, to the maximum extent practicable, to the adoption of innovative technologies.

(2) ON-FARM RESEARCH AND DEMONSTRATION.—With respect to land enrolled in the conservation security program that will be maintained using a Tier II conservation practice or a Tier III conservation practice, the Secretary may approve a conservation security plan that includes on-farm conservation research and demonstration activities, including—

(A) total farm planning;

(B) total resource management;

(C) integrated farming systems;

(D) germplasm conservation and regeneration;

(E) greenhouse gas reduction and carbon sequestration;

(F) agroecological restoration and wildlife habitat restoration;

(G) agroforestry;

(H) invasive species control;

(I) energy conservation and management;

(J) farm and environmental results monitoring and evaluation; or

(K) participation in research projects relating to water conservation and management through—

(i) recycling or reuse of water; or

(ii) more efficient irrigation of farmland.

(3) Use of handbook and guides.—

(A) IN GENERAL.—In determining eligible conservation practices under the conservation security program, the Secretary shall use the National Handbook of Conservation Practices of the Natural Resources Conservation Service.

(B) CONSERVATION PRACTICE STANDARDS.—To the maximum extent practicable, the Secretary shall establish guidance standards for implementation of eligible conservation practices that shall include measurable goals for enhancing and preventing degradation of resources.

(C) ADJUSTMENTS.—

(i) IN GENERAL.—After providing notice and an opportunity for public participation, the Secretary shall make such adjustments to the National Handbook of Conservation Practices, and the field office technical guides, of the Natural Resources Conservation Service as are necessary to carry out this chapter.

(ii) EFFECT ON PLAN.—If the Secretary makes an adjustment to a practice under clause (i), the Secretary may require an adjustment to a conservation security plan in effect as of the date of the adjustment if the Secretary determines that the plan, without the adjustment, would significantly interfere with achieving the purposes of the conservation security program.

(D) PILOT TESTING.—

(i) IN GENERAL.—Under any of the 3 tiers of conservation practices established under paragraph (4), the Secretary may approve requests by a producer for pilot testing of new technologies and innovative conservation practices and systems.

(ii) INCORPORATION INTO STANDARDS.—

(I) IN GENERAL.—After evaluation by the Secretary and provision of notice and an opportunity for public participation, the Secretary may, as expeditiously as practicable, approve new technologies and innovative conservation practices and systems.

(II) INCORPORATION.—If the Secretary approves a new technology or innovative conservation practice under subclause (I), the Secretary shall, as expeditiously as practicable, incorporate the technology or practice into the standards for implementation of conservation practices established under paragraph (3).

(4) TIERS.—Subject to paragraph (5), to carry out this subsection, the Secretary shall establish the following 3 tiers of conservation contracts:

(A) TIER I CONSERVATION CONTRACTS.—

(i) IN GENERAL.—A conservation security plan for land enrolled in the conservation security program under a Tier I conservation security contract shall be maintained using Tier I conservation practices and shall, at a minimum—

(I) if applicable, address at least 1 resource of concern to the particular agricultural operation;

(II) apply to the total agricultural operation or to a particular unit of the agricultural operation;

(III) cover—

(aa) conservation practices that are being implemented as of the date on which the conservation security contract is entered into; and

(bb) conservation practices that are implemented after the date on which the conservation security contract is entered into; and

(IV) meet applicable standards for implementation of conservation practices established under paragraph (3).

(ii) CONSERVATION PRACTICES.—Tier I conservation practices shall consist of, as appropriate for the agricultural operation of a producer, 1 or more of the following basic conservation activities:

(I) Soil conservation, quality, and residue management.

(II) Invasive species management.

(III) Fish and wildlife habitat management, with special emphasis on species identified by any natural heritage program of the applicable State or the appropriate State agency.

(IV) Fish and wildlife conservation and enhancement.

(V) Air quality management.

(VI) Energy conservation measures.

(VII) Biological resource conservation and regeneration.

(VIII) Animal health management.

(IX) Plant and animal germplasm conservation, evaluation, and development.

(X) Contour farming.

(XI) Strip cropping.

(XII) Cover cropping.

(XIII) Sediment dams.

(XIV) Nutrient management.

(XV) Integrated pest management.

(XVI) Irrigation, water conservation, and water quality management.

(XVII) Grazing pasture and rangeland management.

(XVIII) Any other conservation practice that the Secretary determines to be appropriate and comparable to other conservation practices described in this clause.

(iii) TIER II CONSERVATION CONTRACTS.—A conservation security plan for land enrolled in the conservation security program that will be maintained using Tier I conservation contracts may include Tier II conservation practices.

(B) TIER II CONSERVATION PRACTICES.—

(i) IN GENERAL.—A conservation security plan for land enrolled in the conservation security program under a Tier II conservation security contract shall be maintained using Tier II conservation practices and shall, at a minimum—

(I) address at least 1 resource of concern, as specified in the conservation security plan covering the total agricultural operation;

(II) cover—

(aa) conservation practices that are being implemented as of the date on which the conservation security contract is entered into; and

(bb) conservation practices that are implemented after the date on which the conservation security contract is entered into; and

(III) meet applicable resource management system criteria for 1 or more resources of concern of the agricultural operation, as specified in the conservation security contract.

(ii) CONSERVATION PRACTICES.—Tier II conservation practices shall consist of, as appropriate for the agricultural operation of a producer, any of the Tier I conservation practices and 1 or more of the following land use adjustment or protection practices:

(I) Resource-conserving crop rotations.

(II) Controlled, rotational grazing.

(III) Conversion of portions of cropland from a soil-depleting use to a soil-conserving use, including production of cover crops.

(IV) Partial field conservation practices (including windbreaks, grass waterways, shelter belts, filter strips, riparian buffers, wetland buffers, contour buffer strips, living snow fences, crosswind trap strips, field borders, grass terraces, wildlife corridors, and critical area planting appropriate to the agricultural operation).

(V) Fish and wildlife habitat conservation and restoration.

(VI) Native grassland and prairie protection and restoration.

(VII) Wetland protection and restoration.

(VIII) Agroforestry practices and systems.

(IX) Any other conservation practice involving modification of the use of land that the Secretary determines to be appropriate and comparable to other conservation practices described in this clause.

(C) TIER III CONSERVATION CONTRACTS.—

(i) IN GENERAL.—A conservation security plan for land enrolled in the conservation security program under a Tier III conservation security contract shall be maintained using Tier III conservation contracts and shall, at a minimum—

(I) address all applicable resources of concern in the total agricultural operation;

(II) cover—

(aa) conservation practices that are being implemented as of the date on which the conservation security contract is entered into; and

(bb) conservation practices that are implemented after the date on which the conservation security contract is entered into; and

(III) meet applicable resource management system criteria for 1 or more resources of concern of the agricultural operation, as specified in the conservation security contract.

(ii) CONSERVATION PRACTICES.—Tier III conservation practices shall consist of, as appropriate for the agricultural operation of a producer (in addition to appropriate Tier I conservation practices and Tier II conservation practices), development, implementation, and maintenance of a conservation security plan that, over the term of the conservation security contract—

(I) integrates all necessary conservation practices to foster environmental enhancement and the long-term sustainability of the natural resource base of an agricultural operation; and

(II) improves profitability and sustainability associated with the agricultural operation.

(5) MINIMUM REQUIREMENTS.—The minimum requirements for each tier of conservation practices described in paragraph (4) shall be—

(i) determined by the State conservationist, in consultation with the State technical committee established under subtitle G and the local subcommittee of the State technical committee; and

(ii) approved by the Secretary.

(e) CONSERVATION SECURITY CONTRACTS.—

(1) CONTRACTS.—

(A) IN GENERAL.—On approval of a conservation security plan of a producer, the Secretary shall enter into a conservation security contract with the producer to enroll the land covered by the conservation security plan in the conservation security program.

(B) REQUIRED COMPONENTS.—A conservation security contract shall specifically describe the practices that are required under subsection (c)(1)(B).

(2) TERM.—Subject to paragraphs (3) and (4)—

(A) a conservation security contract for land enrolled in the conservation security program of a producer that will be maintained using 1 or more Tier I conservation practices shall have a term of 5 years; and

(B) a conservation security contract for land enrolled in the conservation security program that will be maintained using a Tier II conservation practice or Tier III conservation practice shall have a 5-year to 10-year term, as determined by the producer.

(3) MODIFICATIONS.—

(A) OPTIONAL MODIFICATIONS.—

(i) IN GENERAL.—An owner or operator may apply to the Secretary to modify the conservation security plan to effectuate the purposes of the conservation security program.

(ii) APPROVAL BY THE SECRETARY.—To be effective, any modification under clause (i)—

(I) shall be approved by the Secretary; and

(II) shall authorize the Secretary to redetermine, if necessary, the amount and timing of the payments under the conservation security contract and subsections (a) and (b) of section 1238C.

(B) OTHER MODIFICATIONS.—

(i) IN GENERAL.—The Secretary may, in writing, require a producer to modify a conservation security contract before the expiration of the conservation security contract if—

(I) the Secretary determines that a change made to the type, size, management, or other aspect of the agricultural operation of the producer would, without the modification of the contract, significantly interfere with achieving the purposes of the conservation security program; or

(II) the Secretary makes a change to the National Handbook of Conservation Practices of the Natural Resource Conservation Service under subsection (d)(3)(C).

(ii) PAYMENTS.—The Secretary may adjust the amount and timing of the payment schedule under the conservation security contract to reflect any modifications made under this subparagraph.

(iii) DEADLINE.—The Secretary may terminate a conservation security contract if a modification required under this subparagraph is not submitted to the Secretary in the form of an amended conservation security contract by the date that is 90 days after the date on which the Secretary issues a written request for the modification.

(iv) TERMINATION.—a producer that is required to modify a conservation security contract under this subparagraph may, in lieu of modifying the contract—

(I) terminate the conservation security contract; and

(II) retain payments received under the conservation security contract, if the producer fully complied with the terms and conditions of the conservation security contract before termination of the contract.

(4) RENEWAL.—

(A) IN GENERAL.—At the option of a producer, the conservation security contract of the producer may be renewed, for a term described in subparagraph (B), if—

(i) the producer agrees to any modification of the applicable conservation security contract that the Secretary determines to be necessary to achieve the purposes of the conservation security program;

(ii) the Secretary determines that the producer has complied with the terms and conditions of the conservation security contract, including the conservation security plan; and

(iii) in the case of a Tier I conservation security contract, the producer agrees to increase the conservation practices on land enrolled in the conservation security program by—

(I) adopting new conservation practices; or

(II) expanding existing practices to meet the resource management systems criteria.

(B) TERMS OF RENEWAL.—Under subparagraph (A)—

(i) a conservation security contract for land enrolled in the conservation security program that will be maintained using Tier I conservation contracts may be renewed for 5-year terms;

(ii) in the case of a Tier II conservation security contract or a Tier III conservation security contract, the contract shall be renewed for 5-year to 10-year terms, at the option of the producer; and

(iii) participation in the conservation security program prior to the renewal of the conservation security contract shall not bar renewal more than once.

(f) NONCOMPLIANCE DUE TO CIRCUMSTANCES BEYOND THE CONTROL OF PRODUCERS.—The Secretary shall include in the conservation security contract a provision, and may modify a conservation security contract under subsection (e)(3)(B), to ensure that a producer shall not be considered in violation of a conservation security contract for failure to comply with the conservation security contract due to circumstances beyond the control of the producer, including a disaster or related condition, as determined by the Secretary.

SEC. 1238B. DUTIES OF PRODUCERS.

Under a conservation security contract, a producer shall agree, during the term of the conservation security contract—

(1) to implement the applicable conservation security plan approved by the Secretary;

(2) to maintain, and make available to the Secretary at such times as the Secretary may request, appropriate records showing the effective and timely implementation of the conservation security plan;

(3) not to engage in any activity that would interfere with the purposes of the conservation security plan; and

(4) on the violation of a term or condition of the conservation security contract—

(A) if the Secretary determines that the violation warrants termination of the conservation security contract—

(i) to forfeit all rights to receive payments under the conservation security contract; and

(ii) to refund to the Secretary all or a portion of the payments received by the producer under the conservation security contract, including any advance payment and interest on the payments, as determined by the Secretary; or

(B) if the Secretary determines that the violation does not warrant termination of the conservation security contract, to refund to the Secretary, or accept adjustments to, the payments provided to the producer, as the Secretary determines to be appropriate.

SEC. 1238C. DUTIES OF THE SECRETARY.

(a) ADVANCE PAYMENT.—At the time at which a producer enters into a conservation security contract, the Secretary shall, at the option of the producer, make an advance payment to the producer in an amount not to exceed—

(1) in the case of a Tier I conservation security contract, the greater of—

(A) $1,000; or

(B) 20 percent of the value of the annual payment under the contract, as determined by the Secretary;

(2) in the case of a Tier II conservation security contract, the greater of—

(A) $2,000; or

(B) 20 percent of the value of the annual payment under the contract, as determined by the Secretary; and

(3) in the case of a Tier III conservation security contract, the greater of—

(A) $3,000; or

(B) 20 percent of the value of the annual payment under the contract, as determined by the Secretary.

(b) ANNUAL PAYMENTS.—

(1) CRITERIA FOR DETERMINING AMOUNT OF PAYMENTS.—

(A) BASE RATE.—In this paragraph, the term 'base rate' means the average county rental rate for the specific land use during the 2001 crop year, or another appropriate average county rate for the 2001 crop year, that ensures regional equity, as determined by the Secretary.

(B) PAYMENTS.—A payment for a conservation practice under this paragraph shall be determined in accordance with subparagraphs (C) through (F).

(C) TIER I CONSERVATION CONTRACTS.—The payment for a Tier I conservation security contract shall be comprised of the total of the following amounts:

(i) An amount equal to 6 percent of the base rate for land covered by the contract.

(ii) An amount equal to the following costs of practices covered by the conservation security contract, based on the average county costs for such practices for the 2001 crop year, as determined by the Secretary:

(I) 100 percent of the cost of—

(aa) the adoption of new management practices; and

(bb) the maintenance of new and existing management practices.

(II) 100 percent of the cost of maintenance of existing land-based structural practices approved by the Secretary.

(III)(aa) 75 percent (or, in the case of a limited resource producer (as determined by the Secretary) or a beginning farmer or rancher, 90 percent) of the cost of adoption of new land-based structural practices; or

(bb) 75 percent (or, in the case of a limited resource producer (as determined by the Secretary) or a beginning farmer or rancher, 90 percent) of the cost of the adoption of a structural practice for which a similar structural practice under the environmental quality incentives program established under chapter 4 would require maintenance, if the producer agrees to provide, without reimbursement, substantially equivalent maintenance.

(iii) A bonus amount determined by the Secretary for implementing or adopting 1 or more of the following practices:

(I) A practice adopted or maintained that maximizes the purposes of the conservation security program beyond the minimum requirements of the practices adopted or maintained.

(II) A practice adopted or maintained to address eligible resource and conservation concerns beyond those identified as State or local conservation priorities.

(III) A practice adopted or maintained to address national priority concerns, as determined by the Secretary.

(IV) Participation by the producer in a conservation research, demonstration, or pilot project.

(V) Participation by the producer in a watershed or regional resource conservation plan that involves at least 75 percent of producers in a targeted area.

(VI) Recordkeeping, monitoring, and evaluation carried out by the producer that furthers the purposes of the conservation security program.

(iv) A bonus amount determined by the Secretary that reflects the status of a producer as a beginning farmer or rancher.

(D) TIER II CONSERVATION CONTRACTS.—The payment for a Tier II conservation security contract shall be comprised of the total of the following amounts:

(i) An amount equal to 11 percent of the base rate for land covered by the conservation security contract.

(ii) An amount equal to the cost of practices covered by the conservation security contract, based on the average county costs for practices for the 2001 crop year, described in subparagraph (C)(ii).

(iii) A bonus amount determined by the Secretary in accordance with clauses (iii) and (iv) of subparagraph (C), except that the bonus amount under this clause may include any amount for the adoption or maintenance by the producer of any practice that exeeds resource management system standards.

(E) TIER III CONSERVATION CONTRACTS.—The payment for a Tier III conservation security contract shall be comprised of the total of the following amounts:

(i) An amount equal to 20 percent of the base rate for land covered by the conservation security contract.

(ii) An amount equal to the cost of practices covered by the conservation security contract, based on the average county costs for practices for the 2001 crop year, described in subparagraph (C)(ii).

(iii) A bonus amount determined by the Secretary in accordance with subparagraph (D)(iii).

(F) EXCLUSION OF COSTS FOR PURCHASE OR MAINTENANCE OF EQUIPMENT OR NON-LAND BASED STRUCTURES.—A payment under this subchapter shall not include any

amount for the purchase or maintenance of equipment or a non-land based structure.

(2) TIME OF PAYMENT.—The Secretary shall provide payments under a conservation security contract as soon as practicable after October 1 of each fiscal year.

(3) LIMITATION ON PAYMENTS.—

(A) IN GENERAL.—Subject to paragraphs (1), (2), (4), and (5), the Secretary shall, in amounts and for a term specified in a conservation security contract and taking into account any advance payments, make an annual payment, directly or indirectly, to the individual or entity covered by the conservation security contract in an amount not to exceed—

(i) in the case of a Tier I conservation security contract, $20,000;

(ii) in the case of a Tier II conservation security contract, $35,000; or

(iii) in the case of a Tier III conservation security contract, $50,000.

(B) LIMITATION ON NONBONUS PAYMENTS.—In applying the payment limitation under each of clauses (i), (ii), and (iii) of subparagraph (A), an individual or entity may not receive, directly or indirectly, payments described in clauses (i) and (ii) of paragraph (1)(C), (1)(D), or (1)(E), as appropriate, in an amount that exceeds 75 percent of the applicable payment limitation.

(C) OTHER USDA PAYMENTS.—If a producer has the same practices on the same land enrolled in the conservation security program and 1 or more other conservation programs administered by the Secretary, the Secretary shall include all payments from the conservation security program and the other conservation programs, other than payments for conservation easements, in applying the annual payment limitations under this paragraph.

(D) NON-USDA PAYMENTS.—

(i) IN GENERAL.—A payment described in clause (ii) shall not be considered an annual payment for purposes of the annual payment limitations under this paragraph.

(ii) PAYMENT.—A payment referred to in clause (i) is a payment that—

(I) is for the same practice on the same land enrolled in the conservation security program; and

(II) is received from a Federal program that is not administered by the Secretary, or that is administered by any State, local, or private agricultural agency or organization.

(E) COMMENSURATE SHARE.—To be eligible to receive a payment under this chapter, an individual or entity shall make contributions (including contributions of land, labor, management, equipment, or capital) to the operation of the farm that are at least commensurate with the share of the proceeds of the operation of the individual or entity.

(4) LAND ENROLLED IN OTHER CONSERVATION PROGRAMS.—Notwithstanding any other provision of law, if a producer has land enrolled in another conservation program administered by

the Secretary and has applied to enroll the same land in the conservation security program, the producer may elect to—

(A) convert the contract under the other conservation program to a conservation security contract, without penalty, except that this subparagraph shall not apply to a contract entered into under—

(i) the conservation reserve program under subchapter B of chapter 1; or

(ii) the wetlands reserve program under subchapter C of chapter 1; or

(B) have each annual payment to the producer under this subsection reduced to reflect payment for practices the producer receives under the other conservation program, except that the annual payment under this subsection shall not be reduced by the amount of any incentive received under a program referred to in section 1231(b)(6) for qualified practices that enhance or extend the conservation benefit achieved under the other conservation program.

(5) WASTE STORAGE OR TREATMENT FACILITIES.—A payment to a producer under this subchapter shall not be provided for the purpose of construction or maintenance of animal waste storage or treatment facilities or associated waste transport or transfer devices for animal feeding operations.

(c) MINIMUM PRACTICE REQUIREMENT.—In determining a payment under subsection (a) or (b) for an owner, operator, or producer that receives a payment under another program administered by the Secretary that is contingent on complying with requirements under subtitle B or C of title XII of the Food Security Act of 1985 (16 U.S.C. 3811 et seq.) relating to the use of highly erodible land or wetland, a payment under this chapter for 1 or more practices on land subject to those requirements shall be for practices that exceed minimum requirements for the owner, operator, or producer under those subtitles, as determined by the Secretary.

(d) REGULATIONS.—

(1) IN GENERAL.—The Secretary shall promulgate regulations that—

(A) provide for adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing payments, on a fair and equitable basis; and

(B) prescribe such other rules as the Secretary determines to be necessary to ensure a fair and reasonable application of the limitations established under subsections (a) and (b).

(2) PENALTIES FOR SCHEMES OR DEVICES.—

(A) IN GENERAL.—If the Secretary determines that an individual or entity has adopted a scheme or device to evade, or that has the purpose of evading, the regulations promulgated under paragraph (1), the individual or entity shall be ineligible to participate in the conservation security program for—

(i) the year for which the scheme or device was adopted; and

(ii) each of the following 5 years.

(B) FRAUD.—If the Secretary determines that fraud was committed in connection with the scheme or device, the in-

dividual or entity shall be ineligible to participate in the conservation security program for—

(i) the year for which the scheme or device was adopted; and

(ii) each of the following 10 years.

(e) TERMINATION.—

(1) IN GENERAL.—Subject to section 1238B, the Secretary shall allow a producer to terminate the conservation security contract.

(2) PAYMENTS.—the producer may retain any or all payments received under a terminated conservation security contract if—

(A) the producer is in full compliance with the terms and conditions (including any maintenance requirements) of the conservation security contract as of the date of the termination; and

(B) the Secretary determines that termination of the contract will not defeat the purposes of the conservation security plan of the producer.

(f) TRANSFER OR CHANGE OF INTEREST IN LAND SUBJECT TO CONSERVATION SECURITY CONTRACT.—

(1) IN GENERAL.—Except as provided in paragraph (2), the transfer, or change in the interest, of a producer in land subject to a conservation security contract shall result in the termination of the conservation security contract.

(2) TRANSFER OF DUTIES AND RIGHTS.—Paragraph (1) shall not apply if, not later than 60 days after the date of the transfer or change in the interest in land, the transferee of the land provides written notice to the Secretary that all duties and rights under the conservation security contract have been transferred to the transferee.

(g) TECHNICAL ASSISTANCE.—

(1) IN GENERAL.—For each of fiscal years 2003 through 2006, the Secretary shall provide technical assistance to producers for the development and implementation of conservation security contracts, in an amount not to exceed 20 percent of amounts expended for the fiscal year.

(2) COORDINATION BY THE SECRETARY.—The Secretary shall provide overall technical coordination and leadership for the conservation security program, including final approval of all conservation security plans.

(h) CONSERVATION SECURITY PILOT PROGRAM.—

(1) IN GENERAL.—Effective October 1, 2004, the Secretary, in cooperation with appropriate State agencies, may establish a pilot program to demonstrate and evaluate the implementation of a conservation security program by a State described in paragraph (2).

(2) ELIGIBLE STATE.—The State referred to in paragraph (1) shall be a State selected by the Secretary—

(A) in consultation with—

(i) the Committee on Agriculture of the House of Representatives; and

(ii) the Committee on Agriculture, Nutrition, and Forestry of the Senate; and

(B) after taking into consideration—

(i) the percentage of private land in agricultural production in the State; and

(ii) infrastructure in the State that is available to implement the pilot program under paragraph (1).

Subchapter B—Farmland Protection Program

SEC. 1238H. DEFINITIONS.

In this subchapter:

(1) ELIGIBLE LAND.—

(A) IN GENERAL.—The term "eligible land" means land on a farm or ranch that—

(i)(I) has prime, unique, or other productive soil; or

(II) contains historical or archaeological resources; and

(ii) is subject to a pending offer for purchase from—

(I) any agency of any State or local government or an Indian tribe (including a farmland protection board or land resource council established under State law); or

(II) any organization that—

(aa) is organized for, and at all times since the formation of the organization, has been operated principally for, 1 or more of the conservation purposes specified in clause (i), (ii), or (iii) of section 170(h)(4)(A) of the Internal Revenue Code of 1986;

(bb) is an organization described in section 501(c)(3) of that Code that is exempt from taxation under section 501(a) of that Code; or

(cc) is described in section 509(a)(3), and is controlled by an organization described in section 509(a)(2), of that Code.

(B) INCLUSIONS.—The term "eligible land" includes—

(i) cropland;

(ii) rangeland;

(iii) grassland:

(iv) pasture land; and

(v) forest land that is part of an agricultural operation, as determined by the Secretary.

(2) INDIAN TRIBE.—The term "Indian tribe" has the meaning given the term in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

(3) PROGRAM.—The term "program" means the farmland protection program established under section 1238I(a).

SEC. 1238I. FARMLAND PROTECTION.

(a) IN GENERAL.—The Secretary shall establish and carry out a farmland protection program under which the Secretary shall purchase conservation easements or other interests in eligible land for the purpose of protecting topsoil by limiting nonagricultural uses of the land.

(b) CONSERVATION PLAN.—Any highly erodible cropland for which a conservation easement or other interest is purchased under this subchapter shall be subject to the requirements of a conservation plan that requires, at the option of the Secretary, the conversion of the cropland to less intensive uses.

SEC. 1238J. MARKET VIABILITY PROGRAM.

For each year for which funds are made available to carry out this subchapter, the Secretary may use not more than $10,000,000 to provide matching market viability grants and technical assistance to farm and ranch operators that participate in the program.

Subchapter D—Grassland Reserve Program

SEC. 1238N. GRASSLAND RESERVE PROGRAM.

(a) ESTABLISHMENT.—The Secretary, acting through the Natural Resource Conservation Service, shall establish a grassland reserve program (referred to in this subchapter as the "program") to assist owners in restoring and protecting eligible land described in subsection (c).

(b) ENROLLMENT CONDITIONS.—

(1) IN GENERAL.—The Secretary shall enroll in the program, from willing owners, not less than—

(A) 100 contiguous acres of land west of the 98th meridian; or

(B) 40 contiguous acres of land east of the 98th meridian.

(2) MAXIMUM ENROLLMENT.—The total number of acres enrolled in the program shall not exceed 2,000,000 acres, of which not more than 500,00 acres shall be reserved for enrollment of tracts of native grassland of 40 acres or less.

(3) METHODS OF ENROLLMENT.—The Secretary shall enroll land in the program through—

(A) permanent easements or 30-year easements;

(B) in a State that imposes a maximum duration for such an easement, an easement for the maximum duration allowed under State law; or

(C) a 30-year rental agreement.

(c) ELIGIBLE LAND.—Land shall be eligible to be enrolled in the program if the Secretary determines that the land is private land that is—

(1) natural grassland (including prairie and land that contains shrubs or forb) that is indigenous to the locality;

(2) land that—

(A) is located in an area that has been historically dominated by natural grassland; and

(B) has potential to serve as habitat for animal or plant populations of significant ecological value if the land is restored to a natural condition; or

(3) land that is incidental to land described in paragraph (1) or (2), if the incidental land is determined by the Secretary to be necessary for the efficient administration of an easement.

SEC. 1238O. EASEMENTS AND AGREEMENTS.

(a) IN GENERAL.—To be eligible to enroll land in the program, the owner of the land shall enter into an agreement with the Secretary—

(1) to grant an easement that applies to the land to the Secretary;

(2) to create and record an appropriate deed restriction in accordance with applicable State law to reflect the easement;

(3) to provide a written statement of consent to the easement signed by persons holding a security interest or any vested interest in the land;

(4) to provide proof of unencumbered title to the underlying fee interest in the land that is the subject of the easement; and

(5) to comply with the terms of the easement and restoration agreement.

(b) TERMS OF EASEMENT.—An easement under subsection (a) shall—

(1) permit—

(A) grazing on the land in a manner that is consistent with maintaining the viability of natural grass, shrub, forb, and wildlife species indigenous to that locality;

(B) haying (including haying for seed production) or mowing, except during the nesting and brood-rearing seasons for birds in the area that are in significant decline, as determined by the Natural Resources Conservation Service State conservationist, or are protected Federal or State law; and

(C) fire rehabilitation, construction of fire breaks, and fences (including placement of the posts necessary for fences);

(2) prohibit—

(A) the production of row crops, fruit trees, vineyards, or any other agricultural commodity that requires breaking the soil surface; and

(B) except as permitted under paragraph (1)(C), the conduct of any other activities that would disturb the surface of the land covered by the easement, including—

(i) plowing; and

(ii) disking; and

(3) include such additional provisions as the Secretary determines are appropriate to carry out this subchapter or to facilitate the administration of this subchapter.

(c) EVALUATION AND RANKING OF EASEMENT APPLICATIONS.—

(1) IN GENERAL.—The Secretary, in conjunction with State technical committees, shall establish criteria to evaluate and rank applications for easements under this subchapter.

(2) CRITERIA.—In establishing the criteria, the Secretary shall emphasize support for grazing operations, plant and animal biodiversity, and grassland and land containing shrubs or forb under the greatest threat of conversion.

(d) RESTORATION AGREEMENTS.—

(1) IN GENERAL.—The Secretary shall prescribe the terms by which grassland and shrubland subject to an easement under an agreement entered into under the program shall be restored.

(2) REQUIREMENTS.—The restoration agreement shall describe the respective duties of the owner and the Secretary (including paying the share of the cost of restoration provided by the Secretary and the provision of technical assistance).

(e) VIOLATIONS.—

(1) IN GENERAL.—On the violation of the terms or conditions of an easement or restoration agreement entered into under this section—

(A) the easement shall remain in force; and

(B) the Secretary may require the owner to refund all or part of any payments received by the owner under this subchapter, with interest on the payments as determined appropriate by the Secretary.

(2) PERIODIC INSPECTIONS.—

(A) IN GENERAL.—After providing notice to the owner, the Secretary shall conduct periodic inspections of land subject to easements under this subchapter to ensure compliance with the terms of the easement and restoration agreement.

(B) LIMITATION.—The Secretary may not prohibit the owner, or a representative of the owner, from being present during a periodic inspection.

SEC. 1238P. DUTIES OF SECRETARY.

(a) IN GENERAL.—In return for the granting of an easement by an owner under this subchapter, the Secretary shall, in accordance with this section—

(1) make easement payments;

(2) pay a share of the cost of restoration; and

(3) provide technical assistance to the owner.

(b) PAYMENT SCHEDULE.—

(1) EASEMENT PAYMENTS.—

(A) AMOUNT.—In return for the granting of an easement by an owner under this subchapter, the Secretary shall make easement payments to the owner in an amount equal to—

(i) in the case of a permanent easement, the fair market value of the land less the grazing value of the land encumbered by the easement; and

(ii) in the case of a 30-year easement or an easement for the maximum duration allowed under applicable State law, 30 percent of the fair market value of the land less the grazing value of the land for the period during which the land is encumbered by the easement.

(B) SCHEDULE.—Easement payments may be provided in not less than 1 payment nor more than 10 annual payments of equal or unequal amount, as agreed to by the Secretary and the owner.

(2) RENTAL AGREEMENT PAYMENTS.—

(A) AMOUNT.—If an owner enters into a 30-year rental agreement authorized under section 1238N(b)(3)(C), the Secretary shall make 30 annual rental payments to the owner in an amount that equals, to the maximum extent practicable, the 30-year easement payment amount under paragraph (1)(A)(ii).

(B) ASSESSMENT.—Not less than once every 5 years throughout the 30-year rental period, the Secretary shall assess whether the value of the rental payments under subparagraph (A) equals, to the maximum extent practicable, the total amount of 30-year easement payments as of the date of the assessment.

(C) ADJUSTMENT.—If on completion of the assessment under subparagraph (B), the Secretary determines that the rental payments do not equal, to the maximum extent practicable, the value of payments under a 30-year easement, the Secretary shall adjust the amount of the remaining

payments to equal, to the maximum extent practicable, the value of a 30-year easement over the entire 30-year rental period.

(c) COST OF RESTORATION.—The Secretary shall make payments to the owner of not more than 75 percent of the cost of carrying out measures and practices necessary to restore grassland and shrubland functions and values.

(d) TECHNICAL ASSISTANCE.—The Secretary shall provide owners with technical assistance to execute easement documents and restore the grassland and shrubland.

(e) PAYMENTS TO OTHERS.—If an owner that is entitled to a payment under this subchapter dies, becomes incompetent, is otherwise unable to receive the payment, or is succeeded by another person who renders or completes the required performance, the Secretary shall make the payment, in accordance with regulations promulgated by the Secretary and without regard to any other provision of law, in such manner as the Secretary determines is fair and reasonable in light of all the circumstances.

(f) OTHER PAYMENTS.—Easement payments received by an owner under this subchapter shall be in addition to, and not affect, the total amount of payments that the owner is otherwise eligible to receive under other Federal laws.

(g) REGULATIONS.—Not later than 180 days after the date of enactment of this subchapter, the Secretary shall promulgate such regulations as are necessary to carry out this subchapter.".

(b) FUNDING.—Section 1241 of the Food Security Act of 1985 (16 U.S.C. 3841) (as amended by section 217(b)) is amended by adding at the end the following:

(e) GRASSLAND RESERVE PROGRAM.—The Secretary shall use such sums of the Commodity Credit Corporation as are necessary to carry out subchapter D of chapter 2 (including the provision of technical assistance).

* * * * * * *

[SEC. 1240. PURPOSES.

[The purposes of the environmental quality incentives program established by this chapter are to—

[(1) combine into a single program the functions of—

[(A) the agricultural conservation program authorized by sections 7 and 8 of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590g and 590h) (as in effect before the amendments made by section 336(a)(1) of the Federal Agriculture Improvement and Reform Act of 1996);

[(B) the Great Plains conservation program established under section 16(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590p(b)) (as in effect before the amendment made by section 336(b)(1) of the Federal Agriculture Improvement and Reform Act of 1996);

[(C) the water quality incentives program established under chapter 2 (as in effect before the amendment made by section 336(h) of the Federal Agriculture Improvement and Reform Act of 1996); and

[(D) the Colorado River Basin salinity control program established under section 202(c) of the Colorado River Basin Salinity Control Act (43 U.S.C. 1592(c)) (as in effect

before the amendment made by section 336(c)(1) of the Federal Agriculture Improvement and Reform Act of 1996); and

[(2) carry out the single program in a manner that maximizes environmental benefits per dollar expended, and that provides—

[(A) flexible technical and financial assistance to farmers and ranchers that face the most serious threats to soil, water, and related natural resources, including grazing lands, wetlands, and wildlife habitat;

[(B) assistance to farmers and ranchers in complying with this title and Federal and State environmental laws, and encourages environmental enhancement;

[(C) assistance to farmers and ranchers in making beneficial, cost-effective changes to cropping systems, grazing management, manure, nutrient, pest, or irrigation management, land uses, or other measures needed to conserve and improve soil, water, and related natural resources; and

[(D) for the consolidation and simplification of the conservation planning process to reduce administrative burdens on producers.

[SEC. 1240A. DEFINITIONS.

[In this chapter:

[(1) ELIGIBLE LAND.—The term "eligible land" means agricultural land (including cropland, rangeland, pasture, and other land on which crops or livestock are produced), including agricultural land that the Secretary determines poses a serious threat to soil, water, or related resources by reason of the soil types, terrain, climatic, soil, topographic, flood, or saline characteristics, or other factors or natural hazards.

[(2) LAND MANAGEMENT PRACTICE.—The term "land management practice" means a site-specific nutrient or manure management, integrated pest management, irrigation management, tillage or residue management, grazing management, or other land management practice carried out on eligible land that the Secretary determines is needed to protect, in the most cost-effective manner, water, soil, or related resources from degradation.

[(3) LIVESTOCK.—The term "livestock" means dairy cattle, beef cattle, laying hens, broilers, turkeys, swine, sheep, and such other animals as determined by the Secretary.

[(4) PRODUCER.—The term "producer" means a person who is engaged in livestock or agricultural production (as defined by the Secretary).

[(5) STRUCTURAL PRACTICE.—The term "structural practice" means—

[(A) the establishment on eligible land of a site-specific animal waste management facility, terrace, grassed waterway, contour grass strip, filterstrip, tailwater pit, permanent wildlife habitat, or other structural practice that the Secretary determines is needed to protect, in the most cost-effective manner, water, soil, or related resources from degradation; and

[(B) the capping of abandoned wells on eligible land.

[SEC. 1240B. ESTABLISHMENT AND ADMINISTRATION OF ENVIRONMENTAL QUALITY INCENTIVES PROGRAM.

[(a) ESTABLISHMENT.—

[(1) IN GENERAL.—During the 1996 through 2002 fiscal years, the Secretary shall provide technical assistance, cost-share payments, incentive payments, and education to producers, who enter into contracts with the Secretary, through an environmental quality incentives program in accordance with this chapter.

[(2) ELIGIBLE PRACTICES.—

[(A) STRUCTURAL PRACTICES.—A producer who implements a structural practice shall be eligible for any combination of technical assistance, cost-share payments, and education.

[(B) LAND MANAGEMENT PRACTICES.—A producer who performs a land management practice shall be eligible for any combination of technical assistance, incentive payments, and education.

[(b) APPLICATION AND TERM.—A contract between a producer and the Secretary under this chapter may—

[(1) apply to 1 or more structural practices or 1 or more land management practices, or both; and

[(2) have a term of not less than 5, nor more than 10, years, as determined appropriate by the Secretary, depending on the practice or practices that are the basis of the contract.

[(c) STRUCTURAL PRACTICES.—

[(1) OFFER SELECTION PROCESS.—The Secretary shall, to the maximum extent practicable, establish a process for selecting applications for financial assistance if there are numerous applications for assistance for structural practices that would provide substantially the same level of environmental benefits. The process shall be based on—

[(A) a reasonable estimate of the projected cost of the proposals and other factors identified by the Secretary for determining which applications will result in the least cost to the program authorized by this chapter; and

[(B) the priorities established under this subtitle and such other factors determined by the Secretary that maximize environmental benefits per dollar expended.

[(2) CONCURRENCE OF OWNER.—If the producer making an offer to implement a structural practice is a tenant of the land involved in agricultural production, for the offer to be acceptable, the producer shall obtain the concurrence of the owner of the land with respect to the offer.

[(d) LAND MANAGEMENT PRACTICES.—The Secretary shall establish an application and evaluation process for awarding technical assistance or incentive payments, or both, to a producer in exchange for the performance of 1 or more land management practices by the producer.

[(e) COST-SHARE PAYMENTS, INCENTIVE PAYMENTS, AND TECHNICAL ASSISTANCE.—

[(1) COST-SHARE PAYMENTS.—

[(A) IN GENERAL.—The Federal share of cost-share payments to a producer proposing to implement 1 or more structural practices shall be not more than 75 percent of

the projected cost of the practice, as determined by the Secretary, taking into consideration any payment received by the producer from a State or local government.

[(B) LIMITATION.—A producer who owns or operates a large confined livestock operation (as defined by the Secretary) shall not be eligible for cost-share payments to construct an animal waste management facility.

[(C) OTHER PAYMENTS.—A producer shall not be eligible for cost-share payments for structural practices on eligible land under this chapter if the producer receives cost-share payments or other benefits for the same land under chapter 1 or 3.

[(2) INCENTIVE PAYMENTS.—The Secretary shall make incentive payments in an amount and at a rate determined by the Secretary to be necessary to encourage a producer to perform 1 or more land management practices.

[(3) TECHNICAL ASSISTANCE.—

[(A) FUNDING.—The Secretary shall allocate funding under this chapter for the provision of technical assistance according to the purpose and projected cost for which the technical assistance is provided for a fiscal year. The allocated amount may vary according to the type of expertise required, quantity of time involved, and other factors as determined appropriate by the Secretary. Funding shall not exceed the projected cost to the Secretary of the technical assistance provided for a fiscal year.

[(B) OTHER AUTHORITIES.—The receipt of technical assistance under this chapter shall not affect the eligibility of the producer to receive technical assistance under other authorities of law available to the Secretary.

[(C) PRIVATE SOURCES.—The Secretary shall ensure that the processes of writing and developing proposals and plans for contracts under this chapter, and of assisting in the implementation of structural practices and land management practices covered by the contracts, are open to individuals in agribusiness, including agricultural producers, representatives from agricultural cooperatives, agricultural input retail dealers, and certified crop advisers. The requirements of this subparagraph shall also apply to any other conservation program of the Department of Agriculture that provides incentive payments, technical assistance, or cost-share payments.

[(f) MODIFICATION OR TERMINATION OF CONTRACTS.—

[(1) VOLUNTARY MODIFICATION OR TERMINATION.—The Secretary may modify or terminate a contract entered into with a producer under this chapter if—

[(A) the producer agrees to the modification or termination; and

[(B) the Secretary determines that the modification or termination is in the public interest.

[(2) Involuntary termination.—The Secretary may terminate a contract under this chapter if the Secretary determines that the producer violated the contract.

[(g) NON-FEDERAL ASSISTANCE.—The Secretary may request the services of a State water quality agency, State fish and wildlife

agency, State forestry agency, or any other governmental or private resource considered appropriate to assist in providing the technical assistance necessary for the development and implementation of a structural practice or land management practice.

[SEC. 1240C. EVALUATION OF OFFERS AND PAYMENTS.

[In providing technical assistance, cost-share payments, and incentive payments to producers, the Secretary shall accord a higher priority to assistance and payments that—

[(1) are provided in conservation priority areas established under section 1230(c);

[(2) maximize environmental benefits per dollar expended; or

[(3) are provided in watersheds, regions, or conservation priority areas in which State or local governments have provided, or will provide, financial or technical assistance to producers for the same conservation or environmental purposes.

[SEC. 1240D. DUTIES OF PRODUCERS.

[To receive technical assistance, cost-share payments, or incentive payments under this chapter, a producer shall agree—

[(1) to implement an environmental quality incentives program plan that describes conservation and environmental goals to be achieved through a structural practice or land management practice, or both, that is approved by the Secretary;

[(2) not to conduct any practices on the farm or ranch that would tend to defeat the purposes of this chapter;

[(3) on the violation of a term or condition of the contract at any time the producer has control of the land, to refund any cost-share or incentive payment received with interest, and forfeit any future payments under this chapter, as determined by the Secretary;

[(4) on the transfer of the right and interest of the producer in land subject to the contract, unless the transferee of the right and interest agrees with the Secretary to assume all obligations of the contract, to refund all cost-share payments and incentive payments received under this chapter, as determined by the Secretary;

[(5) to supply information as required by the Secretary to determine compliance with the environmental quality incentives program plan and requirements of the program; and

[(6) to comply with such additional provisions as the Secretary determines are necessary to carry out the environmental quality incentives program plan.

[SEC. 1240E. ENVIRONMENTAL QUALITY INCENTIVES PROGRAM PLAN.

[(a) IN GENERAL.—To be eligible to enter into a contract under the environmental quality incentives program, an owner or producer of a livestock or agricultural operation must submit to the Secretary for approval a plan of operations that incorporates such conservation practices, and is based on such principles, as the Secretary considers necessary to carry out the program, including a description of structural practices and land management practices to be implemented and the objectives to be met by the plan's implementation.

[(b) AVOIDANCE OF DUPLICATION.—The Secretary shall, to the maximum extent practicable, eliminate duplication of planning ac-

tivities under the environmental quality incentives program and comparable conservation programs.

[SEC. 1240F. DUTIES OF THE SECRETARY.

[To the extent appropriate, the Secretary shall assist a producer in achieving the conservation and environmental goals of an environmental quality incentives program plan by—

[(1) providing an eligibility assessment of the farming or ranching operation of the producer as a basis for developing the plan;

[(2) providing technical assistance in developing and implementing the plan;

[(3) providing technical assistance, cost-share payments, or incentive payments for developing and implementing 1 or more structural practices or 1 or more land management practices, as appropriate;

[(4) providing the producer with information, education, and training to aid in implementation of the plan; and

[(5) encouraging the producer to obtain technical assistance, cost-share payments, or grants from other Federal, State, local, or private sources.

[SEC. 1240G. LIMITATION ON PAYMENTS.

[(a) IN GENERAL.—The total amount of cost-share and incentive payments paid to a producer under this chapter may not exceed—

[(1) $10,000 for any fiscal year; or

[(2) $50,000 for any multiyear contract.

[(b) EXCEPTION TO ANNUAL LIMIT.—The Secretary may exceed the limitation on the annual amount of a payment under subsection (a)(1) on a case-by-case basis if the Secretary determines that a larger payment is—

[(1) essential to accomplish the land management practice or structural practice for which the payment is made; and

[(2) consistent with the maximization of environmental benefits per dollar expended and the purposes of this chapter specified in section 1240.

[(c) TIMING OF EXPENDITURES.—Expenditures under a contract entered into under this chapter during a fiscal year may not be made by the Secretary until the subsequent fiscal year.

[SEC. 1240H. TEMPORARY ADMINISTRATION OF ENVIRONMENTAL QUALITY INCENTIVES PROGRAM.

[(a) INTERIM ADMINISTRATION.—

[(1) IN GENERAL.—During the period beginning on the date of enactment of this section and ending on the termination date provided under paragraph (2), to ensure that technical assistance, cost-share payments, and incentive payments continue to be administered in an orderly manner until such time as assistance can be provided through final regulations issued to implement the environmental quality incentives program established under this chapter, the Secretary shall continue to—

[(A) provide technical assistance, cost-share payments, and incentive payments under the terms and conditions of the agricultural conservation program, the Great Plains conservation program, the water quality incentives program, and the Colorado River Basin salinity control program, to the extent the terms and conditions of the pro-

gram are consistent with the environmental quality incentives program; and

[(B) use for those purposes—

[(i) any funds remaining available for the agricultural conservation program, the Great Plains conservation program, the water quality incentives program, and the Colorado River Basin salinity control program; and

[(ii) as the Secretary determines to be necessary, any funds authorized to be used to carry out the environmental quality incentives program.

[(2) TERMINATION OF AUTHORITY.—The authority of the Secretary to carry out paragraph (1) shall terminate on the date that is 180 days after the date of enactment of this section.

[(b) PERMANENT ADMINISTRATION.—Effective beginning on the termination date provided under subsection (a)(2), the Secretary shall provide technical assistance, cost-share payments, and incentive payments for structural practices and land management practices related to crop and livestock production in accordance with final regulations issued to carry out the environmental quality incentives program.]

SEC. 1240. PURPOSES.

The purposes of the environmental quality incentives program established by this chapter are to promote agricultural production and environmental quality as compatible national goals, and to maximize environmental benefits per dollar expended, by—

(1) assisting producers in complying with—

(A) this title;

(B) the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.);

(C) the Safe Drinking Water Act (42 U.S.C. 300f et seq.);

(D) the Clean Air Act (42 U.S.C. 7401 et seq.); and

(E) other Federal, State, and local environmental laws (including regulations);

(2) avoiding, to the maximum extent practicable, the need for resource and regulatory programs by assisting producers in protecting soil, water, air, and related natural resources and meeting environmental quality criteria established by Federal, State, and local agencies;

(3) providing flexible technical and financial assistance to producers to install and maintain conservation systems that enhance soil, water, related natural resources (including grazing land and wetland), and wildlife while sustaining production of food and fiber;

(4) assisting producers to make beneficial, cost effective changes to cropping systems, grazing management, nutrient management associated with livestock, pest or irrigation management, or other practices on agricultural land;

(5) facilitating partnerships and joint efforts among producers and governmental and nongovernmental organizations; and

(6) consolidating and streamlining conservation planning and regulatory compliance processes to reduce administrative burdens on producers and the cost of achieving environmental goals.

SEC. 1240A. DEFINITIONS.

In this chapter:

(1) BEGINNING FARMER OR RANCHER.—The term "beginning farmer or rancher" has the meaning provided under section 343(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1999(a)).

(2) COMPREHENSIVE NUTRIENT MANAGEMENT.—

(A) IN GENERAL.—The term "comprehensive nutrient management" means any combination of structural practices, land management practices, and management activities associated with crop or livestock production described in subparagraph (B) that collectively ensure that the goals of crop or livestock production and preservation of natural resources (especially the preservation and enhancement of water quality) are compatible.

(B) ELEMENTS.—For the purpose of subparagraph (A), structural practices, land management practices, and management activities associated with livestock production are—

(i) manure and wastewater handling and storage;

(ii) manure processing, composting, or digestion for purposes of capturing emissions, concentrating nutrients for transport, destroying pathogens or otherwise improving the environmental safety and beneficial uses of manure;

(iii) land treatment practices;

(iv) nutrient management;

(v) recordkeeping;

(vi) feed management; and

(vii) other waste utilization options.

(C) PRACTICE.—

(i) PLANNING.—The development of a comprehensive nutrient management plan shall be a practice that is eligible for incentive payments and technical assistance under this chapter.

(ii) IMPLEMENTATION.—The implementation of a comprehensive nutrient plan shall be accomplished through structural and land management practices identified in the plan.

(3) ELIGIBLE LAND.—The term "eligible land" means agricultural land (including cropland, grassland, rangeland, pasture, private nonindustrial forest land, and other land on which crops or livestock are produced), including agricultural land that the Secretary determines poses a serious threat to soil, water, or related resources by reason of the soil types, terrain, climatic, soil, topographic, flood, or saline characteristics, or other factors or natural hazards.

(4) INNOVATIVE TECHNOLOGY.—The term "innovative technology" means a new conservation technology that, as determined by the Secretary—

(A) maximizes environmental benefits;

(B) complements agricultural production; and

(C) may be adopted in a practical manner.

(5) LAND MANAGEMENT PRACTICE.—The term "land management practice" means a site-specific nutrient or manure man-

agement, integrated pest management, irrigation management, tillage or residue management, grazing management, air quality management, or other land management practice carried out on eligible land that the Secretary determines is needed to protect from degradation, in the most cost-effective manner, water, soil, or related resources.

(6) LIVESTOCK.—The term "livestock" means dairy cattle, beef cattle, laying hens, broilers, turkeys, swine, sheep, and such other animals as are determined by the Secretary.

(7) MAXIMIZE ENVIRONMENTAL BENEFITS PER DOLLAR EXPENDED.—

(A) IN GENERAL.—The term "maximize environmental benefits per dollar expended" means to maximize environmental benefits to the extent the Secretary determines is practicable and appropriate, taking into account the amount of funding made available to carry out this chapter.

(B) LIMITATION.—The term "maximize environmental benefits per dollar expended" does not require the Secretary—

(i) to require the adoption of the least cost practice or technical assistance; or

(ii) to require the development of a plan under section 1240E as part of an application for payments or technical assistance.

(8) PRACTICE.—The term "practice" means 1 or more structural practices, land management practices, and comprehensive nutrient management planning practices.

(9) PRODUCER.—The term "producer" has the meaning given the term in section 102 of the Agricultural Market Transition Act (7 U.S.C. 7202).

(10) STRUCTURAL PRACTICE.—The term "structural practice" means—

(A) the establishment on eligible land of a site-specific animal waste management facility, terrace, grassed waterway, contour grass strip, filterstrip, tailwater pit, permanent wildlife habitat, constructed wetland, or other structural practice that the Secretary determines is needed to protect, in the most cost-effective manner, water, soil, or related resources from degradation; and

(B) the capping of abandoned wells on eligible land.

[SEC. 1240B. ESTABLISHMENT AND ADMINISTRATION OF ENVIRONMENTAL QUALITY INCENTIVES PROGRAM.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—During each of the 2002 through 2006 fiscal years, the Secretary shall provide technical assistance, cost-share payments, and incentive payments to producers, that enter into contracts with the Secretary, through an environmental quality incentives program in accordance with this chapter.

(2) ELIGIBLE PRACTICES.—

(A) STRUCTURAL PRACTICES.—A producer that implements a structural practice shall be eligible for any combination of technical assistance, cost-share payments, and education.

(B) LAND MANAGEMENT PRACTICES.—A producer that performs a land management practice shall be eligible for any combination of technical assistance, incentive payments, and education.

(C) COMPREHENSIVE NUTRIENT MANAGEMENT PLANNING.—A producer that develops a comprehensive nutrient management plan shall be eligible for any combination of technical assistance, incentive payments, and education.

(3) EDUCATION.—The Secretary may provide conservation education at national, State, and local levels consistent with the purposes of the environmental quality incentives program to—

(A) any producer that is eligible for assistance under this chapter; or

(B) any producer that is engaged in the production of an agricultural commodity.

(b) APPLICATION AND TERM.—With respect to practices implemented under this chapter—

(1) a contract between a producer and the Secretary may—

(A) apply to 1 or more structural practices, land management practices, and comprehensive nutrient management planning practices; and

(B) have a term of not less than 3, nor more than 10, years, as determined appropriate by the Secretary, depending on the practice or practices that are the basis of the contract; and

(2) a producer may not enter into more than 1 contract for structural practices involving livestock nutrient management during the period of fiscal years 2002 through 2006.

(c) APPLICATION AND EVALUATION.—

(1) IN GENERAL.—The Secretary shall establish an application and evaluation process for awarding technical assistance, cost-share payments, and incentive payments to a producer in exchange for the performance of 1 or more practices that maximizes environmental benefits per dollar expended.

(2) COMPARABLE ENVIRONMENTAL VALUE.—

(A) IN GENERAL.—The Secretary shall establish a process for selecting applications for technical assistance, cost-share payments, and incentive payments when there are numerous applications for assistance for practices that would provide substantially the same level of environmental benefits.

(B) CRITERIA.—The process under subparagraph (A) shall be based on—

(i) a reasonable estimate of the projected cost of the proposals described in the applications; and

(ii) the priorities established under this chapter and other factors that maximize environmental benefits per dollar expended.

(3) CONSENT OF OWNER.—If the producer making an offer to implement a structural practice is a tenant of the land involved in agricultural production, for the offer to be acceptable, the producer shall obtain the consent of the owner of the land with respect to the offer.

(4) BIDDING DOWN.—If the Secretary determines that the environmental values of 2 or more applications for technical assistance, cost-share payments, or incentive payments are com-

parable, the Secretary shall not assign a higher priority to the application only because it would present the least cost to the program established under this chapter.

(d) COST-SHARE PAYMENTS.—

(1) IN GENERAL.—Except as provided in paragraph (2), the cost-share payments provided to a producer proposing to implement 1 or more practices under the program shall be not more than 75 percent of the cost of the practice, as determined by the Secretary.

(2) EXCEPTIONS.—

(A) LIMITED RESOURCE AND BEGINNING FARMERS.—The Secretary may increase the amount provided to a producer under paragraph (1) to not more than 90 percent if the producer is a limited resource or beginning farmer or rancher, as determined by the Secretary.

(B) COST-SHARE ASSISTANCE FROM OTHER SOURCES.—Any cost-share payments received by a producer from a State or private organization or person for the implementation of 1 or more practices shall be in addition to the payments provided to the producer under paragraph (1).

(3) OTHER PAYMENTS.—A producer shall not be eligible for cost-share payments for practices on eligible land under this chapter if the producer receives cost-share payments or other benefits for the same practice on the same land under chapter 1 and this chapter.

(e) INCENTIVE PAYMENTS.—The Secretary shall make incentive payments in an amount and at a rate determined by the Secretary to be necessary to encourage a producer to perform 1 or more practices.

(f) TECHNICAL ASSISTANCE.—

(1) IN GENERAL.—The Secretary shall allocate funding under this chapter for the provision of technical assistance according to the purpose and projected cost for which the technical assistance is provided for a fiscal year.

(2) AMOUNT.—The allocated amount may vary according to—

(A) the type of expertise required;

(B) the quantity of time involved; and

(C) other factors as determined appropriate by the Secretary.

(3) LIMITATION.—Funding for technical assistance under this chapter shall not exceed the projected cost to the Secretary of the technical assistance provided for a fiscal year.

(4) OTHER AUTHORITIES.—The receipt of technical assistance under this chapter shall not affect the eligibility of the producer to receive technical assistance under other authorities of law available to the Secretary.

(5) INCENTIVE PAYMENTS FOR TECHNICAL ASSISTANCE.—

(A) IN GENERAL.—A producer that is eligible to receive technical assistance for a practice involving the development of a comprehensive nutrient management plan may obtain an incentive payment that can be used to obtain technical assistance associated with the development of any component of the comprehensive nutrient management plan.

(B) PURPOSE.—The purpose of the payment shall be to provide a producer the option of obtaining technical assistance for developing any component of a comprehensive nutrient management plan from a private person.

(C) PAYMENT.—The incentive payment shall be—

(i) in addition to cost-share or incentive payments that a producer would otherwise receive for structural practices and land management practices;

(ii) used only to procure technical assistance from a private person that is necessary to develop any component of a comprehensive nutrient management plan; and

(iii) in an amount determined appropriate by the Secretary, taking into account—

(I) the extent and complexity of the technical assistance provided;

(II) the costs that the Secretary would have incurred in providing the technical assistance; and

(III) the costs incurred by the private provider in providing the technical assistance.

(D) ELIGIBLE PRACTICES.—The Secretary may determine, on a case by case basis, whether the development of a comprehensive nutrient management plan is eligible for an incentive payment under this paragraph.

(E) CERTIFICATION BY SECRETARY.—

(i) IN GENERAL.—Only private persons that have been certified by the Secretary under section 1244 (f)(3) shall be eligible to provide technical assistance under this subsection.

(ii) QUALITY ASSURANCE.—The Secretary shall ensure that certified private providers are capable of providing technical assistance regarding comprehensive nutrient management in a manner that meets the specifications and guidelines of the Secretary and that meets the needs of producers under the environmental quality incentives program.

(F) ADVANCE PAYMENT.—On the determination of the Secretary that the proposed comprehensive nutrient management of a producer is eligible for an incentive payment, the producer may receive a partial advance of the incentive payment in order to procure the services of a certified private provider.

(G) FINAL PAYMENT.—The final installment of the incentive payment shall be payable to a producer on presentation to the Secretary of documentation that is satisfactory to the Secretary and that demonstrates—

(i) completion of the technical assistance; and

(ii) the actual cost of the technical assistance.

(h) MODIFICATION OR TERMINATION OF CONTRACTS.—

(1) VOLUNTARY MODIFICATION OR TERMINATION.—The Secretary may modify or terminate a contract entered into with a producer under this chapter if—

(A) the producer agrees to the modification or termination; and

(B) the Secretary determines that the modification or termination is in the public interest.

(2) INVOLUNTARY TERMINATION.—The Secretary may terminate a contract under this chapter if the Secretary determines that the producer violated the contract.

SEC. 1240C. EVALUATION OF OFFERS AND PAYMENTS.

(a) IN GENERAL.—In evaluating applications for technical assistance, cost-share payments, and incentive payments, the Secretary shall accord a higher priority to assistance and payments that—

(1) maximize environmental benefits per dollar expended; and

(2)(A) address national conservation priorities, including—

(i) meeting Federal, State, and local environmental purposes focused on protecting air and water quality;

(ii) comprehensive nutrient management;

(iii) water quality, particularly in impaired watersheds;

(iv) soil erosion; or

(v) air quality;

(B) are provided in conservation priority areas established under section 1230(c);

(C) are provided in special projects under section 1243(f)(4) with respect to which State or local governments have provided, or will provide, financial or technical assistance to producers for the same conservation or environmental purposes; or

(D) an innovative technology in connection with a structural practice or land management practice.

SEC. 1240D. DUTIES OF PRODUCERS.

To receive technical assistance, cost-share payments, or incentive payments under this chapter, a producer shall agree—

(1) to implement an environmental quality incentives program plan that describes conservation and environmental goals to be achieved through 1 or more practices that are approved by the Secretary;

(2) not to conduct any practices on the farm or ranch that would tend to defeat the purposes of this chapter;

(3) on the violation of a term or condition of the contract at any time the producer has control of the land—

(A) If the Secretary determines that the violation warrants termination of the contract—

(i) to forfeit all rights to receive payments under the contract; and

(ii) to refund to the Secretary all or a portion of the payments received by the owner or operator under the contract, including any interest on the payments, as determined by the Secretary; or

(B) if the Secretary determines that the violation does not warrant termination of the contract, to refund to the Secretary, or accept adjustments to, the payments provided to the owner or operator, as the Secretary determines to be appropriate;

(4) on the transfer of the right and interest of the producer in land subject to the contract, unless the transferee of the right and interest agrees with the Secretary to assume all obligations of the contract, to refund all cost-share payments and incentive

payments received under this chapter, as determined by the Secretary;

(5) to supply information as required by the Secretary to determine compliance with the environmental quality incentives program plan and requirements of the program; and

(6) to comply with such additional provisions as the Secretary determines are necessary to carry out the environmental quality incentives program plan.

SEC. 1240E. ENVIRONMENTAL QUALITY INCENTIVES PROGRAM PLAN.

(a) IN GENERAL.—To be eligible to receive technical assistance, cost-share payments, or incentive payments under the environmental quality incentives program, a producer of a livestock or agricultural operation shall submit to the Secretary for approval a plan of operations that specifies practices covered under this chapter, and is based on such terms and conditions, as the Secretary considers necessary to carry out the program, including a description of the practices to be implemented and the purposes to be met by the implementation of the plan.

(b) AVOIDANCE OF DUPLICATION.—The Secretary shall, to the maximum extent practicable, eliminate duplication of planning activities under the environmental quality incentives program and comparable conservation programs.

SEC. 1240F. DUTIES OF THE SECRETARY.

To the extent appropriate, the Secretary shall assist a producer in achieving the conservation and environmental goals of an environmental quality incentives program plan by—

(1) providing technical assistance in developing and implementing the plan;

(2) providing technical assistance, cost-share payments, or incentive payments for developing and implementing 1 or more practices, as appropriate;

(3) providing the producer with information, education, and training to aid in implementation of the plan; and

(4) encouraging the producer to obtain technical assistance, cost-share payments, or grants from other Federal, State, local, or private sources.

SEC. 1240G. LIMITATION ON PAYMENTS.

(a) IN GENERAL.—An individual or entity may not receive, directly or indirectly, payments under this chapter that exceed—

(1) $50,000 for any fiscal year; or

(2) $150,000 for any multiyear contract.

(b) VERIFICATION.—The Secretary shall identify individuals and entities that are eligible for a payment under this chapter using social security numbers and taxpayer identification numbers, respectively.

SEC. 1240H. CONSERVATION INNOVATION GRANTS.

(a) IN GENERAL.—From funds made available to carry out this chapter, for each of the 2003 through 2006 fiscal years the Secretary shall use not more than $100,000,000 for each fiscal year to pay the Federal share of competitive grants that are intended to stimulate innovative approaches to leveraging Federal investment in environmental enhancement and protection, in conjunction with agricul-

tural production, through the environmental quality incentives program.

(b) USE.—The Secretary may award grants under this section to governmental and nongovernmental organizations and persons, on a competitive basis, to carry out projects that—

(1) involve producers that are eligible for payments or technical assistance under this chapter;

(2) implement innovative projects, such as—

(A) market systems for pollution reduction;

(B) promoting agricultural best management practices, including the storing of carbon in the soil; and

(C) protection of source water for human consumption; and

(3) leverage funds made available to carry out this chapter with matching funds provided by State and local governments and private organizations to promote environmental enhancement and protection in conjunction with agricultural production.

(c) COST SHARE.—The amount of a grant made under this section to carry out a project shall not exceed 50 percent of the cost of the project.

(d) UNUSED FUNDING.—Any funds made available for a fiscal year under this section that are not obligated by June 1 of the fiscal year may be used to carry out other activities under this chapter during the fiscal year in which the funding becomes available.

[CHAPTER 5—CONSERVATION FARM OPTION

[SEC. 1240M. CONSERVATION FARM OPTION.

[(a) IN GENERAL.—The Secretary shall establish conservation farm option pilot programs for producers of wheat, feed grains, cotton, and rice.

[(b) ELIGIBLE OWNERS AND PRODUCERS.—An owner or producer with a farm that has contract acreage enrolled in the agricultural market transition program established under the Agricultural Market Transition Act shall be eligible to participate in the conservation farm option offered under a pilot program under subsection (a) if the owner or producer meets the conditions established under section (e).

[(c) PURPOSES.—The purposes of the conservation farm option pilot programs shall include—

[(1) conservation of soil, water, and related resources;

[(2) water quality protection or improvement;

[(3) wetland restoration, protection, and creation;

[(4) wildlife habitat development and protection; or

[(5) other similar conservation purposes.

[(d) CONSERVATION FARM PLAN.—

[(1) IN GENERAL.—To be eligible to enter into a conservation farm option contract, an owner or producer must prepare and submit to the Secretary, for approval, a conservation farm plan that shall become a part of the conservation farm option contract.

[(2) REQUIREMENTS.—A conservation farm plan shall—

[(A) describe the resource-conserving crop rotations, and all other conservation practices, to be implemented and

maintained on the acreage that is subject to contract during the contract period;

[(B) contain a schedule for the implementation and maintenance of the practices described in the conservation farm plan;

[(C) comply with highly erodible land and wetland conservation requirements of this title; and

[(D) contain such other terms as the Secretary may require.

[(e) CONTRACTS.—

[(1) IN GENERAL.—On approval of a conservation farm plan, the Secretary may enter into a contract with the owner or producer that specifies the acres being enrolled and the practices being adopted.

[(2) DURATION OF CONTRACT.—The contract shall be for a period of 10 years. The contract may be renewed for a period of not to exceed 5 years on mutual agreement of the Secretary and the owner or producer.

[(3) CONSIDERATION.—In exchange for payments under this subsection, the owner or producer shall not participate in and shall forgo payments under—

[(A) the conservation reserve program established under subchapter B of chapter 1;

[(B) the wetlands reserve program established under subchapter C of chapter 1; and

[(C) the environmental quality incentives program established under chapter 4.

[(4) OWNER OR PRODUCER RESPONSIBILITIES UNDER THE AGREEMENT.—Under the terms of the contract entered into under this section, an owner or producer shall agree to—

[(A) actively comply with the terms and conditions of the approved conservation farm plan;

[(B) keep such records as the Secretary may reasonably require for purposes of evaluation of the implementation of the conservation farm plan; and

[(C) not engage in any activity that would defeat the purposes of the conservation farm option pilot program.

[(5) PAYMENTS.—The Secretary shall offer an owner or producer annual payments under the contract that are equivalent to the payments the owner or producer would have received under the conservation reserve program, the wetlands reserve program, and the environmental quality incentives program.

[(6) BALANCE OF BENEFITS.—The Secretary shall not permit an owner or producer to terminate a conservation reserve program contract and enter a conservation farm option contract if the Secretary determines that such action will reduce net environmental benefits.

[(f) SECRETARIAL DETERMINATIONS.—

[(1) ACREAGE ESTIMATES.—Prior to each year during which the Secretary intends to offer conservation reserve program contracts, the Secretary shall estimate the number of acres that—

[(A) will be retired under the conservation farm option under the terms and conditions the Secretary intends to offer for that program; and

[(B) would be retired under the conservation reserve program if the conservation farm option were not available.

[(2) TOTAL LAND RETIREMENT.—The Secretary shall announce a number of acres to be enrolled in the conservation reserve program that will result in a total number of acres retired under the conservation reserve program and the conservation farm option that does not exceed the amount estimated under paragraph (1)(B) for the current or future years.

[(3) LIMITATION.—The Secretary shall not enroll additional conservation reserve program contracts to offset the land retired under the conservation farm option.

[(g) COMMODITY CREDIT CORPORATION.—The Secretary shall use the funds, authorities, and facilities of the Commodity Credit Corporation to carry out this subsection.

[(h) FUNDING.—Of the funds of the Commodity Credit Corporation, the Corporation shall make available to carry out this section—

[(1) $7,500,000 for fiscal year 1997;
[(2) $15,000,000 for fiscal year 1998;
[(3) $25,000,000 for fiscal year 1999;
[(4) $37,500,000 for fiscal year 2000;
[(5) $50,000,000 for fiscal year 2001; and
[(6) $62,500,000 for fiscal year 2002.

CHAPTER 5—OTHER CONSERVATION PROGRAMS

SEC. 1240M. WILDLIFE HABITAT INCENTIVE PROGRAM.

(a) DEFINITIONS.—In this section:

(1) ENDANGERED SPECIES.—The term 'endangered species' has the meaning given the term in section 3 of the Endangered Species Act of 1973 (16 U.S.C. 1532).

(2) PROGRAM.—The term 'program' means the wildlife habitat incentive program established under subsection (b).

(3) THREATENED SPECIES.—The term 'threatened species' has the meaning given the term in section 3 of the Endangered Species Act of 1973 (16 U.S.C. 1532).

(b) ESTABLISHMENT.—In consultation with the State technical committees established under section 1261 of the Food Security Act of 1985 (16 U.S.C. 3861), the Secretary shall establish the wildlife habitat incentive program.

(c) COST-SHARE PAYMENTS.—

(1) IN GENERAL.—Under the program, the Secretary shall make cost-share payments to owners of eligible land to develop wildlife habitat approved by the Secretary.

(2) ENDANGERED AND THREATENED SPECIES.—Of the funds made available to carry out this subsection, the Secretary shall use at least 15 percent to make cost-share payments to carry out projects and activities relating to endangered species and threatened species.

(d) PILOT PROGRAM FOR ESSENTIAL PLANT AND ANIMAL HABITAT.—Under the program, the Secretary may establish procedures to use not more than 15 percent of funds made available to acquire and enroll eligible land for periods of at least 15 years to protect essential (as determined by the Secretary) plant and animal habitat.

(e) FUNDING.—Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out this section (including the provision of technical assistance)—

(1) $50,000,000 for fiscal year 2002;

(2) $100,000,000 for each of fiscal years 2003 and 2004; and

(3) $125,000,000 for each of fiscal years 2005 and 2006.

SEC. 1240N. WATERSHED RISK REDUCTION.

(a) IN GENERAL.—The Secretary, acting through the Natural Resources Conservation Service (referred to in this section as the "Secretary"), in cooperation with landowners and land users, may carry out such projects and activities (including the purchase of floodplain easements for runoff retardation and soil erosion prevention) as the Secretary determines to be necessary to safeguard lives and property from floods, drought, and the products of erosion on any watershed in any case in which fire, flood, or any other natural occurrence has caused, is causing or may cause a sudden impairment of that watershed.

(b) PRIORITY.—In carrying out this section, the Secretary shall give priority to any project or activity described in subsection (a) that is carried out on a floodplain adjacent to a major river, as determined by the Secretary.

(c) PROHIBITION ON DUPLICATIVE FUNDS.—No project or activity under subsection (a) that is carried out using funds made available under this section may be carried out using funds made available under any Federal disaster relief program administered by the Secretary relating to floods.

(d) FUNDING.—There is authorized to be appropriated to carry out this section $15,000,000 for each of fiscal years 2002 through 2006.

SEC. 1240O. GREAT LAKES BASIN PROGRAM FOR SOIL EROSION AND SEDIMENT CONTROL.

(a) IN GENERAL.—The Secretary, in consultation with the Great Lakes Commission created by Article IV of the Great Lakes Basin Compact (82 Stat. 415) and in cooperation with the Administrator of the Environmental Protection Agency and the Secretary of the Army, may carry out the Great Lakes basin program for soil erosion and sediment control (referred to in this section as the "program".

(b) ASSISTANCE.—In carrying out the program, the Secretary may—

(1) provide project demonstration grants, provide technical assistance, and carry out information and education programs to improve water quality in the Great Lakes basin by reducing soil erosion and improving sediment control; and

(2) provide a priority for projects and activities that directly reduce soil erosion or improve sediment control.

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $5,000,000 for each of fiscal years 2002 through 2006.

SEC. 1240P. CONSERVATION OF PRIVATE GRAZING LAND.

(a) FINDINGS.—Congress finds that—

(1) private grazing land constitutes nearly ½ of the non-Federal land of the United States and is basic to the environmental, social, and economic stability of rural communities;

(2) private grazing land contains a complex set of interactions among soil, water, air, plants, and animals;

(3) grazing land constitutes the single largest watershed cover type in the United States and contributes significantly to the quality and quantity of water available for all of the many uses of the land;

(4) private grazing land constitutes the most extensive wildlife habitat in the United States;

(5) private grazing land can provide opportunities for improved nutrient management from land application of animal manures and other by-product nutrient resources;

(6) owners and managers of private grazing land need to continue to recognize conservation problems when the problems arise and receive sound technical assistance to improve or conserve grazing land resources to meet ecological and economic demands;

(7) new science and technology must continually be made available in a practical manner so owners and managers of private grazing land may make informed decisions concerning vital grazing land resources;

(8) agencies of the Department with private grazing land responsibilities are the agencies that have the expertise and experience to provide technical assistance, education, and research to owners and managers of private grazing land for the long-term productivity and ecological health of grazing land;

(9) although competing demands on private grazing land resources are greater than ever before, assistance to private owners and managers of private grazing land is currently limited and does not meet the demand and basic need for adequately sustaining or enhancing the private grazing land resources; and

(10) private grazing land can be enhanced to provide many benefits to all citizens of the United States through voluntary cooperation among owners and managers of the land, local conservation districts, and the agencies of the Department responsible for providing assistance to owners and managers of land and to conservation districts.

(b) PURPOSE.—The purpose of this section is to authorize the Secretary to provide a coordinated technical, educational, and related assistance program to conserve and enhance private grazing land resources and provide related benefits to all citizens of the United States by—

(1) establishing a coordinated and cooperative Federal, State, and local grazing conservation program for management of private grazing land;

(2) strengthening technical, educational, and related assistance programs that provide assistance to owners and managers of private grazing land;

(3) conserving and improving wildlife habitat on private grazing land;

(4) conserving and improving fish habitat and aquatic systems through grazing land conservation treatment;

(5) protecting and improving water quality;

(6) improving the dependability and consistency of water supplies;

(7) identifying and managing weed, noxious weed, and brush encroachment problems on private grazing land; and

(8) integrating conservation planning and management decisions by owners and managers of private grazing land, on a voluntary basis.

(c) DEFINITION OF PRIVATE GRAZING LAND.—In this section, the term "private grazing land" means rangeland, pastureland, grazed forest land, hay land, and any other non-federally owned land that is—

(1) private;

(2) owned by a State; or

(3) under the jurisdicition of an Indian tribe.

(d) PRIVATE GRAZING LAND CONSERVATION ASSISTANCE.—

(1) IN GENERAL.—Subject to the availability of appropriations for this section, the Secretary shall establish a voluntary program to provide technical, educational, and related assistance to owners and managers of private grazing land and public agencies, through local conservation districts, to enable the landowners, managers, and public agencies to voluntarily carry out activities that are consistent with this section, including—

(A) maintaining and improving private grazing land and the multiple values and uses that depend on private grazing land;

(B) implementing grazing land management technologies;

(C) managing resources on private grazing land, including—

(i) planning, managing, and treating private grazing land resources;

(ii) ensuring the long-term sustainability of private grazing land resources;

(iii) harvesting, processing, and marketing private grazing land resources; and

(iv) identifying and managing weed, noxious weed, and brush encroachment problems;

(D) protecting and improving the quality and quantity of water yields from private grazing land;

(E) maintaining and improving wildlife and fish habitat on private grazing land;

(F) enhancing recreational opportunities on private grazing land;

(G) maintaining and improving the aesthetic character of private grazing land; and

(H) identifying the opportunities and encouraging the diversification of private grazing land enterprises.

(2) PROGRAM ELEMENTS.—

(A) FUNDING.—Funds may be used to carry out this section only if funds are provided through a specific line-item in the annual appropriations for the Natural Resources Conservation Service.

(B) TECHNICAL ASSISTANCE AND EDUCATION.—Personnel of the Department of Agriculture trained in pasture and range management shall be made available under the program to deliver and coordinate technical assistance and education to owners and managers of private grazing land, at the request of the owners and managers.

(e) GRAZING TECHNICAL ASSISTANCE SELF-HELP.—

(1) FINDINGS.—Congress finds that—

(A) there is a severe lack of technical assistance for farmers and ranchers that graze livestock;

(B) Federal budgetary constraints preclude any significant expansion, and may force a reduction of, current levels of technical support; and

(C) farmers and ranchers have a history of cooperatively working together to address common needs in the promotion of their products and in the drainage of wet areas through drainage districts.

(2) ESTABLISHMENT OF GRAZING DEMONSTRATION DISTRICTS.—In accordance with paragraph (2), the Secretary may establish 2 grazing management demonstration districts on the recommendation of the grazing land conservation initiative steering committee.

(3) PROCEDURE.—

(A) PROPOSAL.—Within a reasonable time after the submission of a proposal of an organization of farmers or ranchers engaged in grazing in a district, subject to subparagraphs (B) through (F), the Secretary establish a grazing management district in accordance with the proposal.

(B) FUNDING.—The terms and conditions of the funding and operation of the grazing management district shall be proposed by the farmers and ranchers engaged in grazing in the district.

(C) APPROVAL.—The Secretary shall approve the proposal if the Secretary determines that the proposal—

(i) is reasonable;

(ii) will promote sound grazing practices; and

(iii) contains provisions similar to the provisions contained in the beef promotion and research order issued under section 4 of the Beef Research and Information Act (7 U.S.C. 2903) in effect on April 4, 1996.

(D) AREA INCLUDED.—The area proposed to be included in a grazing management district shall be determined by the Secretary on the basis of the proposal submitted by farmers or ranchers under subparagraph (A).

(E) AUTHORIZATION.—The Secretary may use authority under the Agricultural Adjustment Act (7 U.S.C. 601 et seq.), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, to operate, on a demonstration basis, a grazing management district.

(F) ACTIVITIES.—The activities of a grazing management district shall be scientifically sound activities, as determined by the Secretary in consultation with a technical advisory committee composed of farmers, ranchers and technical experts.

(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $60,000,000 for each of fiscal years 2002 through 2006.".

* * * * * * *

SEC. 1241. FUNDING.

(a) MANDATORY EXPENSES.—For each of fiscal years 1996 through [2002] *2006*, the Secretary shall use the funds of the

Commodity Credit Corporation to carry out the programs *(including the provision of technical assistance)* authorized by—

(1) subchapter B of chapter 1 of subtitle D (including contracts extended by the Secretary pursuant to section 1437 of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101–624; 16 U.S.C. 3831 note));

(2) [subchapter C] *subchapters C and D* of chapter 1 of subtitle D; and

(3) chapter 4 of subtitle D.

[(b) ENVIRONMENTAL QUALITY INCENTIVES PROGRAM.—

[(1) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary shall make available $130,000,000 for fiscal year 1996, and $200,000,000 for each of fiscal years 1997 through 2002, for providing technical assistance, cost-share payments, incentive payments, and education under the environmental quality incentives program under chapter 4 of subtitle D.

[(2) LIVESTOCK PRODUCTION.—For each of fiscal years 1996 through 2002, 50 percent of the funding available for technical assistance, cost-share payments, incentive payments, and education under the environmental quality incentives program shall be targeted at practices relating to livestock production.]

(b) ENVIRONMENTAL QUALITY INCENTIVES PROGRAM.—

(1) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary shall make available to provide technical assistance, cost-share payments, incentive payments, bonus payments, grants, and education under the environmental quality incentives program under chapter 4 of subtitle D—

(A) $500,000,000 for fiscal year 2002;

(B) $1,050,000,000 for fiscal year 2003;

(C) $1,200,000,000 for fiscal year 2004;

(D) $1,200,000,000 for fiscal year 2005; and

(E) $1,250,000,000 for fiscal year 2006.

(2) OBLIGATION OF FUNDS.—

(A) IN GENERAL.—If a contract under the environmental quality incentives program under chapter 4 of subtitle D is terminated, or work under the contract is completed, prior to the end of the term of the contract and funds obligated for the contract have not been expended, the unexpended funds may be used to carry out any other contract under the program during the same fiscal year in which the original contract was terminated.

(B) ADDITIONAL USES OF FUNDS.—Funding for contracts that terminate under the program administered under subchapter B of chapter 1 may be transferred to, and used to carry out, the program under chapter 4 of subtitle D.

(c) CONSERVATION SECURITY PROGRAM.—Of the funds of the Commodity Credit Corporation, the Corporation shall make available for each of fiscal years 2002 through 2006 such sums as are necessary to carry out subchapter A of chapter 2 (including the provision of technical assistance).

(d) FARMLAND PROTECTION PROGRAM.—

(1) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out subchapter B of chapter 2 (including the provision of technical assistance)—

(A) $150,000,000 for fiscal year 2002;

(B) $200,000,000 for each of fiscal years 2003 and 2004;

(C) $225,000,000 for fiscal year 2005; and

(D) $250,000,000 for fiscal year 2006.

(2) COST SHARING.—

(A) FARMLAND PROTECTION.—

(i) IN GENERAL.—The share of the cost of purchasing a conservation easement or other interest described in section 1238I(a) provided under this subsection shall not exceed 50 percent.

(ii) STATE AND LOCAL CONTRIBUTIONS.—In a case in which a State or local government purchases an easement under section 1238I(a), not more than 25 percent of the share of the cost of the easement contributed by the State or local government may be provided—

(I) by a private landowner; or

(II) in the form of in-kind goods or services.

(B) MARKET VIABILITY CONTRIBUTIONS.—As a condition of receiving a grant under section 1238J(a), a grantee shall provide funds in an amount equal to the amount of the grant.

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SEC. 1243. [ADMINISTRATION.] *ADMINISTRATION OF CCEP.*

(a) PLANS.—The Secretary shall, to the extent practicable, avoid duplication in—

(1) the conservation plans required for—

(A) highly erodible land conservation under subtitle B;

(B) the conservation reserve program established under subchapter B of chapter 1 of subtitle D; and

(C) the wetlands reserve program established under subchapter C of chapter 1 of subtitle D; and

(2) the environmental quality incentives program established under chapter 4 of subtitle D.

(b) ACREAGE LIMITATION.—

(1) IN GENERAL.—[The Secretary] *Except for land enrolled under continuous signup* (as described in section 1231 (b)(6)), the Secretary shall not enroll more than 25 percent of the cropland in any county in the programs administered under the conservation reserve and wetlands reserve programs established under subchapters B and C, respectively, of chapter 1 of subtitle D. Not more than 10 percent of the cropland in a county may be subject to an easement acquired under the subchapters.

(2) EXCEPTION.—The Secretary may exceed the limitations in paragraph (1) if the Secretary determines that—

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(e) REGULATIONS.—Not later than 90 days after the date of enactment of the Federal Agriculture Improvement and Reform Act of 1996, the Secretary shall issue regulations to implement the conservation reserve and wetlands reserve programs established under chapter 1 of subtitle D.

(f) PARTNERSHIPS AND COOPERATION.—

(1) IN GENERAL.—In carrying out any program under subtitle D, the Secretary may designate special projects, as recommended by the State Conservationist, after consultation with the State technical committee, to enhance technical and financial assistance provided to owners, operators, and producers to address environmental issues affected by agricultural production with respect to—

(A) meeting the purposes of—

(i) the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.) or comparable State laws in impaired or threatened watersheds;

(ii) the Safe Drinking Water Act (42 U.S.C. 300f et seq.) or comparable State laws in watersheds providing water for drinking water supplies; or

(iii) the Clean Air Act (42 U.S.C. 7401 et seq.) or comparable State laws; or

(B) watersheds of special significance or other geographic areas of environmental sensitivity, such as wetland, including State or multi-State projects—

(i) to facilitate surface and ground water conservation;

(ii) to protect water quality;

(iii) to protect endangered or threatened species or habitat, such as conservation corridors;

(iv) to improve methods of irrigation;

(v) to convert acreage from irrigated production; or

(vi) to reduce nutrient loads of watersheds.".

(2) INCENTIVES.—To realize the purposes of the special projects under paragraph (1), the Secretary may provide incentives to owners, operators, and producers participating in the special projects to encourage partnerships and sharing of technical and financial resources among owners, operators, and producers and among owners, operators, and producers and governmental and nongovernmental organizations.

(3) FLEXIBILITY.—

(A) IN GENERAL.—The Secretary may enter into agreements with States (including State agencies and units of local government) and nongovernmental organizations to allow greater flexibility to adjust the application of eligibility criteria, approved practices, innovative conservation practices, and other elements of the programs under this title to better reflect unique local circumstances and purposes in a manner that is consistent with—

(i) environmental enhancement and long-term sustainability of the natural resource base; and

(ii) the purposes of this title.

(B) PLAN.—Each party to an agreement under subparagraph (A) shall submit to the Secretary, for approval by the Secretary, a special project area or priority area program plan for each program to be carried out by the party that includes—

(i) a description of the proposed adjustments to program implementation (including a description of how

those adjustments will accelerate the achievement of environmental benefits);

(ii) an analysis of the contribution those adjustments will make to the effectiveness of programs in achieving the purposes of the special project or priority area program;

(iii) a timetable for reevaluating the need for or performance of the proposed adjustments;

(iv) a description of non-Federal programs and resources that will contribute to achieving the purposes of the special project or priority area program; and

(v) a plan for regular monitoring, evaluation, and reporting of progress toward the purposes of the special project or priority area program.

(4) FUNDING FOR SPECIAL PROJECTS.—The Secretary may carry out special projects, the purposes of which are to encourage—

(A) producers to cooperate in the installation and maintenance of conservation systems that affect multiple agricultural operations;

(B) the sharing of information and technical and financial resources;

(C) cumulative environmental benefits across operations of producers; and

(D) the development and demonstration of innovative conservation methods.

(5) FUNDING.—

(A) IN GENERAL.—Subject to subparagraph (B), the Secretary shall use 5 percent of the funds made available for each fiscal year under section 1241(b) to carry out activities that are authorized under the environmental quality incentives program established under chapter 4 of subtitle D.

(B) UNUSED FUNDING.—Any funds made available for a fiscal year under subparagraph (A) that are not obligated by June 1 of the fiscal year may be used to carry out other activities under the environmental quality incentives program during the fiscal year in which the funding becomes available.

SEC. 1244. ADMINISTRATIVE REQUIREMENTS FOR CONSERVATION PROGRAMS.

(a) GOOD FAITH RELIANCE.—

(1) IN GENERAL.—Notwithstanding any other provision of law, except as provided in paragraph (4), the Secretary shall provide equitable relief to an owner, operator, or producer that has entered into a contract under a conservation program administered by the Secretary, and that is subsequently determined to be in violation of the contract, if the owner, operator, or producer, in attempting to comply with the terms of the contract and enrollment requirements—

(A) took actions in good faith reliance on the action or advice of an employee of the Secretary; and

(B) had no knowledge that the actions taken were in violation of the contract.

(2) TYPES OF RELIEF.—The Secretary shall—

(A) to the extent the Secretary determines that an owner, operator, or producer has been injured by good faith reliance described in paragraph (1), allow the owner, operator, or producer—

(i) to retain payments received under the contract;

(ii) to continue to receive payments under the contract;

(iii) to keep all or part of the land covered by the contract enrolled in the applicable program;

(iv) to reenroll all or part of the land covered by the contract in the applicable program; or

(v) to receive any other equitable relief the Secretary considers appropriate; and

(B) require the owner, operator, or producer to take such actions as are necessary to remedy any failure to comply with the contract.

(3) RELATIONSHIP TO OTHER LAW.—The authority to provide relief under this subsection shall be in addition to any other authority provided in this or any other Act.

(4) EXCEPTIONS.—This section shall not apply to—

(A) any pattern of conduct in which an employee of the Secretary takes actions or provides advice with respect to an owner, operator, or producer that the employee and the owner, operator, or producer know are inconsistent with applicable law (including regulations); or

(B) an owner, operator, or producer takes any action, independent of any advice or authorization provided by an employee of the Secretary, that the owner, operator, or producer knows or should have known to be inconsistent with applicable law (including regulations).

(5) APPLICABILITY OF RELIEF.—Relief under this section shall be available for contracts in effect on or after the date of enactment of this section.

(b) EDUCATION, OUTREACH, MONITORING, AND EVALUATION.—In carrying out any conservation program administered by the Secretary, the Secretary—

(1) shall provide education, outreach, training, monitoring, evaluation, technical assistance, and related services to agricultural producers (socially disadvantaged agricultural producers, beginning farmers and ranchers, Indian tribes (as those terms are defined in section 1238), and limited resource agricultural producers);

(2) may enter into contracts with States (including State agencies and units of local government), private nonprofit, community-based organizations, and educational institutions with demonstrated experience in providing the services described in paragraph (1), to provide those services; and

(3) shall use such sums as are necessary from funds of the Commodity Credit Corporation to carry out activities described in paragraphs (1) and (2).

(c) BEGINNING FARMERS AND RANCHERS AND INDIAN TRIBES.—In carrying out any conservation program administered by the Secretary, the Secretary may provide to beginning farmers and ranchers and Indian tribes (as those terms are defined in section 1238)

and limited resource agricultural producers incentives to participate in the conservation program to—

(1) foster new farming opportunities; and

(2) enhance environmental stewardship over the long term.

(d) PROGRAM EVALUATION.—The Secretary shall maintain data concerning conservation security plans, conservation practices planned or implemented, environmental outcomes, economic costs, and related matters under conservation programs administered by the Secretary.

(e) MEDIATION AND INFORMAL HEARINGS.—If the Secretary makes a decision under a conservation program administered by the Secretary that is adverse to an owner, operator, or producer, at the request of the owner, operator, or producer, the Secretary shall provide the owner, operator, or producer with mediation services or an informal hearing on the decision.

(f) TECHNICAL ASSISTANCE.—

(1) IN GENERAL.—Under any conservation program administered by the Secretary, subject to paragraph (2), technical assistance provided by persons certified under paragraph (3) (including farmers and ranchers) may include—

(A) conservation planning;

(B) design, installation, and certification of conservation practices;

(C) conservation training for producers; and

(D) such other conservation activities as the Secretary determines to be appropriate.

(2) OUTSIDE ASSISTANCE.—

(A) IN GENERAL.—The Secretary may contract directly with qualified persons not employed by the Department to provide conservation technical assistance.

(B) PAYMENT BY SECRETARY.—Subject to subparagraph (C), the Secretary may provide a payment to an owner, operator, or producer enrolled in a conservation program administered by the Secretary if the owner, operator, or producer elects to obtain technical assistance from a person certified to provide technical assistance under this subsection.

(C) NONPRIVATE PROVIDERS.—In determining whether to provide a payment under subparagraph (B) to a nonprivate provider, the Secretary shall provide a payment if the provision of the payment would result in an increase in the total amount of technical assistance available to producers, as determined by the Secretary.

(3) CERTIFICATION OF PROVIDERS OF TECHNICAL ASSISTANCE.—

(A) PROCEDURES.—

(i) IN GENERAL.—The Secretary shall establish procedures for certifying persons not employed by the Department to provide technical assistance in planning, designing, or certifying activities to participate in any conservation program administered by the Secretary to agricultural producers and landowners participating, or seeking to participate, in conservation programs administered by the Secretary.

(ii) NON-FEDERAL ASSISTANCE.—The Secretary may request the services of, and enter into a cooperative agreement with, a State water quality agency, State fish and wildlife agency, State forestry agency, or any other governmental or nongovernmental organization or person considered appropriate to assist in providing the technical assistance necessary to develop and implement conservation plans under this title.

(B) STANDARDS.—The Secretary shall establish standards for the conduct of—

(i) the certification process conducted by the Secretary; and

(ii) periodic recertification by the Secretary of providers.

(C) CERTIFICATION REQUIRED.—

(i) IN GENERAL.—A provider may not provide to any producer technical assistance described in paragraph (3)(A)(i) unless the provider is certified by the Secretary.

(ii) WAIVER.—The Secretary may exempt a provider from any requirement of this subparagraph if the Secretary determines that the provider has been certified or recertified to provide technical assistance through a program the standards of which meet or exceed standards established by the Secretary under subparagraph (B).

(D) FEE.—

(i) IN GENERAL.—In exchange for certification or recertification, a provider shall pay a fee to the Secretary in an amount determined by the Secretary.

(ii) ACCOUNT.—A fee paid to the Secretary under clause (i) shall be—

(I) credited to the account in the Treasury that incurs costs relating to implementing this subsection; and

(II) made available to the Secretary for use for conservation programs administered by the Secretary, without further appropriation, until expended.

(iii) WAIVER.—The Secretary may waive any requirement of any provider to pay a fee under this subparagraph if the provider qualifies for a waiver under subparagraph (C)(ii).

(E) OTHER REQUIREMENTS.—The Secretary may establish such other requirements as the Secretary determines are necessary to carry out this subsection.

(g) PRIVACY OF PERSONAL INFORMATION RELATING TO NATURAL RESOURCES CONSERVATION PROGRAMS.—

(1) INFORMATION RECEIVED FOR TECHNICAL AND FINANCIAL ASSISTANCE.—

(A) IN GENERAL.—In accordance with section 1770 and section 552(b)(3) of title 5, United States Code, except as provided in subparagraph (C) and paragraph (3), information described in subparagraph (B)—

(i) shall not be considered to be public information; and

(ii) shall not be released to any person or Federal, State, local agency or Indian tribe (as defined in section 1238) outside the Department of Agriculture.

(B) INFORMATION.—The information referred to in subparagraph (A) is information—

(i) provided to, or developed by, the Secretary (including a contractor of the Secretary) for the purpose of providing technical or financial assistance to an owner, operator, or producer with respect to any natural resources conservation program administered by the Natural Resources Conservation Service or the Farm Service Agency; and

(ii) that is proprietary to the agricultural operation or land that is a part of an agricultural operation of the owner, operator, or producer.

(C) EXCEPTION.—Information compiled by the Secretary, such as a list of owners, operators, or producers that have received payments from the Secretary and the amounts received, shall be—

(i) considered to be public information; and

(ii) may be released to any—

(I) person;

(II) Indian tribe (as defined in section 1238); or

(III) Federal, State, local agency outside the Department of Agriculture.

(2) INVENTORY, MONITORING, AND SITE SPECIFIC INFORMATION.—Except as provided in paragraph (3) and notwithstanding any other provision of law, in order to maintain the personal privacy, confidentiality, and cooperation of owners, operators, and producers, and to maintain the integrity of sample sites, the specific geographic locations of data gathering sites of the National Resources Inventory of the Department of Agriculture, and the information generated by those sites—

(A) shall not be considered to be public information; and

(B) shall not be released to any person or Federal, State, local, or tribal agency outside the Department.

(3) EXCEPTIONS.—

(A) RELEASE AND DISCLOSURE FOR ENFORCEMENT.—The Secretary may release or disclose to the Attorney General information covered by paragraph (1) or (2) to the extent necessary to enforce the natural resources conservation programs referred to in paragraph (1).

(B) DISCLOSURE TO COOPERATING PERSONS AND AGENCIES.—

(i) IN GENERAL.—The Secretary may release or disclose information covered by paragraph (1) or (2) to a person or Federal, State, local, or tribal agency working in cooperation with the Secretary in providing technical and financial assistance described in paragraph (1) or collecting information from National Resources Inventory data gathering sites.

(ii) USE OF INFORMATION.—The person or Federal, State, local, or tribal agency that receives information

described in clause (i) may release the information only for the purpose of assisting the Secretary—

(I) in providing the requested technical or financial assistance; or

(II) in collecting information from National Resources Inventory data gathering sites.

(C) STATISTICAL AND AGGREGATE INFORMATION.—Information covered by paragraph (1) or (2) may be disclosed to the public if the information has been transformed into a statistical or aggregate form that does not allow the identification of any—

(i) individual owner, operator, or producer; or

(ii) specific data gathering site.

(D) CONSENT OF OWNER, OPERATOR, OR PRODUCER.—

(i) IN GENERAL.—An owner, operator, or producer may consent to the disclosure of information described in paragraph (1) or (2).

(ii) CONDITION OF OTHER PROGRAMS.—The participation of the owner, operator, or producer in, and the receipt of any benefit by the owner, operator, or producer under, this title or any other program administered by the Secretary may not be conditioned on the owner, operator, or producer providing consent under this paragraph.

(4) VIOLATIONS; PENALTIES.—Section 1770(c) shall apply with respect to the release of information collected in any manner or for any purpose prohibited by this subsection.

(h) INDIAN TRIBES.—In carrying out any conservation program administered by the Secretary on land under the jurisdiction of an Indian tribe (as defined in section 1238), the Secretary shall cooperate with the tribal government of the Indian tribe to ensure, to the maximum extent practicable, that the program is administered in a fair and equitable manner.

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[Subtitle G—State Technical Committees]

Subtitle G—State Technical Committees

SEC. 1261. ESTABLISHMENT.

(a) IN GENERAL.—The Secretary shall establish in each State a technical committee to assist the Secretary in the technical considerations relating to implementation of any private land conservation program administered by the Secretary.

(b) STANDARDS.—Not later than 180 days after the date of enactment of the Agriculture, Conservation, and Rural Enhancement Act of 2001, the Secretary shall develop standards to be used by each State technical committee in the development of technical guidelines under section 1262(b) for the implementation of the conservation programs under this title.

(c) COMPOSITION.—Each State technical committee established under subsection (a) shall be composed of professional resource managers that represent a variety of disciplines in the soil, water,

wetland, forest, and wildlife sciences, including representatives from among—

(1) the Natural Resources Conservation Service (a representative of which shall serve as Chair of the Committee);

(2) the Farm Service Agency;

(3) the Forest Service;

(4) the Extension Service;

(5) the Fish and Wildlife Service;

(6) such State departments and agencies as the Secretary determines to be appropriate, including—

(A) a State fish and wildlife agency;

(B) a State forester or equivalent State official;

(C) a State water resources agency;

(D) a State department of agriculture;

(E) a State soil conservation agency;

(F) a State association of soil and water conservation districts; and

(G) land grant colleges and universities;

(7) other individuals or agency personnel with expertise in soil, water, wetland, and wildlife or forest management as the Secretary determines to be appropriate;

(8) agricultural producers with demonstrable conservation expertise;

(9) nonprofit organizations with demonstrable conservation or forestry expertise;

(10) persons knowledgeable about conservation or forestry techniques; and

(11) agribusinesses.

SEC. 1262. RESPONSIBILITIES.

(a) INFORMATION.—

(1) PROVISION.—

(A) IN GENERAL.—Each State technical committee established under section 1261 shall meet regularly to provide information, analyses, and recommendations to the Secretary.

(B) MANNER; FORM.—Information, analyses, and recommendations described in subparagraph (A) shall—

(i) be provided in writing, in a manner that assists the Secretary in determining matters of fact, technical merit, or scientific question; and (ii) reflect the best professional information and judgment of the committee.

(2) COORDINATION.—The Secretary shall coordinate activities conducted under this section with activities conducted under section 1628 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 5831).

(3) PUBLIC PARTICIPATION.—Each State technical committee shall—

(A) provide public notice of, and permit public attendance at, meetings considering issues of concern related to any program under this title; and

(B) distribute meeting minutes to each person attending a meeting described in subparagraph (A).

(4) COMMUNICATION.—Each State conservationist shall communicate regularly with members of the State technical com-

mittee concerning status of action on recommendations of the committee.

(b) OTHER DUTIES.—Each State technical committee shall provide assistance and offer recommendations with respect to the technical aspects of—

(1) wetland protection, restoration, and mitigation requirements;

(2) criteria to be used in evaluating bids for enrollment of environmentally-sensitive land in the conservation reserve program established under subchapter B of chapter 1;

(3) guidelines for haying or grazing and the control of weeds to protect nesting wildlife on designated acreage relating to—

(A) highly erodible land conservation under subtitle B;

(B) wetland conservation under subtitle C; or

(C) other conservation requirements

(4) addressing common weed and pest problems and programs to control weeds and pests found on acreage enrolled in the conservation reserve program;

(5) guidelines for planting perennial cover for water quality and wildlife habitat improvement on designated land;

(6) establishing criteria and priorities for State initiatives under the environmental quality incentives program under chapter 4 of subtitle D;

(7) establishing State and local conservation priorities under the conservation security program under subchapter A of chapter 2 of subtitle D;

(8) establishing and maintaining natural resource indicators and conservation program monitoring and evaluation systems;

(9) developing conservation program education and outreach activities;

(10) evaluating innovative practices and systems under consideration for inclusion in the field office technical guides; and

(11) other matters, as determined to be appropriate by the Secretary.

(c) AUTHORITY.—

(1) IN GENERAL.—Each State technical committee established under section 1261 shall—

(A) serve in an advisory capacity; and

(B) have no implementation or enforcement authority.

(2) CONSIDERATION BY SECRETARY.—In carrying out any program under this title, the Secretary shall give strong consideration to the recommendations of a State technical committee (including factual, technical, or scientific findings and recommendations relating to areas in which the State technical committee bears responsibility).

(d) FACA REQUIREMENTS.—A State technical committee established under section 1261 shall be exempt from the Federal Advisory Committee Act (5 U.S.C. App.).

(e) ADVISORY SUBCOMMITTEES.—

(1) IN GENERAL.—Any State or local work group, task force, or other advisory body authorized by any Federal law (including a regulation) to advise the Secretary on issues that are within the areas of responsibility of a State technical committee established under section 1261 shall be considered to be a subcommittee of the State technical committee.

(2) COMPOSITION.—A person eligible to serve on a State technical committee under section 1261(c) shall also be eligible to serve on 1 or more subcommittees of a State technical committee.

(3) LOCAL WORKING GROUPS.—A local working group shall be considered to be a subcommittee of a State technical committee established under section 1261.".

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TITLE 3

PUBLIC LAW 480

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SEC. 2. UNITED STATES POLICY.

It is the policy of the United States to use its abundant agricultural productivity to promote the foreign policy of the United States by enhancing the food security of the developing world through the use of agricultural commodities and local currencies accruing under this Act to—

(1) combat world hunger and malnutrition and their causes;

(2) promote broad-based, equitable, and sustainable development, including agricultural development *and conflict prevention*;

(3) expand international trade;

(4) develop and expand export markets for United States agricultural commodities; and

(5) foster and encourage the development of private enterprise and democratic participation in developing countries.

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SEC. 202. PROVISION OF AGRICULTURAL COMMODITIES.

(a) EMERGENCY ASSISTANCE.—Notwithstanding any other provision of law, the Administrator may provide agricultural commodities to meet emergency food needs under this title through governments and public or private agencies, including intergovernmental organizations such as the World Food Program and other multilateral organizations, in such manner and on such terms and conditions as the Administrator determines appropriate to respond to the emergency.

(b) NONEMERGENCY ASSISTANCE.—

(1) IN GENERAL.—The Administrator may provide agricultural commodities for nonemergency assistance under this title through eligible organizations (as described in subsection (d)) that have entered into an agreement with the Administrator to use the commodities in accordance with this title.

(2) LIMITATION.—The Administrator may not deny a request for funds submitted under this subsection because the program for which the funds are requested—

(A) would be carried out by the eligible organization in a foreign country in which the Agency for International Development does not have a mission, office, or other presence; or

(B) is not part of a development plan for the country prepared by the Agency.

(3) PROGRAM DIVERSITY.—The Administrator shall—

(A) encourage eligible organizations to propose and implement program plans to address 1 or more aspects of the program under section 201; and

(B) consider proposals that incorporate a variety of program objectives and strategic plans based on the identification by eligible organizations of appropriate activities to assist development in foreign countries.

(c) USES OF ASSISTANCE.—Agricultural commodities provided under this title may be made available for direct distribution, sale, barter, or other appropriate disposition.

(d) ELIGIBLE ORGANIZATIONS.—To be eligible to receive assistance under subsection (b) an organization shall be—

(1) a private voluntary organization or cooperative that is, to the extent practicable, registered with the Administrator; or

(2) an intergovernmental organization, such as the World Food Program.

(e) SUPPORT FOR ELIGIBLE ORGANIZATIONS.—

(1) IN GENERAL.—Of the funds made available in each fiscal year under this title to the Administrat, or, [not less than $10,000,000 and not more than $28,000,000,] *not less than 5 percent nor more than 10 percent of the funds* shall be made available in each fiscal year to eligible organizations described in subsection (d), to assist the organizations in—

(h) CERTIFIED INSTITUTIONAL PARTNERS.—

(1) IN GENERAL.—The Administrator or the Secretary, as applicable, shall promulgate regulations and issue guidelines to permit private voluntary organizations and cooperatives to be certified as institutional partners.

(2) REQUIREMENTS.—To become a certified institutional partner, a private voluntary organization or cooperative shall submit to the Administrator a certification of organizational capacity that describes—

(A) the financial, programmatic, commodity management, and auditing abilities and practices of the organization or cooperative; and

(B) the capacity of the organization or cooperative to carry out projects in particular countries.

(3) MULTI-COUNTRY PROPOSALS.—A certified institutional partner shall be eligible to—

(A) submit a single proposal for 1 or more countries that are the same as, or similar to, those countries in which the certified institutional partner has already demonstrated organizational capacity;

(B) receive expedited review and approval of the proposal; and

(C) receive commodities and assistance under this section for use in 1 or more countries.

SEC. 203. GENERATION AND USE OF [FOREIGN] CURRENCIES BY PRIVATE VOLUNTARY ORGANIZATIONS AND COOPERATIVES.

(a) LOCAL SALE AND BARTER OF COMMODITIES.—An agreement entered into between the Administrator and a private voluntary organization or cooperative to provide food assistance through such

organization or cooperative under this title may provide for the sale or barter in [the recipient country, or in a country] *1 or more recipient countries, or 1 or more countries* in the same region, of the commodities to be provided under such agreement.

(b) MINIMUM LEVEL OF LOCAL SALES.—In carrying out agreements of the type referred to in subsection (a), the Administrator shall permit private voluntary organizations and cooperatives to sell, [in recipient countries, or in countries] *1 or more recipient countries, or in 1 or more countries in the same region,* an amount of commodities equal to not less than 15 percent of the aggregate amounts of all commodities distributed under non-emergency programs under this title for each fiscal year, to generate [foreign currency] proceeds to be used as provided in this section.

(c) DESCRIPTION OF INTENDED USES.—A private voluntary organization or cooperative submitting a proposal to enter into a non-emergency food assistance agreement under this title shall include in such proposal a description of the intended uses of any [foreign currency] proceeds that may be generated through the sale, in [the recipient country, or in a country in] *1 or more recipient countries, or in 1 or more countries in* the same region, of any commodities provided under an agreement entered into between the Administrator and the organization or cooperative.

(d) USE.—[Foreign currencies] *Proceeds* generated from any partial or full sale or barter of commodities by a private voluntary organization or cooperative under a non-emergency food assistance agreement under this title may—

(1) be used to transport, store, distribute, and otherwise enhance the effectiveness of the use of agricultural commodities provided under this title;

(2) be used to implement [income generating] *income-generating,* community development, health, nutrition, cooperative development, agricultural, and other developmental activities within [the recipient country or within a country] *1 or more recipient countries or within 1 or more countries* in the same region; or

(3) be invested, and any interest earned on such investment may be used, for the purposes for which the assistance was provided to that organization, without further appropriation by Congress.

SEC. 204. LEVELS OF ASSISTANCE.

(a) MINIMUM LEVELS.—

(1) MINIMUM ASSISTANCE.—Except as provided in paragraph (3), the Administrator shall make agricultural commodities available for food distribution under this title in an amount [that for each of fiscal years 1996 through 2002 is not less than 2,025,000 metric tons] *that is not less than—*

(A) 2,100.000 metric tons for fiscal year 2002;
(B) 2,200,000 metric tons for fiscal year 2003;
(C) 2,300,000 metric tons for fiscal year 2004;
(D) 2,400,000 metric tons for fiscal year 2005;
(E) 2, 500,000 metric tons for fiscal year 2006.

(2) MINIMUM NON-EMERGENCY ASSISTANCE.—Of the amounts specified in paragraph (1), and except as provided in paragraph (3), the Administrator shall make agricultural commodities available for non-emergency food distribution through eligible

organizations under section 202 in an amount that for each of fiscal years 1996 through 2002 is not less than 1,550,000 metric tons.

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(b) USE OF VALUE-ADDED COMMODITIES.—

(1) MINIMUM LEVELS.—Except as provided in paragraph (2), in making agricultural commodities available under this title, the Administrator shall ensure that not less than 75 percent of the quantity of such commodities required to be distributed during each fiscal year under subsection (a)(2) be in the form of processed, fortified, or bagged commodities *including crude degummed soybean oil* and that not less than 50 percent of the quantity of the bagged commodities that are whole grain commodities be bagged in the United States.

(2) WAIVER OF MINIMUM.—The Administrator may waive the requirement of paragraph (1) for any fiscal year in which the Administrator determines that the requirements of the programs established under this title will not be best served by the enforcement of such requirement under such paragraph.

SEC. 205. FOOD AID CONSULTATIVE GROUP.

(a) ESTABLISHMENT.—There is established a Food Aid Consultative Group (hereinafter referred to in this section as the "Group") that shall meet regularly to review and address issues concerning the effectiveness of the regulations *policies, guidelines,* and procedures that govern food assistance programs established and implemented under this title, and the implementation of other provisions of this title that may involve eligible organizations described in section 202(d)(1).

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(d) CONSULTATIONS.—In preparing regulations, handbooks, or guidelines implementing this title, or significant revisions thereto, the Administrator shall provide such proposals to the Group for review and comment. The Administrator shall consult and, when appropriate (but at least twice per year), meet with the Group regarding such proposed regulations *policies,* handbooks, guidelines, or revisions thereto prior to the issuance of such.

(e) ADVISORY COMMITTEE ACT.—The Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to the Group.

(f) TERMINATION.—The Group shall terminate on December 31, [2002] *2006*.

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SEC. 206. MAXIMUM LEVEL OF EXPENDITURES.

(a) MAXIMUM EXPENDITURES.—Except as provided in subsection (b), programs of assistance shall not be undertaken under this title during any fiscal year if such programs necessitate an appropriation of more than [$1,000,000,000] *$2,000,000,000* to reimburse the Commodity Credit Corporation for all costs incurred in connection with such programs (including the Corporation"s investment in commodities made available).

(b) WAIVER BY PRESIDENT.—The President may waive the limitation contained in subsection (a) if the President determines that such waiver is necessary to undertake programs of assistance to meet urgent humanitarian or emergency needs.

SEC. 207. ADMINISTRATION.

(a) PROPOSALS.—

[(1) TIME FOR DECISION.—Not later than 45 days after the receipt by the Administrator of a proposal submitted]

(1) RECIPIENT COUNTRIES.—A proposal to enter into a non-emergency food assistance agreement under this title shall identify the recipient country or countries that are the subject of the agreement.

(2) TIMING.—Not later than 120 days after the date of submission to the Administrator of a proposal submitted by an eligible organization under this title, the Administrator shall determine whether to accept the proposal.

(A) by an eligible organization, with the concurrence of the appropriate United States field mission, for commodities; or

(B) by a United States field mission to make commodities available to an eligible organization; under this title, the Administrator shall make a decision concerning such proposal.

(3) DENIAL.—If a proposal under paragraph (1) is denied, the response shall specify the reasons for denial and the conditions that must be met for the approval of such proposal.

(b) NOTICE AND COMMENT.—Not later than 30 days prior to the issuance of a final [guideline] *guideline or policy determination* to carry out this title, the Administrator shall—

(1) provide notice of the existence of a proposed [guideline] *guideline or policy determination,* and that such [guideline] *guideline or policy determination* is available for review and comment, to eligible organizations that participate in programs under this title, and to other interested persons;

(2) make the proposed [guideline] *guideline or policy determination* available, on request, to the eligible organizations and other persons referred to in paragraph (1); and

(3) take any comments received into consideration prior to the issuance of the final [guideline] *guideline or policy determination*.

(c) REGULATIONS.—

(1) IN GENERAL.—The Administrator shall promptly issue all necessary regulations and make revisions to agency guidelines with respect to changes in the operation or implementation of the program established under this title.

(2) REQUIREMENTS.—The Administrator shall develop regulations with the intent of—

(A) simplifying procedures for participation in the programs established under this title;

(B) reducing paperwork requirements under such programs;

(C) establishing reasonable and realistic accountability standards to be applied to eligible organizations participating in the programs established under this title, taking into consideration the problems associated with carrying out programs in developing countries; and

(D) providing flexibility for carrying out programs under this title.

(3) HANDBOOKS.—Handbooks developed by the Administrator to assist in carrying out the program under this title shall be designed to foster the development of programs under this title by eligible organizations.

(d) DEADLINE FOR SUBMISSION OF COMMODITY ORDERS.—Not later than 15 days after receipt from a [United States field mission] *an eligible organization with an approved program under this title* of a call forward for agricultural commodities for programs that meet the requirements of this title, the order for the purchase or the supply, from inventory, of such commodities or products shall be transmitted to the Commodity Credit Corporation.

(e) TIMELY APPROVAL.—

(1) IN GENERAL.—The Administrator shall finalize program agreements and resource requests for programs under this section before the beginning of each fiscal year.

(2) REPORT.—Not later than December 1 of each year, the Administrator shall submit to the Committee on Agriculture and the Committee on International Relations of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report that contains—

(A) a list of programs, countries, and commodities approved to date for assistance under this section; and

(B) a statement of the total amount of funds approved to date for transportation and administrative costs under this section.

(f) DIRECT DELIVERY.—In addition to practices in effect on the date of enactment of this subsection, the Secretary may approve an agreement that provides for direct delivery of agricultural commodities to milling or processing facilities more than 50 percent of the interest in which is owned by United States citizens in foreign countries, with the proceeds of transactions transferred in cash to eligible organizations described in section 202(d) to carry out approved projects.

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SEC. 208. ASSISTANCE FOR STOCKPILING AND RAPID TRANSPORTATION, DELIVERY, AND DISTRIBUTION OF SHELF-STABLE PREPACKAGED FOODS.

* * * * * * *

(e) REGULATIONS OR GUIDELINES.—Not later than 180 days after the date of the enactment of this section, the Administrator, in consultation with the Secretary, shall issue such regulations or guidelines as the Administrator determines to be necessary to carry out this section, including regulations or guidelines that provide to United States nonprofit organizations eligible to receive grants under subsection (a)(1) guidance with respect to the requirements for qualified shelf-stable prepackaged foods and the quantity of the foods to be stockpiled by the organizations.

(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Administrator to carry out this section, in addition to amounts otherwise available to carry out this section, $3,000,000 for each of fiscal years 2001 [and 2002] *through 2006,* to remain available until expended.

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TITLE III—FOOD FOR DEVELOPMENT

SEC. 403. GENERAL PROVISIONS.

(l) SALE PROCEDURE.—

(1) IN GENERAL.—Subsections (b) shall apply to sales of commodities in recipient countries to generate proceeds to carry out projects under—

(A) section 416(b) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)); and

(B) title VIII of the Agricultural Trade Act of 1978

(2) CURRENCIES.—Sales of commodities described in paragraph (1) may be in United States dollars or in a different currency.

(3) SALE PRICE.—Sales of commodities described in paragraph (1) shall be made at a reasonable market prices in the economy where the commodity is to be sold, as determined by the Secretary or the Administrator, as appropriate.

(a) PROHIBITION.—No agricultural commodity shall be made available under this Act unless it is determined that—

* * * * * * *

SEC. 408. EXPIRATION DATE.

No agreements to finance sales or to provide other assistance under this Act shall be entered into after December 31, [2002] *2006.*

* * * * * * *

SEC. 415. MICRONUTRIENT FORTIFICATION PILOT PROGRAM.

(a) IN GENERAL.—Subject to the availability of practical technology and to cost effectiveness, not later than September 30, 1997, the Secretary, in consultation with the Administrator, shall establish [a micronutrient fortification pilot program] *micronutrient fortification programs* under this Act. The purpose of [the program] *a program* shall be to—

(1) assist developing countries in correcting micronutrient dietary deficiencies among segments of the populations of the countries; and

(2) encourage the development of technologies for the fortification of [whole] grains and other commodities that are readily transferable to developing countries [.]*; and*

(3) encourage technologies and systems for the improved quality and safety of fortified grains and other commodities that are readily transferable to developing countries.

(b) SELECTION OF PARTICIPATING COUNTRIES.—From among the countries eligible for assistance under this Act, the Secretary may select not more than 5 developing countries to participate in the pilot program.

(c) FORTIFICATION.—Under [the pilot program, whole] *a program,* grains and other commodities made available to a developing country selected to participate in [the pilot program may] *a program may* be fortified with 1 or more micronutrients ([including] *such as* vitamin A, iron, and iodine) with respect to which a substantial portion of the population in the country is deficient. The commodity may be fortified in the United States or in the developing country.

(d) TERMINATION OF AUTHORITY.—The authority to carry out the pilot program established under this section shall terminate on September 30, [2002] *2002.*

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CARGO PREFERENCE LAWS

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FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990

(g) BIOTECHNOLOGY AND AGRICULTURAL TRADE PROGRAM.—

(1) IN GENERAL.—The Secretary of Agriculture shall establish a program to enhance foreign acceptance of agricultural biotechnology and United States agricultural products developed through biotechnology.

(2) FOCUS.—The program shall address the continuing and increasing market access, regulatory, and marketing issues relating to export commerce of United States agricultural biotechnology products.

(3) EDUCATION AND OUTREACH.—

(A) FOREIGN MARKETS.—Support for United States agricultural market development organizations to carry out education and other outreach efforts concerning biotechnology shall target such educational initiatives directed toward—

(i) producers, buyers, consumers, and media in foreign markets through initiatives in foreign markets; and

(ii) government officials, scientists, and trade officials from foreign countries through exchange programs.

(B) FUNDING FOR EDUCATION AND OUTREACH.—Funding for activities under subparagraph (A) may be—

(i) used through—

(I) the emerging markets program under this section; or

(II) the Cochran Fellowship Program under section 1543; or

(ii) applied directly to foreign market development cooperators through the foreign market development cooperator program established under section 702.

(4) RAPID RESPONSE.—

(A) IN GENERAL.—The Secretary shall assist exporters of United States agricultural commodities in cases in which the exporters are harmed by unwarranted and arbitrary barriers to trade due to—

(i) marketing of biotechnology products;

(ii) food safety;

(iii) disease; or

(iv) other sanitary or phytosanitary concerns.

(B) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this paragraph $1,000,000 for each of fiscal years 2002 through 2006.

(5) FUNDING.—

(A) COMMODITY CREDIT CORPORATION.—The Secretary shall use the funds, facilities, and authorities of the Commodity Credit Corporation to carry out this subsection (other than paragraph (4)).

(B) FUNDING AMOUNT.—Of the funds of the Commodity Credit Corporation, the Secretary shall make available to carry out this subsection (other than paragraph (4)) $15,000,000 for each of fiscal years 2002 through 2006.

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AGRICULTURAL TRADE ACT OF 1978

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TITLE VIII—FOOD FOR PROGRESS AND EDUCATION PROGRAMS

SEC. 801. DEFINITIONS.

In this title:

(1) COOPERATIVE.—The term "cooperative" means a private sector organization the members of which—

(A) own and control the organization;

(B) share in the profits of the organization; and

(C) are provided services (such as business services and outreach in cooperative development) by the organization.

(2) CORPORATION.—The term "Corporation" means the Commodity Credit Corporation.

(3) DEVELOPING COUNTRY.—The term "developing country" means a foreign country that has—

(A) a shortage of foreign exchange earnings; and

(B) difficulty meeting all of the food needs of the country through commercial channels and domestic production.

(4) ELIGIBLE COMMODITY.—The term "eligible commodity" means an agricultural commodity (including vitamins and minerals) acquired by the Secretary or the Corporation for disposition in a program authorized under this title through—

(A) commercial purchases; or

(B) inventories of the Corporation.

(5) ELIGIBLE ORGANIZATION.—the term "eligible organization" means a private voluntary organization, cooperative, nongovernmental organization, or foreign country as determined by the Secretary.

(6) EMERGING AGRICULTURAL COUNTRY.—The term "emerging agricultural country" means a foreign country that—

(A) is an emerging democracy; and

(B) has made a commitment to introduce or expand free enterprise elements in the agricultural economy of the country.

(7) FOOD SECURITY—.The term "food security" means access by all people at all times to sufficient food and nutrition for a healthy and productive life.

(8) NONGOVERNMENTAL ORGANIZATION.—

(A) IN GENERAL.—The term "nongovernmental organization" means an organization that operates on a local level to solve development problems in a foreign country in which the organization is located.

(B) EXCLUSION.—The term "nongovernmental organization" does not include an organization that is primarily an agency or instrumentality of the government of a foreign country.

(9) PRIVATE VOLUNTARY ORGANIZATION.—The term "private voluntary organization" means a nonprofit, intergovernmental organization that—

(A) receives—

(i) funds from private sources; and

(ii) voluntary contributions of funds, staff time, or in-kind support from the public;

(B) is engaged in or is planning to engage in nonreligious voluntary, charitable, or development assistance activities; and

(C) in the case of an organization that is organized under the laws of the United States or a State, is an organization in the United states, means an organization dexcribed in section 501 (c) (3) of the Internal Revenue Code of 1986 that is exempt from taxation under section 501 (a) of that code.

(10) PROGRAM.—The term "program" means a food or nutrition assistance or development initiative proposed by an eligible organization and approved by the Secretary under this title.

(11) RECIPIENT COUNTRY.—The term "recipient country" means an emerging agricultural country that receives assistance under a program.

SEC. 802. FOOD FOR PROGRESS AND EDUCATION PROGRAMS.

(a) IN GENERAL.—To provide agricultural commodities to support the introduction or expansion of free trade enterprises in national economies in recipient countries, and to provide food or nutrition assistance in recipient countries, the Secretary shall establish food for progress and education programs under which the Secretary may enter into agreements (including multiyear agreements and for programs in more than 1 country) with—

(1) the governments of emerging agricultural countries;

(2) private voluntary organizations;

(3) nonprofit agricultural organizations and cooperatives;

(4) nongovernmental organizations; and

(5) other private entities.

(b) CONSIDERATIONS.—In determining whether to enter into an agreement to establish a program under subsection (a), the Secretary shall take into consideration whether an emerging agricultural country is committed to carrying out, or is carrying out, policies that promote—

(1) economic freedom;

(2) private production of food commodities for domestic consumption; and

(3) the creation and expansion of efficient domestic markets for the purchase and sale of those commodities.

(c) INTERNATIONAL FOOD FOR EDUCATION AND NUTRITION PROGRAM.—

(1) IN GENERAL.—In cooperation with other countries, the Secretary shall establish an initiative within the food for progress and education programs under this title to be known as the "International Food for Education and Nutrition Program", through which the Secretary may provide to eligible organizations agricultural commodities and technical and nutritional assistance in connection with education programs to improve food security and enhance educational opportunities for preschool age and primary school age children in recipient countries.

(2) AGREEMENTS.—In carrying out this subsection, the Secretary—

(A) shall administer the programs under this subsection in a manner that is consistent with this title; and

(B) may enter into agreements with eligible organizations—

(i) to purchase, acquire, and donate eligible commodities to eligible organizations to carry out agreements in recipient countries; and

(ii) to provide technical and nutritional assistance to carry out agreements in recipient countries.

(3) OTHER DONOR COUNTRIES.—The Secretary shall encourage other donor countries, directly or through eligible organizations—

(A) to donate goods and funds to recipient countries; and

(B) to provide technical and nutritional assistance to recipient countries.

(4) PRIVATE SECTOR.—The President and the Secretary are urged to encourage the support and active involvement of the private sector, foundations, and other individuals and organizations in programs and activities assisted under this subsection.

(5) GRADUATION.—An agreement with an eligible organization under this subsection shall include provisions—

(A)(i) to sustain the benefits to the education, enrollment, and attendance of children in schools in the targeted communities when the provision of commodities and assistance to a recipient country under the program under this subsection terminates; and

(ii) to estimate the period of time required until the recipient country or eligible organization is able to provide sufficient assistance without additional assistance under this subsection; or

(B) to provide other long-term benefits to targeted populations of the recipient country.

(6) ANNUAL REPORT.—The Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate an annual report that describes—

(A) the results of the implementation of this subsection during the year covered by the report, including the impact

on the enrollment, attendance, and performance of children in preschools and primary schools targeted under the program under this subsection; and

(B) the level of commitments by, and the potential for obtaining additional goods and assistance from, other countries for subsequent years.

(d) TERMS.—

(1) IN GENERAL.—The Secretary may provide agricultural commodities under this title on—

(A) a grant basis; or

(B) subject to paragraph (2), credit terms.

(2) CREDIT TERMS.—Payment for agricultural commodities made available under this title that are purchased on credit terms shall be made on the same basis as payments made under section 103 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1703).

(3) NO EFFECT ON DOMESTIC PROGRAMS.—The Secretary shall not make an agricultural commodity available for disposition under this section in any amount that will reduce the amount of the commodity that is traditionally made available through donations to domestic feeding programs or agencies, as determined by the Secretary.

(e) REPORTS.—Each eligible organization that enters into an agreement under this title shall submit to the Secretary, at such time as the Secretary may request, a report containing such information as the Secretary may request relating to the use of agricultural commodities and funds provided to the eligible organization under this title.

(f) COORDINATION.—To ensure that the provision of commodities under this section is coordinated with and complements other foreign assistance provided by the United States, assistance under this section shall be coordinated through the mechanism designated by the President to coordinate assistance under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.).

(g) QUALITY ASSURANCE.—

(1) IN GENERAL.—The Secretary shall ensure, to the maximum extent practicable, that each eligible organization participating in 1 or more programs under this section—

(A) uses eligible commodities made available under this title—

(i) in an effective manner;

(ii) in the areas of greatest need; and

(iii) in a manner that promotes the purposes of this title;

(B) in using eligible commodities, assesses and takes into account the needs of recipient countries and the target populations of those countries;

(C) works with recipient countries and indigenous institutions or groups in recipient countries to design and carry out mutually acceptable programs authorized in subsection (h)(2)(C)(i);

(D) monitors and reports on the distribution or sale of eligible commodities provided under this title using methods that, as determined by the Secretary, facilitate accurate and timely reporting;

(E) periodically evaluates the effectiveness of the program of the eligible organization, including, as applicable, an evaluation of whether the development or food and nutrition purposes of the program can be sustained in a recipient country if the assistance provided to the recipient country is reduced and eventually terminated; and

(F) considers means of improving the operation of the program of the eligible organization.

(2) CERTIFIED INSTITUTIONAL PARTNERS.—

(A) IN GENERAL.—The Secretary shall promulgate regulations and guidelines to permit private voluntary organizations and cooperatives to be certified as institutional partners.

(B) REQUIREMENTS.—To become a certified institutional partner, a private voluntary organization or cooperative shall submit to the Secretary a certification of organizational capacity that describes—

(i) the financial, programmatic, commodity management, and auditing abilities and practices of the organization or cooperative; and

(ii) the capacity of the organization or cooperative to carry out projects in particular countries.

(C) MULTICOUNTRY PROPOSALS.—A certified institutional partner shall be eligible to—

(i) submit a single proposal for 1 or more countries that are the same as, or similar to, those countries in which the certified institutional partner has already demonstrated organizational capacity;

(ii) receive expedited review and approval of the proposal; and

(iii) request commodities and assistance under this section for use in 1 or more countries.

(D) MULTIYEAR AGREEMENTS.—In carrying out this title, on request and subject to the availability of commodities, the Secretary is encouraged to approve agreements that provide for commodities to be made available for distribution on a multiyear basis, if the agreements otherwise meet the requirements of this title.

(h) TRANSSHIPMENT AND RESALE.—

(1) IN GENERAL.—The transshipment or resale of an eligible commodity to a country other than a recipient country shall be prohibited unless the transshipment or resale is approved by the Secretary.

(2) MONETIZATION.—

(A) IN GENERAL.—Subject to subparagraphs (B) through (D), an eligible commodity provided under this section may be sold for foreign currency or United States dollars or bartered with the approval of the Secretary.

(B) SALE OR BARTER OF FOOD ASSISTANCE.—The sale or barter of eligible commodities under this title may be conducted only within (as determined by the Secretary)—

(i) a recipient country or country nearby to the recipient country; or

(ii) another country, if

(I) the sale or barter within the recipient country or country nearby is not practicable; and

(II) the sale or barter within countries other than the recipient country or country nearby will not disrupt commercial markets for the agricultural commodity involved.

(C) HUMANITARIAN OR DEVELOPMENT PURPOSES.—The Secretary may authorize the use of proceeds or exchanges to reimburse, within a recipient country or other country in the same region, the costs incurred by an eligible organization for—

(i)(I) programs targeted at hunger and malnutrition; or

(II) development programs involving food security or education;

(ii) transportation, storage, and distribution of eligible commodities provided under this title; and

(iii) administration, sales, monitoring, and technical assistance.

(D) EXCEPTION.—The Secretary shall not approve the use of proceeds described in subparagraph (C) to fund any administrative expenses of a foreign government.

(E) PRIVATE SECTOR ENHANCEMENT.—As appropriate, the Secretary may provide eligible commodities under this title in a manner that uses commodity transactions as a means of developing in the recipient countries a competitive private sector that can provide for the importation, transportation, storage, marketing, and distribution of commodities.

(i) DISPLACEMENT OF COMMERCIAL SALES.—In carrying out this title, the Secretary shall, to the maximum extent practicable consistent with the purposes of this title, avoid—

(1) displacing any commercial export sale of United States agricultural commodities that would otherwise be made;

(2) disrupting world prices of agricultural commodities; or

(3) disrupting normal patterns of commercial trade of agricultural commodities with foreign countries.

(j) DEADLINE FOR PROGRAM ANNOUNCEMENTS.—

(1) IN GENERAL.—Before the beginning of the applicable fiscal year, the Secretary shall, to the maximum extent practicable—

(A) make all determinations concerning program agreements and resource requests for programs under this title; and

(B) announce those determinations.

(2) REPORT.—Not later than November 1 of the applicable fiscal year, the Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a list of programs, countries, and commodities, and the total amount of funds for transportation and administrative costs, approved to date under this title.

(k) MILITARY DISTRIBUTION OF ASSISTANCE.—

(1) IN GENERAL.—The Secretary shall ensure, to the maximum extent practicable, that agricultural commodities made available under this title are provided without regard to—

(A) the political affiliation, geographic location, ethnic, tribal, or religious identity of the recipient; or

(B) any other extraneous factors, as determined by the Secretary.

(2) PROHIBITION ON HANDLING OF COMMODITIES BY THE MILITARY.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the Secretary shall not enter into an agreement under this title to provide agricultural commodities if the agreement requires or permits the distribution, handling, or allocation of agricultural commodities by the military forces of any foreign government or insurgent group.

(B) EXCEPTION.—The Secretary may authorize the distribution, handling, or allocation of commodities by the military forces of a country in exceptional circumstances in which—

(i) nonmilitary channels are not available for distribution, handling, or allocation;

(ii) the distribution, handling, or allocation is consistent with paragraph (1); and

(iii) the Secretary determines that the distribution, handling, or allocation is necessary to meet the emergency health, safety, or nutritional requirements of the population of a recipient country.

(3) ENCOURAGEMENT OF SAFE PASSAGE.—In entering into an agreement under this title that involves 1 or more areas within a recipient country that is experiencing protracted warfare or civil unrest, the Secretary shall, to the maximum extent practicable, encourage all parties to the conflict to—

(A) permit safe passage of the commodities and other relief supplies; and

(B) establish safe zones for—

(i) medical and humanitarian treatment; and

(ii) evacuation of injured persons.

(1) LEVEL OF ASSISTANCE.—The cost of commodities made available under this title, and the expenses incurred in connection with the provision of those commodities shall be in addition to the level of assistance provided under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.)

(m) COMMODITY CREDIT CORPORATION.—

(1) IN GENERAL.—Subject to paragraphs (6) through (8), the Secretary may use the funds, facilities, and authorities of the Corporation to carry out this title.

(2) MINIMUM TONNAGE.—Subject to paragraphs (5) and (7)(B), not less than 400,000 metric tons of commodities may be provided under this title for each of fiscal years 2002 through 2006.

(3) AUTHORIZATION OF APPROPRIATIONS.—In addition to tonnage authorized under paragraph (2), there are authorized to be appropriated such sums as are necessary to carry out this title.

(4) TITLE I FUNDS.—In addition to tonnage and funds authorized under paragraphs (2), (3), and (7)(B), the Corporation may use funds appropriated to carry out title I of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701

et seq.)) in carrying out this section with respect to commodities made available under this title.

(5) INTERNATIONAL FOOD FOR EDUCATION AND NUTRITION PROGRAM.—

(A) IN GENERAL.—Of the funds that would be available to carry out paragraph (2), the Secretary may use not more than $200,000,000 for each fiscal year to carry out the initiative established under subsection (c).

(B) REALLOCATION.—Tons not allocated under subsection (c) by June 30 of each fiscal year shall be made available for proposals submitted under the food for progress and education programs under subsection (a).

(6) LIMITATION ON PURCHASES OF COMMODITIES.—The Corporation may purchase agricultural commodities for disposition under this title only if Corporation inventories are insufficient to satisfy commitments made in agreements entered into under this title.

(7) ELIGIBLE COSTS AND EXPENSES.—

(A) IN GENERAL.—Subject to subparagraph (B), with respect to an eligible commodity made available under this title, the Corporation may pay—

(i) the costs of acquiring the eligible commodity;

(ii) the costs associated with packaging, enriching, preserving, and fortifying of the eligible commodity;

(iii) the processing, transportation, handling, and other incidental costs incurred before the date on which the commodity is delivered free on board vessels in United States ports;

(iv) the vessel freight charges from United States ports or designated Canadian transshipment ports, as determined by the Secretary, to designated ports of entry abroad;

(v) the costs associated with transporting the eligible commodity from United States ports to designated points of entry abroad in a case in which—

(I) a recipient country is landlocked;

(II) ports of a recipient country cannot be used effectively because of natural or other disturbances;

(III) carriers to a specific country are unavailable; or

(IV) substantial savings in costs or time may be gained by the use of points of entry other than ports;

(vi) the transportation and associated distribution costs incurred in moving the commodity (including repositioned commodities) from designated points of entry or ports of entry abroad to storage and distribution sites;

(vii) in the case of an activity under subsection (c), the internal transportation, storage, and handling costs incurred in moving the eligible commodity, if the Secretary determines that payment of the costs is appropriate and that the recipient country is a low income, net food-importing country that—

(I) meets the poverty criteria established by the International Bank for Reconstruction and Development for Civil Works Preference; and

(II) has a national government that is committed to or is working toward, through a national action plan, the World Declaration on Education for All convened in 1990 in Jomtien, Thailand, and the followup Dakar Framework for Action of the World Education Forum in 2000;

(viii) the charges for general average contributions arising out of the ocean transport of commodities transferred; and

(ix) the costs, in addition to costs authorized by clauses (i) through (viii), of providing—

(I) assistance in the administration, sale, and monitoring of food assistance activities under this title; and

(II) technical assistance for monetization programs.

(B) FUNDING.—Except for costs described in subparagraph (A)(i), not more than $80,000,000 of funds that would be made available to carry out paragraph (2) may be used to cover costs under this paragraph unless authorized in advance in an appropriation Act.

(8) PAYMENT OF ADMINISTRATIVE COSTS.—An eligible organization that receives payment for administrative costs through monetization of the eligible commodity under subsection (h)(2) shall not be eligible to receive payment for the same administrative costs through direct payments under paragraph (7)(A)(ix)(I).

* * * * * * *

TITLE I—GENERAL PROVISIONS

SEC. 101. PURPOSE.

It is the purpose of this Act to increase the profitability of farming and to increase opportunities for United States farms and agricultural enterprises by—

(1) increasing the effectiveness of the Department of Agriculture in agricultural export policy formulation and implementation;

(2) improving the competitiveness of United States agricultural commodities and products in the world market; and

(3) providing for the coordination and efficient implementation of all agricultural export programs.

SEC. 107. EXPORTER ASSISTANCE INITIATIVE.

(a) IN GENERAL.—In order to create a single source of information for exports of United States agricultural commodities, the Secretary shall develop a website on the Internet that collates onto a single website all information from all agencies of the Federal Government that is relevant to the export of United States agricultural commodities.

(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out subsection (a)—

(1) $1,000,000 for each of fiscal years 2002 through 2004;
(2) $500,000 for each of fiscal years 2005 and 2006.

SEC. 102. DEFINITIONS.

As used in this Act—

(1) AGRICULTURAL COMMODITY.—The term "agricultural commodity" means any agricultural commodity, food, feed, fiber, or livestock (including livestock as it is defined in section 602(2) of the Agricultural Act of 1949 (7 U.S.C. 1471(2)) and insects) and any product thereof.

(2) DEVELOPING COUNTRY.—The term "developing country" means a country that—

(A) has a shortage of foreign exchange earnings and has difficulty accessing sufficient commercial credit to meet all of its food needs, as determined by the Secretary; and

(B) has the potential to become a commercial market for agricultural commodities.

(3) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

(4) SERVICE.—The term "Service" means the Foreign Agricultural Service of the Department of Agriculture.

(5) UNFAIR TRADE PRACTICE.—

(A) IN GENERAL.—Subject to subparagraph (B), the term "unfair trade practice" means any act, policy, or practice of a foreign country that—

(i) violates, or is inconsistent with, the provisions of, or otherwise denies benefits to the United States under, any trade agreement to which the United States is a party; [or]

(ii) is unjustifiable, unreasonable, or discriminatory and burdens or restricts United States commerce[;] *including, in the case of a state trading enterprise engaged in the export of an agricultural commodity, pricing practices that are not consistent with sound commercial practices conducted in the ordinary course of trade; or; and*

(iii) changes United States export terms of trade through a deliberate change in the dollar exchange rate of a competing exporter.

(B) CONSISTENCY WITH 1974 TRADE ACT.—Nothing in this Act may be construed to authorize the Secretary to make any determination regarding an unfair trade practice that is inconsistent with section 301 of the Trade Act of 1974 (19 U.S.C. 2411).

* * * * * * *

(k) PROCESSED AND HIGH-VALUE PRODUCTS.—

(1) IN GENERAL.—In issuing export credit guarantees under this section, the Commodity Credit Corporation shall, subject to paragraph (2), ensure that not less than 25 percent for each of fiscal years 1996 and 1997, 30 percent for each of fiscal years 1998 and 1999, and 35 percent for each of fiscal years 2000, [2001, and 2002] *through 2006,* of the total amount of credit guarantees issued for a fiscal year is issued to promote the export of processed or high-value agricultural products and

that the balance is issued to promote the export of bulk or raw agricultural commodities.

(2) LIMITATION.—The percentage requirement of paragraph (1) shall apply for a fiscal year to the extent that a reduction in the total amount of credit guarantees issued for the fiscal year is not required to meet the percentage requirement.

SEC. 203. MARKET ACCESS PROGRAM.

* * * * * * *

(g) LEVEL OF MARKETING ASSISTANCE.—

(1) IN GENERAL.—The Secretary shall justify in writing the level of assistance provided to an eligible trade organization under the program under this section and the level of cost-sharing required of such organization.

(2) LIMITATION.—Assistance provided under this section for activities described in subsection (e)(4) shall not exceed 50 percent of the cost of implementing the marketing plan, except that the Secretary may determine not to apply such limitation in the case of agricultural commodities with respect to which there has been a favorable decision by the United States Trade Representative under section 301 of the Trade Act of 1974. Criteria for determining that the limitation shall not apply shall be consistent and documented.

(3) STAGED REDUCTION IN ASSISTANCE.—In the case of participants that received assistance under section 1124 of the Food Security Act of 1985 prior to November 28, 1990, and with respect to which assistance under this section would be limited under paragraph (2), any such reduction in assistance shall be phased down in equal increments over a 5-year period.

(h) UNITED STATES QUALITY EXPORT INITIATIVE.—

(1) IN GENERAL.—Subject to the availability of appropriations, using the authorities under this section, the Secretary shall establish a program under which, on a competitive basis, using practical and objective criteria, several agricultural products are selected to carry the "U.S. Quality" seal.

(2) PROMOTIONAL ACTIVITIES.—Agricultural products selected under paragraph (1) shall be promoted using the "U.S. Quality" seal at trade fairs in key markets through electronic and print media.

(3) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this subsection.

SEC. 204. BARTER OF AGRICULTURAL COMMODITIES.

* * * * * * *

SEC. 211. FUNDING LEVELS.

* * * * * * *

(2) LIMITATION ON ORIGINATION FEE.—Notwithstanding any other provision of law, the Secretary may not charge an origination fee with respect to any credit guarantee transaction under section 202(a) in excess of an amount equal to 1 percent of the amount of credit to be guaranteed under the transaction, except with respect to an export credit guarantee transaction pursuant to section 1542(b) of the Food, Agriculture, Conserva-

tion, and Trade Act of 1990 (Public Law 101–624; 7 U.S.C. 5622 note).

(c) MARKET ACCESS PROGRAMS.—The Commodity Credit Corporation or the Secretary shall make available for market access activities authorized to be carried out by the Commodity Credit Corporation under section 203—

* * * * * * *

[(A) in addition to any funds that may be specifically appropriated to implement a market access program,211094 not less than $200,000,000 for each of the fiscal years 1991 through 1993, not less than $110,000,000211095 for each of the fiscal years 1994 through 1995, and not more than $90,000,000 for each of fiscal years 1996 through 2002,211096 of the funds of, or an equal value of commodities owned by, the Commodity Credit Corporation; and]

(A) in addition to any funds that may be specifically appropriated to implement a market access program, not more than $100,000,000 for fiscal year 2002, $120,000,000 for fiscal year 2003, $140,000,000 for fiscal year 2004, $160,000,000 for fiscal year 2005, and $190,000,000 for fiscal year 2006, of the funds of, or an equal value of commodities owned by, the Commodity Credit Corporation, except that this paragraph shall not apply to section 203 (h); and

(2) PROGRAM PRIORITIES.—of funds made available under paragraph (1) (A) in excess of $90,000,000 for any fiscal year, priority shall be given to proposals—

(A) made by eligible trade organizations that have never participated in the market access program under this title; or

(B) for market access programs in emerging markets.

(d) REPORT ON AGRICULTURAL EXPORT CREDIT PROGRAMS.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this subsection, and annually thereafter, the Secretary shall submit to the Committee on Agriculture and the Committee on International Relations of the House of Representatives and the Committee on Agriculture, Nutrition and Forestry of the Senate a report on the status of multilateral negotiations regarding agricultural export credit programs at the World Trade Organization and the Organization of Economic cooperation and Development in fulfillment of Article 10.2 of the Agreement on Agriculture (as described in section 101(d)(2) of the Uruguay Round Agreements Act (19 U.S.C. 3511 (d)(2))).

(2) CLASSIFIED INFORMATION.—The report under paragraph (1) shall be submitted in unclassified form, but may contain a classified annex.

TITLE III—EXPORT ENHANCEMENT PROGRAM

* * * * * * *

SEC. 301. EXPORT ENHANCEMENT PROGRAM.

* * * * * * *

(d) INAPPLICABILITY OF PRICE RESTRICTIONS.—Any price restrictions that otherwise may be applicable to dispositions of agricul-

tural commodities owned by the Commodity Credit Corporation shall not apply to agricultural commodities provided under this section.

(e) FUNDING LEVELS.—

(1) IN GENERAL.—The Commodity Credit Corporation shall make available to carry out the program established under this section not more than—

(A) $350,000,000 for fiscal year 1996;

(B) $250,000,000 for fiscal year 1997;

(C) $500,000,000 for fiscal year 1998;

(D) $550,000,000 for fiscal year 1999;

(E) $579,000,000 for fiscal year 2000;

(F) $478,000,000 for fiscal year 2001; and

(G) $478,000,000 for [fiscal year 2002] *each of fiscal years 2002 through 2006.*

(2) SET-ASIDES.—(A) For each fiscal year, the Corporation shall, to the extent practicable and subject to subparagraph (B), ensure that no less than 25 percent of the total of—

(i) the funds expended, and

* * * * * * *

(2) assistance for other costs that are necessary or appropriate to carry out the foreign market development cooperator program, including contingent liabilities that are not otherwise funded.

[SEC. 703] ***SEC. 703. FUNDING.***

(a) IN GENERAL.—To carry out this title, the Secretary shall use funds of the Commodity Credit Corporation, or commodities of the Commodity Credit Corporation of a comparable value, in the following amounts:

(1) For fiscal year 2002, $37,500,000.

(2) For fiscal year 2003, $40,000,000.

(3) For fiscal year 2004 and each subsequent fiscal year, $42,500,000.

(b) PROGRAM PRIORITIES.—Of funds or commodities provided under subsection (a) in excess of $35,000,000 for any fiscal year, priority shall be given to proposals—

(1) made by eligible trade organizations that have never participated in the program established under this title; or

(2) for programs established under this title in emerging markets.

SEC. 703. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to carry out this title such sums as may be necessary for each of fiscal years 1996 through 2002.

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STATUTES RELATED TO PUBLIC LAW 480

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FOOD SECURITY ACT OF 1985

SEC. 1110. (a) This section may be cited as the "[Food for Progress Act of 1985] *Title VIII of the Agricultural Trade Act of 1978*".

* * * * * * *

(h) TERMINATION OF AUTHORITY.—

(1) IN GENERAL.—The authority to replenish stocks of eligible commodities to maintain the trust established under this section shall terminate on September 30, [2002] *2006*.

(2) DISPOSAL OF ELIGIBLE COMMODITIES.—Eligible commodities remaining in the trust after September 30, [2002] *2006,* shall be disposed of by release for use in providing for emergency humanitarian food needs in developing countries as provided in this section.

* * * * * * *

AGRICULTURAL ACT OF 1949

TITLE IV—MISCELLANEOUS

* * * * * * *

(iv) Foreign currency proceeds generated from the sale of commodities or products under this subparagraph shall be expended within the country of origin within a reasonable length of time, as determined by the Secretary, except that the Secretary may permit the use of proceeds in a country other than the country of origin—

(I) as necessary to expedite the transportation of commodities and products furnished under this subsection; or

(II) if the proceeds are generated in a currency generally accepted in the other country.

(v) The provisions of clause (iii) of this subparagraph establishing minimum annual allocations for sales and use of proceeds shall not apply to the extent that there have not been sufficient requests for such sales and use of proceeds nor to the extent required under paragraph (3).

(E) Sales and barter to cover expenses incurred under paragraph (5)(a).

(F) The provisions of sections 403(i) and 407(c) of the Agricultural Trade Development and Assistance Act of 1954 shall apply to donations, sales and barters of eligible commodities under this subsection.

[(8)(A) To the maximum extent practicable, expedited procedures shall be used in the implementation of this subsection.

[(B) The Secretary]

(8) ADMINISTRATIVE PROVISIONS.—

(A) DIRECT DELIVERY.—In addition to practices in effect on the date of enactment of this subparagraph, the Secretary may approve an agreement that provides for direct

delivery of eligible commodities to milling or processing facilities more than 50 percent of the interest in which is owned by United States citizens in recipient countries, with proceeds of transactions transferred in cash to eligible organizations to carry out approved projects.

(B) REGULATIONS.—The Secretary shall be responsible for regulations governing sales and barter, and the use of foreign currency proceeds, under paragraph (7) of this subsection that will provide reasonable safeguards to prevent the occurrence of abuses in the conduct of activities provided for in paragraph (7).

(9)(A) Each recipient of commodities and products approved for sale or barter under paragraph (7) shall report to the Secretary information with respect to the items required to be included in the Secretary's report pursuant to clauses (i) through (iv) of subparagraph (B). Reports pursuant to this subparagraph shall be submitted in accordance with regulations of the Secretary. Such regulations shall require at least one report annually, to be submitted not later than December 31 following the end of the fiscal year in which the commodities and products are received; except that a report shall not be required with respect to fiscal year 1985.

* * * * * * *

(c) CERTIFIED INSTITUTIONAL PARTNERS.—

(1) IN GENERAL.—The Secretary shall promulgate regulations and guidelines to permit private voluntary organizations and cooperatives to be certified as institutional partners.

(2) REQUIREMENTS.—To become a certified institutional partner, a private voluntary organization or cooperative shall submit to the Secretary a certification of organizational capacity that describes—

(A) the financial, programmatic, commodity management, and auditing abilities and practices of the organization or cooperative; and

(B) the capacity of the organization or cooperative to carry out projects in particular countries.

(3) MULTI-COUNTRY PROPOSALS.—A certified institutional partner shall be eligible to—

(A) submit a single proposal for 1 or more countries that are the same as, or similar to, those countries in which the certified institutional partner has already demonstrated organizational capacity;

(B) receive expedited review and approval of the proposal; and

(C) request commodities and assistance under this section for use in 1 or more countries.".

* * * * * * *

§ 7207. Prohibition on United States assistance and financing

[(a) PROHIBITION ON UNITED STATES ASSISTANCE.—

[(1) IN GENERAL.—Notwithstanding.]

(a) IN GENERAL.—Notwithstanding any other provision of law, no United States Government assistance, including United States for-

eign assistance, United States export assistance, and any United States credit or guarantees shall be available for exports to Cuba or for commercial exports to Iran, Libya, North Korea, or Sudan.

[(2) RULE OF CONSTRUCTION.—Nothing in paragraph (1)]

(b) RULE OF CONSTRUCTION.—Nothing in subsection (a) shall be construed to alter, modify, or otherwise affect the provisions of section 6039 of this title or any other provision of law relating to Cuba in effect on the day before October 28, 2000.

[(3) WAIVER.—The President may waive the application of paragraph (1)]

(c) WAIVER.—The President may waive the application of subsection (a) with respect to Iran, Libya, North Korea, and Sudan to the degree the President determines that it is in the national security interest of the United States to do so, or for humanitarian reasons.

[(b) Payment prohibition on financing of agricultural sales to Cuba.—

[(1) IN GENERAL.—No United States person may provide or financing terms for sales of agricultural commodities or products to Cuba or any person in Cuba, except in accordance with the following terms (notwithstanding part 515 of title 31, Code of Federal Regulations, or any other provision of law):

[(A) Payment of cash in advance.

[(B) Financing by third country financial institutions (excluding United Stats persons or Government of Cuba entities), except that such financing may be confirmed or advised by a United States financial institution.

[Nothing in this paragraph authorizes payment terms or trade financing involving a debit or credit to an account of a person located in Cuba or of the Government of Cuba maintained on the books of a United States depository institution.

[(2) PENALTIES.—Any private person or entity that violates paragraph (1) shall be subject to the penalties provided in the Trading With the Enemy Act for violations under that Act.

[(3) ADMINISTRATION AND ENFORCEMENT.—The President shall issue such regulations as are necessary to carry out this section, except that the President, in lieu of issuing new regulations, may apply any regulations in effect on October 28, 2000, pursuant to the Trading With the Enemy Act [50 U.S.C.A. App. § 1 et seq.], with respect to the conduct prohibited in paragraph (1).

[(4) DEFINITION.—In this subsection—

[(A) the term "financing" includes any loan or extension of credit;

[(B) the term "United States depository institution" means any entity (including its foreign branches or subsidiaries) organized under the laws of any jurisdiction within the United States, or any agency, office or branch located in the United States of a foreign entity, that is engaged primarily in the business of banking (including a bank, savings bank, savings association, credit union, trust company, or United States bank holding company); and

[(C) the term "United States person" means the Federal Government, any State or local government, or any private person or entity of the United States.]

* * * * * * *

FOOD STAMP ACT OF 1977

SEC. 3. As used in this Act, the term:

(a) "Allotment" means the total value of coupons a household is authorized to receive during each month.

(b) "Authorization card" means the document issued by the State agency to an eligible household which shows the allotment the household is entitled to be issued.

(c) ["Certification period"] *"Eligibility review period"* means the period for which households shall be eligible to receive authorization cards. The [certification period] *eligibility review period* shall not exceed 12 months, except that the [certification period] *eligibility review period* may be up to 24 months if all adult household members are elderly or disabled. A State agency shall have at least 1 contact with each certified household every 12 months. *The limits specified in this section may be extended until the end of any transitional benefit period established under section 11(s).*

(d) "Coupon" means any coupon, stamp, type of certificate, authorization card, cash or check issued in lieu of a coupon, or access device, including an electronic benefit transfer card or personal identification number, issued pursuant to the provisions of this Act.

(e) "Coupon issuer" means any office of the State agency or any person, partnership, corporation, organization, political subdivision, or other entity with which a State agency has contracted for, or to which it has delegated functional responsibility in connection with, the issuance of coupons to households.

(f) "Drug addiction or alcoholic treatment and rehabilitation program" means any such program conducted by a private nonprofit organization or institution, or a publicly operated community mental health center, under part B of title XIX of the Public Health Service Act (42 U.S.C. 300x et seq.) to provide treatment that can lead to the rehabilitation of drug addicts or alcoholics.

(g) "Food" means (1) any food [or food product], *food product, or dietary supplement that provides exclusively 1 or more vitamins or minerals* for home consumption except alcoholic beverages, tobacco, and hot foods or hot food products ready for immediate consumption other than those authorized pursuant to clauses (3), (4), (5), (7), (8), and (9) of this subsection, (2) seeds and plants for use in gardens to produce food for the personal consumption of the eligible household, (3) in the case of those persons who are sixty years of age or over or who receive supplemental security income benefits or disability or blindness payments under title I, II, X, XIV, or XVI of the Social Security Act [(42 U.S.C. 1381 et seq.)], and their spouses, meals prepared by and served in senior citizens' centers, apart-

ment buildings occupied primarily by such persons, public or private nonprofit establishments (eating or otherwise) that feed such persons, private establishments that contract with the appropriate agency of the State to offer meals for such persons at concessional prices, and meals prepared for and served to residents of federally subsidized housing for the elderly, (4) in the case of persons sixty years of age or over and persons who are physically or mentally handicapped or otherwise so disabled that they are unable adequately to prepare all of their meals, meals prepared for and delivered to them (and their spouses) at their home by a public or private nonprofit organization or by a private establishment that contracts with the appropriate State agency to perform such services at concessional prices, (5) in the case of narcotics addicts or alcoholics, and their children, served by drug addiction or alcoholic treatment and rehabilitation programs, meals prepared and served under such programs, (6) in the case of certain eligible households living in Alaska, equipment for procuring food by hunting and fishing, such as nets, hooks, rods, harpoons, and knives (but not equipment for purposes of transportation, clothing, or shelter, and not firearms, ammunition, and explosives) if the Secretary determines that such households are located in an area of the State where it is extremely difficult to reach stores selling food and that such households depend to a substantial extent upon hunting and fishing for subsistence, (7) in the case of disabled or blind recipients of benefits under title I, II, X, XIV, or XVI of the Social Security Act, or are individuals described in paragraphs (2) through (7) of subsection (r), who are residents in a public or private nonprofit group living arrangement that serves no more than sixteen residents and is certified by the appropriate State agency or agencies under regulations issued under section 1616(e) of the Social Security Act or under standards determined by the Secretary to be comparable to standards implemented by appropriate State agencies under such section [(42 U.S.C. 1382e(e))], meals prepared and served under such arrangement, (8) in the case of women and children temporarily residing in public or private nonprofit shelters for battered women and children, meals prepared and served, by such shelters, and (9) in the case of households that do not reside in permanent dwellings and households that have no fixed mailing addresses, meals prepared for and served by a public or private nonprofit establishment (approved by an appropriate State or local agency) that feeds such individuals and by private establishments that contract with the appropriate agency of the State to offer meals for such individuals at concessional prices.

(h) "Food stamp program" means the program operated pursuant to the provisions of this Act.

[(i) "Household" means (1) an**]**

(i)(1) "Household" means—

(A) an individual who lives alone or who, while living with others, customarily purchases food and prepares meals for home consumption separate and apart from the **[**others, or (2) a group**]** *others; or*

(B) a group of individuals who live together and customarily purchase food and prepare meals together for home consumption. ⟦Spouses⟧

(2) Spouses who live together, parents and their children 21 years of age or younger who live together, and children (excluding foster children) under 18 years of age who live with and are under the parental control of a person other than their parent together with the person exercising parental control shall be treated as a group of individuals who customarily purchase and prepare meals together for home consumption even if they do not do so. ⟦Notwithstanding⟧

(3) Notwithstanding ⟦the preceding sentences⟧ *paragraphs (1) and (2),* an individual who lives with others, who is sixty years of age or older, and who is unable to purchase food and prepare meals because such individual suffers, as certified by a licensed physician, from a disability which would be considered a permanent disability under section 221(i) of the Social Security Act (42 U.S.C. 421(i)) or from a severe, permanent, and disabling physical or mental infirmity which is not symptomatic of a disease shall be considered, together with any of the others who is the spouse of such individual, an individual household, without regard to the purchase of food and preparation of meals, if the income (as determined under section 5(d)) of the others, excluding the spouse, does not exceed the poverty line, as described in section 5(c)(1), by more than 65 per centum. ⟦In no event⟧

(4) In no event shall any individual or group of individuals constitute a household if they reside in an institution or boarding house, or else live with others and pay compensation to the others for meals. ⟦For the purposes of this subsection, residents⟧

(5) For the purposes of this subsection, the following persons shall not be considered to be residents of institutions and shall be considered to be individual households:

(A) Residents of federally subsidized housing for the elderly, disabled or blind recipients of benefits under title I, II, X, XIV, or XVI of the Social Security ⟦Act, or are individuals⟧ Act.

(B) Individuals described in paragraphs (2) through (7) of subsection (r), who are residents in a public or private nonprofit group living arrangement that serves no more than sixteen residents and is certified by the appropriate State agency or agencies under regulations issued under section 1616(e) of the Social Security Act or under standards determined by the Secretary to be comparable to standards implemented by appropriate State agencies under ⟦such section [(42 U.S.C. 1382e(e))], temporary⟧ *that section.*

(C) Temporary residents of public or private nonprofit shelters for battered women and ⟦children, residents⟧ *children.*

(D) Residents of public or private nonprofit shelters for individuals who do not reside in permanent dwellings or have no fixed mailing addresses, who are otherwise eligible for ⟦coupons, and narcotics⟧ *coupons.*

(E) Narcotics; and addicts or alcoholics, together with their children, who live under the supervision of a private nonprofit institution, or a publicly operated community mental health center, for the purpose of regular participation in a drug or alcoholic treatment program shall not be considered residents of institutions and ❚shall be considered individual households.❚.

* * * * * * *

(d) A Household income for purposes of the food stamp program shall include all income from whatever source *(including child support payments made to a household member by an individual who is legally obligated to make the payments)* excluding only (1) any gain or benefit which is not in the form of money payable directly to a household (notwithstanding its conversion in whole or in part to direct payments to households pursuant to any demonstration project carried out or authorized under Federal law including demonstration projects created by the waiver of provisions of Federal law), except as provided in subsection (k), (2) any income in ❚the certification period which❚ *that* is received too infrequently or irregularly to be reasonably anticipated, but not in excess of $30 in a quarter, subject to modification by the Secretary in light of subsection (f), (3) all educational loans on which payment is deferred, grants, scholarships, fellowships, veterans' educational benefits, and the like (A) awarded to a household member enrolled at a recognized institution of post-secondary education, at a school for the handicapped, in a vocational education program, or in a program that provides for completion of a secondary school diploma or obtaining the equivalent thereof, (B) to the extent that they do not exceed the amount used for or made available as an allowance determined by such school, institution, program, or other grantor, for tuition and mandatory fees (including the rental or purchase of any equipment, materials, and supplies related to the pursuit of the course of study involved), books, supplies, transportation, and other miscellaneous personal expenses (other than living expenses), of the student incidental to attending such school, institution, or program, and (C) to the extent loans include any origination fees and insurance premiums, (4) all loans other than educational loans on which repayment is deferred, (5) reimbursements which do not exceed expenses actually incurred and which do not represent a gain or benefit to the household and any allowance a State agency provides no more frequently than annually to families with children on the occasion of those children's entering or returning to school or child care for the purpose of obtaining school clothes (except that no such allowance shall be excluded if the State agency reduces monthly assistance under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) in the month for which the allowance is provided): Provided, That no portion of benefits provided under title IV09A of the Social Security Act [(42 U.S.C. 601 et seq.)], to the extent it is attributable to an adjustment for work-related or child care expenses (except for payments or reimbursements for such expenses made under an employment, education, or training program initiated under such title after the date of enactment of the Hunger Prevention Act of 1988 [September 19, 1988]), and no portion of any educational loan on which payment is deferred, grant, scholarship, fellowship, veterans'

benefits, and the like that are provided for living expenses, shall be considered such reimbursement, (6) moneys received and used for the care and maintenance of a third-party beneficiary who is not a household member *and child support payments made by a household member to or for an individual who is not a member of the household if the household member is legally obligated to make the payments*, (7) income earned by a child who is a member of the household, who is an elementary or secondary school student, and who is 17 years of age or younger, (8) moneys received in the form of nonrecurring lump-sum payments, including, but not limited to, income tax refunds, rebates, or credits, cash donations based on need that are received from one or more private nonprofit charitable organizations, but not in excess of $300 in the aggregate in a quarter, retroactive lump-sum social security or railroad retirement pension payments and retroactive lump-sum insurance settlements: Provided, That such payments shall be counted as resources, unless specifically excluded by other laws, (9) the cost of producing self-employed income, but household income that otherwise is included under this subsection shall be reduced by the extent that the cost of producing self-employment income exceeds the income derived from self-employment as a farmer, (10) any income that any other Federal law specifically excludes from consideration as income for purposes of determining eligibility for the food stamp program except as otherwise provided in subsection (k) of this section, (11)(A) any payments or allowances made for the purpose of providing energy assistance under any Federal law (other than part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.)), or (B) a 1-time payment or allowance made under a Federal or State law for the costs of weatherization or emergency repair or replacement of an unsafe or inoperative furnace or other heating or cooling device, (12) through September 30 of any fiscal year, any increase in income attributable to a cost-of-living adjustment made on or after July 1 of such fiscal year under title II or XVI of the Social Security Act (42 U.S.C. 401 et seq.), section 3(a)(1) of the Railroad Retirement Act of 1974 (45 U.S.C. 231b(a)(1)), or section 3112 of title 38, United States Code, if the household was certified as eligible to participate in the food stamp program or received an allotment in the month immediately preceding the first month in which the adjustment was effective, (13) any payment made to the household under section 3507 of the Internal Revenue Code of 1986 (relating to advance payment of earned income credit), (14) any payment made to the household under section 6(d)(4)(I) for work related expenses or for dependent care, *(15)* any amounts necessary for the fulfillment of a plan for achieving self-support of a household member as provided under subparagraph (A)(iii) or (B)(iv) of section 1612(b)(4) of the Social Security Act (42 U.S.C. 1382a(b)(4)), *(16) at the option of the State agency, any educational loans on which payment is deferred, grants, scholarships, fellowships, veterans' educational benefits, and the like (other than loans, grants, scholarships, fellowships, veterans' educational benefits, and the like excluded under paragraph (3)), to the extent that they are required to be excluded under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.), (17) at the option of the State agency, any State complementary assistance program payments that are excluded for the purpose of determining eligibility for medical assistance under*

section 1931 of the Social Security Act (42 U.S.C. 1396u–1), and (18) at the option of the State agency, any types of income that the State agency does not consider when determining eligibility for (A) cash assistance under a program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) or the amount of such assistance, or (B) medical assistance under section 1931 of the Social Security Act (42 U.S.C. 1396u–1), except that this paragraph does not authorize a State agency to exclude wages or salaries, benefits under title I, II, IV, X, XIV, or XVI of the Social Security Act (42 U.S.C. 1381 et seq.), regular payments from a government source (such as unemployment benefits and general assistance), worker's compensation, child support payments made to a household member by an individual who is legally obligated to make the payments, or such other types of income the consideration of which the Secretary determines by regulation to be essential to equitable determinations of eligibility and benefit levels.

* * * * * * *

Section 2605(f)(1) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(f)) requires that any home energy assistance payments or allowances not be considered income or resources for purposes of the food stamp program.

(e) DEDUCTIONS FROM INCOME.—

[(1) STANDARD DEDUCTION.—The Secretary shall allow a standard deduction for each household in the 48 contiguous States and the District of Columbia, Alaska, Hawaii, Guam, and the Virgin Islands of the United States of $134, $229, $189, $269, and $118, respectively.]

(1) STANDARD DEDUCTION.—

(A) IN GENERAL.—Subject to the other provisions of this paragraph, the Secretary shall allow for each household a standard deduction that is equal to the greater of—

(i) the applicable percentage specified in subparagraph (D) of the applicable income standard of eligibility established under subsection (c)(1); or

(ii) the minimum deduction specified in subparagraph (E).

(B) GUAM.—The Secretary shall allow for each household in Guam a standard deduction that is—

(i) equal to the applicable percentage specified in subparagraph (D) of twice the income standard of eligibility established under subsection (c)(1) for the 48 contiguous States and the District of Columbia; but

(ii) not less than the minimum deduction for Guam specified in subparagraph (E).

(C) HOUSEHOLDS OF 6 OR MORE MEMBERS.—The income standard of eligibility established under subsection (c)(1) for a household of 6 members shall be used to calculate the standard deduction for each household of 6 or more members.

(D) APPLICABLE PERCENTAGE.—For the purpose of subparagraph (A), the applicable percentage shall be—

(i) 8 percent for each of fiscal years 2002 through 2007;

(ii) 8.25 percent for fiscal year 2008;

(iii) 8.5 percent for each of fiscal years 2009 and 2010; and

(iv) 9 percent for fiscal year 2011 and each fiscal year thereafter.

(E) MINIMUM DEDUCTION.—The minimum deduction shall be $134, $229, $189, $269, and $118 for the 48 contiguous States and the District of Columbia, Alaska, Hawaii, Guam, and the Virgin Islands of the United States, respectively.

(2) EARNED INCOME DEDUCTION.—

* * * * * * *

(B) EXCLUDED EXPENSES.—The excluded expenses referred to in subparagraph (A) are—

(i) expenses paid on behalf of the household by a third party;

(ii) amounts made available and excluded, for the expenses referred to in subparagraph (A), under subsection (d)(3); and

(iii) expenses that are paid under section 6(d)(4).

[(4) DEDUCTION FOR CHILD SUPPORT PAYMENTS.—

[(A) IN GENERAL.—A household shall be entitled to a deduction for child support payments made by a household member to or for an individual who is not a member of the household if the household member is legally obligated to make the payments.

[(B) METHODS FOR DETERMINING AMOUNT.—The Secretary may prescribe by regulation the methods, including calculation on a retrospective basis, that a State agency shall use to determine the amount of the deduction for child support payments.]

(4) DEDUCTION FOR CHILD SUPPORT PAYMENTS.—

(A) IN GENERAL.—In lieu of providing an exclusion for legally obligated child support payments made by a household member under subsection (d)(6), a State agency may elect to provide a deduction for the amount of the payments.

(B) ORDER OF DETERMINING DEDUCTIONS.—A deduction under this paragraph shall be determined before the computation of the excess shelter expense deduction under paragraph (7).

[(5) HOMELESS SHELTER ALLOWANCE.—Under rules prescribed by the Secretary, a State agency may develop a standard homeless shelter allowance, which shall not exceed $143 per month, for such expenses as may reasonably be expected to be incurred by households in which all members are homeless individuals but are not receiving free shelter throughout the month. A State agency that develops the allowance may use the allowance in determining eligibility and allotments for the households. The State agency may make a household with extremely low shelter costs ineligible for the allowance.]

[(6)] *(5)* EXCESS MEDICAL EXPENSE DEDUCTION.—

(A) IN GENERAL.—A household containing an elderly or disabled member shall be entitled, with respect to expenses other than expenses paid on behalf of the household by a third party, to an excess medical expense deduc-

tion for the portion of the actual costs of allowable medical expenses, incurred by the elderly or disabled member, exclusive of special diets, that exceeds $35 per month.

(B) METHOD OF CLAIMING DEDUCTION.—

(i) IN GENERAL.—A State agency shall offer an eligible household under subparagraph (A) a method of claiming a deduction for recurring medical expenses that are initially verified under the excess medical expense deduction in lieu of submitting information on, or verification of, actual expenses on a monthly basis.

(ii) METHOD.—The method described in clause (i) shall—

(I) be designed to minimize the burden for the eligible elderly or disabled household member choosing to deduct the recurrent medical expenses of the member pursuant to the method;

(II) rely on reasonable estimates of the expected medical expenses of the member for the [certification period] *eligibility review period* (including changes that can be reasonably anticipated based on available information about the medical condition of the member, public or private medical insurance coverage, and the current verified medical expenses incurred by the member); and

(III) not require further reporting or verification of a change in medical expenses if such a change [has been anticipated for the certification period] *was anticipated when the household applied or at the most recent redetermination of eligibility for the household.*

[(7)] *(6)* EXCESS SHELTER EXPENSE DEDUCTION.—

(A) IN GENERAL.—[A household]

(i) *IN GENERAL.—A household* shall be entitled, with respect to expenses other than expenses paid on behalf of the household by a third party, to an excess shelter expense deduction to the extent that the monthly amount expended by a household for shelter exceeds an amount equal to 50 percent of monthly household income after all other applicable deductions have been allowed.

(ii) INCLUSION OF CERTAIN PAYMENTS.—In determining the shelter expenses of a household under this paragraph, the State agency shall include any required payment to the landlord of the household without regard to whether the required payment is designated to pay specific charges.

* * * * * * *

(I) IN GENERAL.—A State agency may make the use of a standard utility allowance mandatory for all households with qualifying utility costs if—

(aa) the State agency has developed 1 or more standards that include the cost of heating and cooling and 1 or more standards that do not include the cost of heating and cooling; and

(bb) the Secretary finds *(without regard to subclause (III))* that the standards will not result in an increased cost to the Secretary.

(II) HOUSEHOLD ELECTION.—A State agency that has not made the use of a standard utility allowance mandatory under subclause (I) shall allow a household to switch, at ❚the end of a certification period❚ *each redetermination of the eligibility of the household,* between the standard utility allowance and a deduction based on the actual utility costs of the household.

(III) INAPPLICABILITY OF CERTAIN RESTRICTIONS.—Clauses (ii)(II) and (ii)(III) shall not apply in the case of a State agency that has made the use of a standard utility allowance mandatory under subclause (I).

* * * * * * *

(IV) PRORATION OF ASSISTANCE.—For the purpose of the food stamp program, assistance provided under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.) shall be considered to be prorated over the entire heating or cooling season for which the assistance was provided.

(D) HOMELESS HOUSEHOLDS.—

(i) ALTERNATIVE DEDUCTION.—In lieu of the deduction provided under subparagraph (A), a State agency may elect to allow a household in which all members are homeless individuals, but that is not receiving free shelter throughout the month, to receive a deduction of $143 per month.

(ii) INELIGIBILITY.—The State agency may make a household with extremely low shelter costs ineligible for the alternative deduction under clause (i).

(n) STATE OPTIONS TO SIMPLIFY DETERMINATION OF CHILD SUPPORT PAYMENTS MADE BY HOUSEHOLD MEMBERS.—

(1) IN GENERAL.—Regardless of whether a State agency elects to provide a deduction under subsection (e)(4), the Secretary shall establish simplified procedures to allow State agencies, at the option of the State agencies, to determine the amount of the legally obligated child support payments made, including procedures to allow the State agency to rely on information from the agency responsible for implementing the program under part D of title IV of the Social Security Act (42 U.S.C. 661 et seq.) concerning payments made in prior months in lieu of obtaining current information from the household.

(2) DURATION OF DETERMINATION OF AMOUNT OF SUPPORT PAYMENTS.—If a State agency makes a determination of the amount of support payments of a household under paragraph (1), the State agency may provide that the amount of the exclusion or deduction for the household shall not change until the eligibility of the household is next redetermined under section 11(e)(4).

(f)(1)(A) Household income for those households that, by contract for other than an hourly or piecework basis or by self-employment,

derive their annual income in a period of time shorter than one year shall be calculated by averaging such income over a twelve-month period. Notwithstanding the preceding sentence, household income resulting from the self-employment of a member in a farming operation, who derives income from such farming operation and who has irregular expenses to produce such income, may, at the option of the household, be calculated by averaging such income and expenses over a 12-month period. Notwithstanding the first sentence, if the averaged amount does not accurately reflect the household's actual monthly circumstances because the household has experienced a substantial increase or decrease in business earnings, the State agency shall calculate the self-employment income based on anticipated earnings.

(B) Household income for those households that receive non-excluded income of the type described in subsection (d)(3) of this section shall be calculated by averaging such income over the period for which it is received.

(C) SIMPLIFIED DETERMINATION OF EARNED INCOME.—

(i) IN GENERAL.—A State agency may elect to determine monthly earned income by multiplying weekly income by 4 and biweekly income by 2.

(ii) ADJUSTMENT OF EARNED INCOME DEDUCTION.—A State agency that makes an election described in clause (i) shall adjust the earned income deduction under subsection (e)(2)(B) to the extent necessary to prevent the election from resulting in increased costs to the food stamp program, as determined consistent with standards promulgated by the Secretary.

(D) SIMPLIFIED DETERMINATION OF DEDUCTIONS.—

(i) IN GENERAL.—Except as provided in clause (ii), for the purposes of subsection (e), a State agency may elect to disregard until the next redetermination of eligibility under section 11(e)(4) 1 or more types of changes in the circumstances of a household that affect the amount of deductions the household may claim under subsection (e).

(ii) CHANGES THAT MAY NOT BE DISREGARDED.—Under clause (i), a State agency may not disregard—

(I) any reported change of residence; or

(II) under standards prescribed by the Secretary, any change in earned income.

* * * * * * *

(5) The Secretary shall promulgate rules by which State agencies shall develop standards for identifying kinds of resources that, as a practical matter, the household is unlikely to be able to sell for any significant return because the household's interest is relatively slight or because the cost of selling the household's interest would be relatively great. Resources so identified shall be excluded as inaccessible resources. A resource shall be so identified if its sale or other disposition is unlikely to produce any significant amount of funds for the support of the household. The Secretary shall not require the State agency to require verification of the value of a resource to be excluded under this paragraph unless the State agency determines that the information provided by the household is questionable.

(6) EXCLUSION OF TYPES OF FINANCIAL RESOURCES NOT CONSIDERED UNDER CERTAIN OTHER FEDERAL PROGRAMS.—

(A) IN GENERAL.—Subject to subparagraph (B), the Secretary shall promulgate regulations under which a State agency may, at the option of the State agency, exclude from financial resources under this subsection any types of financial resources that the State agency does not consider when determining eligibility for—

(i) cash assistance under a program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.); or

(ii) medical assistance under section 1931 of the Social Security Act (42 U.S.C. 1396u–1).

(B) LIMITATIONS.—Subparagraph (A) does not authorize a State agency to exclude—

(i) cash;

(ii) licensed vehicles;

(iii) amounts in any account in a financial institution that are readily available to the household; or

(iv) any other similar type of resource the inclusion in financial resources of which the Secretary determines by regulation to be essential to equitable determinations of eligibility under the food stamp program, except to the extent that any of those types of resources are excluded under another paragraph of this subsection.

(h)(1) The Secretary shall, after consultation with the official empowered to exercise the authority provided for by sections 402 and 502 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.), establish temporary emergency standards of eligibility for the duration of the emergency for households who are victims of a disaster which disrupts commercial channels of food distribution, if such households are in need of temporary food assistance and if commercial channels of food distribution have again become available to meet the temporary food needs of such households. Such standards as are prescribed for individual emergencies may be promulgated without regard to section 4(c) of this Act or the procedures set forth in section 553 of title 5 of the United States Code.

(2) The Secretary shall—

(A) establish a Food Stamp Disaster Task Force to assist States in implementing and operating the disaster program and the regular food stamp program in the disaster area; and

(B) if the Secretary, in the Secretary's discretion, determines that it is cost-effective to send members of the Task Force to the disaster area, the Secretary shall send them to such area as soon as possible after the disaster occurs to provide direct assistance to State and local officials.

(3)(A) The Secretary shall provide, by regulation, for emergency allotments to eligible households to replace food destroyed in a disaster. The regulations shall provide for replacement of the value of food actually lost up to a limit approved by the Secretary not greater than the applicable maximum monthly allotment for the household size.

(B) The Secretary shall adjust *issuance methods* reporting and other application requirements to be consistent with what is practicable under actual conditions in the affected area. In making this adjustment, the Secretary shall consider the availability of the State agency's offices and personnel, *any conditions that make reliance on electronic benefit transfer systems described in section 7(i) impracticable,* and any damage to or disruption of transportation and communication facilities.

* * * * * * *

(D) Any sponsor of an alien, and such alien, shall be jointly and severably liable for an amount equal to any overpayment made to such alien during the period of three years after such alien's entry into the United States, on account of such sponsor's failure to provide correct information under the provisions of this section, except where such sponsor was without fault, or where good cause for such failure existed. Any such overpayment which is not repaid shall be recovered in accordance with the provisions of section 13(b)(2) of this Act.

(E) The provisions of this subsection shall not apply with respect to any alien who is a member of the sponsor's household, as defined in section 3(i) of this Act, *or to any alien who is under 18 years of age.*

* * * * * * *

(4) THIRD PARTY ENERGY ASSISTANCE PAYMENTS.—

(A) ENERGY ASSISTANCE PAYMENTS.—For purposes of subsection (d)(1), a payment made under a State law (other than a law referred to in paragraph (2)(H)) to provide energy assistance to a household shall be considered money payable directly to the household.

(B) ENERGY ASSISTANCE EXPENSES.—For purposes of [subsection (e)(7)] *subsection (e)(6)*, an expense paid on behalf of a household under a State law to provide energy assistance shall be considered an out-of-pocket expense incurred and paid by the household.

* * * * * * *

ELIGIBILITY DISQUALIFICATIONS

SEC. 6. (a) In addition to meeting the standards of eligibility prescribed in section 5 of this Act, households and individuals who are members of eligible households must also meet and comply with the specific requirements of this section to be eligible for participation in the food stamp program.

* * * * * * *

(4) The Secretary shall prescribe such regulations as the Secretary may deem appropriate to ensure that information concerning any such determination with respect to a specific individual is forwarded to the Office of the Secretary by any appropriate State or Federal entity for the use of the Secretary in administering the provisions of this section. No State shall withhold such information from the Secretary or the Secretary's designee for any reason whatsoever.

(c) [No household] *Except in a case in which a household is receiving transitional benefits during the transitional benefits period*

under section 11(s), no household shall be eligible to participate in the food stamp program if it refuses to cooperate in providing information to the State agency that is necessary for making a determination of its eligibility or for completing any subsequent review of its eligibility.

(1)(A) A State agency may require certain categories of households to file periodic reports of income and household circumstances in accordance with standards prescribed by the Secretary, except that a State agency may not require periodic reporting by—

(i) migrant or seasonal farmworker households;

(ii) households in which all members are homeless individuals; or

(iii) households that have no earned income and in which all adult members are elderly or disabled.

(B) Each household that is not required to file such periodic reports on a monthly basis shall be required to report or cause to be reported to the State agency changes in income or household circumstances that the Secretary considers necessary to assure accurate eligibility and benefit determinations.

(C) A State agency may require periodic reporting on a monthly basis by households residing on a reservation only if—

(i) the State agency reinstates benefits, without requiring a new application, for any household residing on a reservation that submits a report not later than 1 month after the end of the month in which benefits would otherwise be provided;

(ii) the State agency does not delay, reduce, suspend, or terminate the allotment of a household that submits a report not later than 1 month after the end of the month in which the report is due;

(iii) on the date of enactment of this subparagraph, the State agency requires households residing on a reservation to file periodic reports on a monthly basis; and

(iv) the [certification period] *interval between required redeterminations of eligibility* for households residing on a reservation that are required to file periodic reports on a monthly basis is 2 years, unless the State demonstrates just cause to the Secretary for a shorter [certification period] *interval between required redeterminations of eligibility.*

(D) FREQUENCY OF REPORTING.—

(i) IN GENERAL.—Except as provided in subparagraphs (A) and (C), a State agency may require households that report on a periodic basis to submit reports—

(I) not less often than once each 6 months; but

(II) not more often than once each month.

(ii) REPORTING BY HOUSEHOLDS WITH EXCESS INCOME.—A household required to report less often than once each 3 months shall, notwithstanding subparagraph (B), report in a manner prescribed by the Secretary if the income of the household for any month exceeds the standard established under section 5(c)(2).

* * * * * * *

(v) SELECTING A HEAD OF HOUSEHOLD.—

(I) IN GENERAL.—For purposes of this paragraph, the State agency shall allow the household to select any adult parent of a child in the household as the head of the household if all adult household members making application under the food stamp program agree to the selection.

(II) TIME FOR MAKING DESIGNATION.—A household may designate the head of the household under subclause (I) each time the household is certified for participation in the food stamp program, but may not change the designation during a [certification period] *an eligibility review period* unless there is a change in the composition of the household.

* * * * * * *

(B) a program under section 236 of the Trade Act of 1974 (19 U.S.C. 2296); [and]

(C) a program of employment and training operated or supervised by a State or political subdivision of a State that meets standards approved by the Governor of the State, including a program under subsection (d)(4), other than a job search program or a job search training program; *and*

(D) a job search program or job search training program if—

(i) the program meets standards established by the Secretary to ensure that the participant is continuously and actively seeking employment in the private sector; and

(ii) no position is currently available for the participant in an employment or training program that meets the requirements of subparagraph (C).

(2) WORK REQUIREMENT.—Subject to the other provisions of this subsection, no individual shall be eligible to participate in the food stamp program as a member of any household if, during the preceding [36-month] *24-month* period, the individual received food stamp benefits for not less than [3] *6* months (consecutive or otherwise) during which the individual did not—

* * * * * * *

(B) REPORT.—The Secretary shall report the basis for a waiver under subparagraph (A) to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

[(5) SUBSEQUENT ELIGIBILITY.—

[(A) REGAINING ELIGIBILITY.—An individual denied eligibility under paragraph (2) shall regain eligibility to participate in the food stamp program if, during a 30-day period, the individual—

[(i) works 80 or more hours;

[(ii) participates in and complies with the requirements of a work program for 80 or more hours, as determined by a State agency; or

[(iii) participates in and complies with the requirements of a program under section 20 or a comparable program established by a State or political subdivision of a State.

[(B) MAINTAINING ELIGIBILITY.—An individual who regains eligibility under subparagraph (A) shall remain eligible as long as the individual meets the requirements of subparagraph (A), (B), or (C) of paragraph (2).

[(C) LOSS OF EMPLOYMENT.—

[(i) IN GENERAL.—An individual who regained eligibility under subparagraph (A) and who no longer meets the requirements of subparagraph (A), (B), or (C) of paragraph (2) shall remain eligible for a consecutive 3-month period, beginning on the date the individual first notifies the State agency that the individual no longer meets the requirements of subparagraph (A), (B), or (C) of paragraph (2).

[(ii) LIMITATION.—An individual shall not receive any benefits pursuant to clause (i) for more than a single 3-month period.]

(5) ELIGIBILITY OF INDIVIDUALS WHILE MEETING WORK REQUIREMENT.—Notwithstanding paragraph (2), an individual who would otherwise be ineligible under that paragraph shall be eligible to participate in the food stamp program during any period in which the individual meets the work requirement of subparagraph (A), (B), or (C) of that paragraph.

(6) 15-PERCENT EXEMPTION.—

(A) DEFINITIONS.—In this paragraph:

(i) CASELOAD.—The term "caseload" means the average monthly number of individuals receiving food stamps during the 12-month period ending the preceding June 30.

(ii) COVERED INDIVIDUAL.—The term "covered individual" means a food stamp recipient, or an individual denied eligibility for food stamp benefits solely due to paragraph (2), who—

(I) is not eligible for an exception under paragraph (3);

(II) does not reside in an area covered by a waiver granted under paragraph (4);

(III) is not complying with subparagraph (A), (B), or (C) of paragraph (2) *and*;

(IV) is not receiving food stamp benefits during the [3] *6* months of eligibility provided under paragraph (2)[; and].

[(V) is not receiving food stamp benefits under paragraph (5).]

(B) GENERAL RULE.—Subject to subparagraphs (C) through (G), a State agency may provide an exemption from the requirements of paragraph (2) for covered individuals.

* * * * * * *

(A) IMPLEMENTATION.—Not later than October 1, 2002, each State agency shall implement an electronic benefit transfer system under which household benefits determined under section 8(a) or 26 are issued from and stored in a central databank, unless the Secretary provides a waiver for a State agency that faces unusual barriers to implementing an electronic benefit transfer system.

(B) TIMELY IMPLEMENTATION.—Each State agency is encouraged to implement an electronic benefit transfer system under subparagraph (A) as soon as practicable.

(C) STATE FLEXIBILITY.—Subject to paragraph (2), a State agency may procure and implement an electronic benefit transfer system under the terms, conditions, and design that the State agency considers appropriate.

(D) OPERATION.—An electronic benefit transfer system should take into account generally accepted standard operating rules based on—

(i) commercial electronic funds transfer technology;

(ii) the need to permit interstate operation and law enforcement monitoring; and

(iii) the need to permit monitoring and investigations by authorized law enforcement agencies.

(E) ACCESS TO EBT SYSTEMS.—

(i) IN GENERAL.—No benefits shall be taken off-line or otherwise made inaccessible because of inactivity until at least 180 days have elapsed since a household last accessed the account of the household.

(ii) NOTICE TO HOUSEHOLD.—In a case in which benefits are taken off-line or otherwise made inaccessible, the household shall be sent a notice that—

(I) explains how to reactivate the benefits; and

(II) offers assistance if the household is having difficulty accessing the benefits of the household.

(2) The Secretary shall issue final regulations that establish standards for the approval of such a system. The standards shall include—

[(A) determining the cost-effectiveness of the system to ensure that its operational cost, including the pro rata cost of capital expenditures and other reasonable startup costs, does not exceed the operational cost of issuance systems in use prior to the implementation of the electronic benefit transfer system**]** *system;*

[(B)**]** *(A)* defining the required level of recipient protection regarding privacy, ease of use, and access to and service in retail food stores;

[(C)**]** *(B)* the terms and conditions of participation by retail food stores, financial institutions, and other appropriate parties;

[(D)**]***(C)*(i) measures to maximize the security of a system using the most recent technology available that the State agency considers appropriate and cost effective and which may include personal identification numbers, photographic identification on electronic benefit transfer cards, and other measures to protect against fraud and abuse; and

(ii) effective not later than 2 years after the date of enactment of this clause [August 22, 1996], to the extent practicable, measures that permit a system to differentiate items of food that may be acquired with an allotment from items of food that may not be acquired with an allotment;

[(E)**]** *(D)* system transaction interchange, reliability, and processing speeds;

[(F)] *(E)* financial accountability;

[(G)] *(F)* the required testing of system operations prior to implementation;

[(H)] *(G)* the analysis of the results of system implementation in a limited project area prior to expansion; and

[(I)] *(H)* procurement standards.

* * * * * * *

VALUE OF ALLOTMENT

SEC. 8. (a) The value of the allotment which State agencies shall be authorized to issue to any households certified as eligible to participate in the food stamp program shall be equal to the cost to such households of the thrifty food plan reduced by an amount equal to 30 per centum of the household's income, as determined in accordance with section 5 (d) and (e) of this Act, rounded to the nearest lower whole dollar: Provided, That for households of one and two persons the minimum allotment shall be $10 per month.

* * * * * * *

(c)(1) The value of the allotment issued to any eligible household for the initial month or other initial period for which an allotment is issued shall have a value which bears the same ratio to the value of the allotment for a full month or other initial period for which the allotment is issued as the number of days (from the date of application) remaining in the month or other initial period for which the allotment is issued bears to the total number of days in the month or other initial period for which the allotment is issued, except that no allotment may be issued to a household for the initial month or period if the value of the allotment which such household would otherwise be eligible to receive under this subsection is less than $10. Households shall receive full months' allotments for all months [within a certification period], except as provided in the first sentence of this paragraph with respect to an initial month.

(2) As used in this subsection, the term "initial month" means (A) the first month for which an allotment is issued to a household, (B) the first month for which an allotment is issued to a household following any period in which such household was not participating in the food stamp program under this Act after the [expiration of a certification period or after the termination of the certification of a household, during a certification period,] *termination of benefits to the household,* when the household ceased to be eligible after notice and an opportunity for a hearing under section 11(e)(10), and (C) in the case of a migrant or seasonal farmworker household, the first month for which allotment is issued to a household that applies following any period of more than 30 days in which such household was not participating in the food stamp program after previous participation in such program.

* * * * * * *

(e) ALLOTMENTS FOR HOUSEHOLDS RESIDING IN CENTERS.—

(1) IN GENERAL.—In the case of an individual who resides in a center for the purpose of a drug or alcoholic treatment program described in [the last sentence of section 3(i)] *section 3(i)(5)*, a State agency may provide an allotment for the individual to—

(A) the center as an authorized representative of the individual for a period that is less than 1 month; and

(B) the individual, if the individual leaves the center.

(2) DIRECT PAYMENT.—A State agency may require an individual referred to in paragraph (1) to designate the center in which the individual resides as the authorized representative of the individual for the purpose of receiving an allotment.

(f) SIMPLIFIED PROCEDURES FOR RESIDENTS OF CERTAIN GROUP FACILITIES.—

(1) IN GENERAL.—At the option of the State agency, allotments for residents of facilities described in subparagraph (A), (B), or (E) of section 3(i)(5) may be determined and issued under this subsection in lieu of subsection (a).

(2) AMOUNT OF ALLOTMENT.—The allotment for each eligible resident described in paragraph (1) shall be calculated in accordance with standardized procedures established by the Secretary that take into account the allotments typically received by residents of facilities described in paragraph (1).

(3) ISSUANCE OF ALLOTMENT.—

(A) IN GENERAL.—The State agency shall issue an allotment determined under this subsection to the administration of a facility described in paragraph (1) as the authorized representative of the residents of the facility.

(B) ADJUSTMENT.—The Secretary shall establish procedures to ensure that a facility described in paragraph (1) does not receive a greater proportion of a resident's monthly allotment than the proportion of the month during which the resident lived in the facility.

(4) DEPARTURES OF COVERED RESIDENTS.—

(A) NOTIFICATION.—Any facility described in paragraph (1) that receives an allotment for a resident under this subsection shall—

(i) notify the State agency promptly on the departure of the resident; and

(ii) notify the resident, before the departure of the resident, that the resident—

(I) is eligible for continued benefits under the food stamp program; and

(II) should contact the State agency concerning continuation of the benefits.

(B) ISSUANCE TO DEPARTED RESIDENTS.—On receiving a notification under subparagraph (A)(i) concerning the departure of a resident, the State agency—

(i) shall promptly issue the departed resident an allotment for the days of the month after the departure of the resident (calculated in a manner prescribed by the Secretary) unless the departed resident reapplies to participate in the food stamp program; and

(ii) may issue an allotment for the month following the month of the departure (but not any subsequent month) based on this subsection unless the departed resident reapplies to participate in the food stamp program.

(C) STATE OPTION.—The State agency may elect not to issue an allotment under subparagraph (B)(i) if the State

agency lacks sufficient information on the location of the departed resident to provide the allotment.

(D) EFFECT OF REAPPLICATION.—If the departed resident reapplies to participate in the food stamp program, the allotment of the departed resident shall be determined without regard to this subsection.

* * * * * * *

Section 705(a)(2)(D) of the Older Americans Act Amendments of 1992 (Public Law 102–375; 42 U.S.C. 3058k note) provides that the purposes of such section is to provide outreach, counseling, and assistance in order to assist older individuals in obtaining benefits under public programs under which the individuals are entitled to benefits, including benefits under the program established under this Act.

(2)(A) that the State agency shall establish procedures governing the operation of food stamp offices that the State agency determines best serve households in the State, including households with special needs, such as households with elderly or disabled members, households in rural areas with low-income members, homeless individuals, households residing on reservations, and households in areas in which a substantial number of members of low-income households speak a language other than English.

(B) In carrying out subparagraph (A), a State agency—

(i) shall provide timely, accurate, and fair service to applicants for, and participants in, the food stamp program;

(ii)*(I)* shall develop an application containing the information necessary to comply with this Act*; and*

(II) if the State agency maintains a website for the State agency, shall make the application available on the website in each language in which the State agency makes a printed application available;

(iii) shall permit an applicant household to apply to participate in the program on the same day that the household first contacts a food stamp office in person during office hours;

* * * * * * *

[(4) that the State agency shall insure that each participating household receive a notice of expiration of its certification prior to the start of the last month of its certification period advising the household that it must submit a new application in order to renew its eligibility for a new certification period and, further, that each such household which seeks to be certified another time or more times thereafter by filing an application for such recertification no later than fifteen days prior to the day upon which its existing certification period expires shall, if found to be still eligible, receive its allotment no later than one month after the receipt of the last allotment issued to it pursuant to its prior certification, but if such household is found to be ineligible or to be eligible for a smaller allotment during the new certification period it shall not continue to participate and receive benefits on the basis authorized for the preceding certification period even if it makes a timely request for a fair hearing pursuant to paragraph (10) of this sub-

section: Provided, That the timeliness standards for submitting the notice of expiration and filing an application for recertification may be modified by the Secretary in light of sections 5(f)(2) and 6(c) of this Act if administratively necessary;]

(4)(A) that the State agency shall periodically require each household to cooperate in a redetermination of the eligibility of the household.

(B) A redetermination under subparagraph (A) shall—

(i) be based on information supplied by the household; and

(ii) conform to standards established by the Secretary.

(C) The interval between redeterminations of eligibility under subparagraph (A) shall not exceed the eligibility review period;

(5) the specific standards to be used in determining the eligibility of applicant households which shall be in accordance with sections 5 and 6 of this Act and shall include no additional requirements imposed by the State agency;

* * * * * * *

(10) for the granting of a fair hearing and a prompt determination thereafter to any household aggrieved by the action of the State agency under any provision of its plan of operation as it affects the participation of such household in the food stamp program or by a claim against the household for an overissuance: Provided, That any household which timely requests such a fair hearing after receiving individual notice of agency action reducing or terminating its benefits [within the household's certification period] shall continue to participate and receive benefits on the basis authorized immediately prior to the notice of adverse action until such time as the fair hearing is completed and an adverse decision rendered [or until such time as the household's certification period terminates, whichever occurs earlier], except that in any case in which the State agency receives from the household a written statement containing information that clearly requires a reduction or termination of the household's benefits, the State agency may act immediately to reduce or terminate the household's benefits and may provide notice of its action to the household as late as the date on which the action becomes effective. At the option of a State, at any time prior to a fair hearing determination under this paragraph, a household may withdraw, orally or in writing, a request by the household for the fair hearing. If the withdrawal request is an oral request, the State agency shall provide a written notice to the household confirming the withdrawal request and providing the household with an opportunity to request a hearing;

(11) upon receipt of a request from a household, for the prompt restoration in the form of coupons to a household of any allotment or portion thereof which has been wrongfully denied or terminated, except that allotments shall not be restored for any period of time more than one year prior to the date the State agency receives a request for such restoration from a household or the State agency is notified or otherwise discovers that a loss to a household has occurred;

(12) for the submission of such reports and other information as from time to time may be required by the Secretary;

* * * * * * *

(16) notwithstanding paragraph (8) of this subsection, for the immediate reporting to the Immigration and Naturalization Service by the State agency of a determination by personnel responsible [for the certification or recertification] *determining the eligibility* of households that any member of a household is ineligible to receive food stamps because that member is present in the United States in violation of the Immigration and Nationality Act [(8 U.S.C. 1101 et seq.)];

(17) at the option of the State agency, for the establishment and operation of an automatic data processing and information retrieval system that meets such conditions as the Secretary may prescribe and that is designed to provide efficient and effective administration of the food stamp program;

* * * * * * *

[(2) GRANTS.—

[(A) IN GENERAL.—The Secretary shall make available not more than $600,000 for each of fiscal years 1998 through 2001 to pay the Federal share of grants made to eligible private nonprofit organizations and State agencies to carry out subparagraph (B).

[(B) ELIGIBILITY.—A private nonprofit organization or State agency shall be eligible to receive a grant under subparagraph (A) if the organization or agency agrees—

[(i) to use the funds to direct a collaborative effort to coordinate and integrate nutrition education into health, nutrition, social service, and food distribution programs for food stamp participants and other low-income households; and

[(ii) to design the collaborative effort to reach large numbers of food stamp participants and other low-income households through a network of organizations, including schools, child care centers, farmers' markets, health clinics, and outpatient education services.

[(C) PREFERENCE.—In deciding between 2 or more private nonprofit organizations or State agencies that are eligible to receive a grant under subparagraph (B), the Secretary shall give a preference to an organization or agency that conducted a collaborative effort described in subparagraph (B) and received funding for the collaborative effort from the Secretary before the date of enactment of this paragraph.

[(D) FEDERAL SHARE.—

[(i) IN GENERAL.—Subject to subparagraph (E), the Federal share of a grant under this paragraph shall be 50 percent.

[(ii) NO IN-KIND CONTRIBUTIONS.—The non-Federal share of a grant under this paragraph shall be in cash.

[(iii) PRIVATE FUNDS.—The non-Federal share of a grant under this paragraph may include amounts from private nongovernmental sources.

[(E) LIMIT ON INDIVIDUAL GRANT.—The Federal share of a grant under subparagraph (A) may not exceed $200,000 for a fiscal year.]

(2) NUTRITION EDUCATION CLEARINGHOUSE.—The Secretary shall—

(A) request State agencies to submit to the Secretary descriptions of successful nutrition education programs designed for use in the food stamp program and other nutrition assistance programs;

(B) make the descriptions submitted under subparagraph (A) available on the website of the Department of Agriculture; and

(C) inform State agencies of the availability of the descriptions on the website.

* * * * * * *

(q) DENIAL OF FOOD STAMPS FOR PRISONERS.—The Secretary shall assist States, to the maximum extent practicable, in implementing a system to conduct computer matches or other systems to prevent prisoners described in section 11(e)(20)(B) from participating in the food stamp program as a member of any household.

(r) DENIAL OF FOOD STAMPS FOR DECEASED INDIVIDUALS.—Each State agency shall—

(1) enter into a cooperative arrangement with the Commissioner of Social Security, pursuant to the authority of the Commissioner under section 205(r)(3) of the Social Security Act (42 U.S.C. 405(r)(3)), to obtain information on individuals who are deceased; and

(2) use the information to verify and otherwise ensure that benefits are not issued to individuals who are deceased.

(s) TRANSITIONAL BENEFITS OPTION.—

(1) IN GENERAL.—A State agency may provide transitional food stamp benefits to a household that ceases to receive cash assistance under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.).

(2) TRANSITIONAL BENEFITS PERIOD.—Under paragraph (1), a household may continue to receive food stamp benefits for a period of not more than 6 months after the date on which cash assistance is terminated.

(3) AMOUNT OF BENEFITS.—During the transitional benefits period under paragraph (2), a household shall receive an amount of food stamp benefits equal to the allotment received in the month immediately preceding the date on which cash assistance was terminated, adjusted for—

(A) the change in household income as a result of the termination of cash assistance; and

(B) any changes in circumstances that may result in an increase in the food stamp allotment of the household and that the household elects to report.

(4) DETERMINATION OF FUTURE ELIGIBILITY.—In the final month of the transitional benefits period under paragraph (2), the State agency may—

(A) require the household to cooperate in a redetermination of eligibility; and

(B) initiate a new eligibility review period for the household without regard to whether the preceding eligibility review period has expired.

(5) LIMITATION.—A household shall not be eligible for transitional benefits under this subsection if the household—

(A) loses eligibility under section 6;

(B) is sanctioned for a failure to perform an action required by Federal, State, or local law relating to a cash assistance program described in paragraph (1); or

(C) is a member of any other category of households designated by the State agency as ineligible for transitional benefits.

CIVIL MONEY PENALTIES AND DISQUALIFICATION OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS

* * * * * * *

ADMINISTRATIVE AND JUDICIAL REVIEW

SEC. 14. (a)(1) Whenever an application of a retail food store or wholesale food concern to participate in the food stamp program is denied pursuant to section 9 of this Act, or a retail food store or wholesale food concern is disqualified or subjected to a civil money penalty under the provisions of section 12 of this Act, or a retail food store or wholesale food concern forfeits a bond under section 12(d) of this Act, or all or part of any claim of a retail food store or wholesale food concern is denied under the provisions of section 13 of this Act, or a claim against a State agency is stated pursuant to the provisions of section 13 of this Act, notice of such administrative action shall be issued to the retail food store, wholesale food concern, or State agency involved.

[(2) Such notice shall be delivered by certified mail or personal service.**]**

(2) DELIVERY OF NOTICES.—A notice under paragraph (1) shall be delivered by any form of delivery that the Secretary determines will provide evidence of the delivery.

(3) If such store, concern, or State agency is aggrieved by such action, it may, in accordance with regulations promulgated under this Act, within ten days of the date of delivery of such notice, file a written request for an opportunity to submit information in support of its position to such person or persons as the regulations may designate.

* * * * * * *

SEC. 16. (a) Subject to subsection (k), the Secretary is authorized to pay to each State agency an amount equal to 50 per centum of all administrative costs involved in each State agency's operation of the food stamp program, which costs shall include, but not be limited to, the cost of (1) the certification of applicant households, (2) the acceptance, storage, protection, control, and accounting of coupons after their delivery to receiving points within the State, (3) the issuance of coupons to all eligible households, (4) food stamp informational activities, including those undertaken under section 11(e)(1)(A), but not including recruitment activities, (5) fair hearings, (6) automated data processing and information retrieval systems subject to the conditions set forth in subsection (g), (7) food

stamp program investigations and prosecutions, and (8) implementing and operating the immigration status verification system established under section 1137(d) of the Social Security Act (42 U.S.C. 1320b097(d)): Provided, That the Secretary is authorized at the Secretary's discretion to pay any State agency administering the food stamp program on all or part of an Indian reservation under section 11(d) of this Act or in a Native village within the State of Alaska identified in section 11(b) of Public Law 9209203, as amended. Such amounts for administrative costs as the Secretary determines to be necessary for effective operation of the food stamp program, as well as to permit each State to retain 35 percent of the value of all funds or allotments recovered or collected pursuant to sections 6(b) and 13(c) and 20 percent of the value of any other funds or allotments recovered or collected, except the value of funds or allotments recovered or collected that arise from an error of a State agency. The officials responsible for making determinations of ineligibility under this Act shall not receive or benefit from revenues retained by the State under the provisions of this subsection.

* * * * * * *

(c)(1) The program authorized under this Act shall include a system that [enhances payment accuracy by establishing fiscal incentives that require State agencies with high error rates to share in the cost of payment error and provide enhanced administrative funding to States with the lowest error rates. Under such system—]

[(A) the Secretary] *enhances payment accuracy and that has the following elements:*

(A) ENHANCED ADMINISTRATIVE FUNDING.—With respect to fiscal year 2001, the Secretary shall adjust a State agency's federally funded share of administrative costs pursuant to subsection (a), other than the costs already shared in excess of 50 percent under the proviso in the first sentence of subsection (a) or under subsection (g), by increasing such share of all such administrative costs by [one percentage point to a maximum of 60] *1/2 of 1 percentage point to a maximum of 55* percent of all such administrative costs for each full one-tenth of a percentage point by which the payment error rate is less than 6 percent, except that only States whose rate of invalid decisions in denying eligibility is less than a nationwide percentage that the Secretary determines to be reasonable shall be entitled to the adjustment prescribed in this subsection;.

[(B) the Secretary shall foster management improvements by the States by requiring State agencies other than those receiving adjustments under subparagraph (A) to develop and implement corrective action plans to reduce payment errors; and]

(B) INVESTIGATION AND INITIAL SANCTIONS.—

(i) INVESTIGATION.—Except as provided under subparagraph (C), for any fiscal year in which the Secretary determines that a 95 percent statistical probability exists that the payment error rate of a State agency exceeds the national performance measure for payment error rates announced under paragraph (6) by more than 1 percentage point, other than for good cause shown, the Secretary shall

investigate the administration by the State agency of the food stamp program unless the Secretary determines that sufficient information is already available to review the administration by the State agency.

(ii) INITIAL SANCTIONS.—If an investigation under clause (i) results in a determination that the State agency has been seriously negligent (as determined under standards promulgated by the Secretary), the State agency shall pay the Secretary an amount that reflects the extent of such negligence (as determined under standards promulgated by the Secretary), not to exceed 5 percent of the amount provided to the State agency under subsection (a) for the fiscal year.

(C) ADDITIONAL SANCTIONS.—If, for any fiscal year, the Secretary determines that a 95 percent statistical probability exists that the payment error rate of a State agency exceeds the national performance measure for payment error rates announced under paragraph (6) by more than 1 percentage point, other than for good cause shown, and that the State agency was sanctioned under this paragraph or was the subject of an investigation or review under subparagraph (B)(i) for each of the 2 immediately preceding fiscal years, the State agency shall pay to the Secretary an amount equal to the product obtained by multiplying—

(i) the value of all allotments issued by the State agency in the fiscal year;

(ii) the lesser of—

(I) the ratio that—

(aa) the amount by which the payment error rate of the State agency for the fiscal year exceeds by more than 1 percentage point the national performance measure for the fiscal year; bears to

(bb) 10 percent; or

(II) 1; and

(iii) the amount by which the payment error rate of the State agency for the fiscal year exceeds by more than 1 percentage point the national performance measure for the fiscal year.

(D) CORRECTIVE ACTION PLANS.—The Secretary shall foster management improvements by the States by requiring State agencies to develop and implement corrective action plans to reduce payment errors.

[(C) for any fiscal year in which a State agency's payment error rate exceeds the national performance measure for payment error rates announced under paragraph (6), other than for good cause shown, the State agency shall pay to the Secretary an amount equal to—

[(i) the product of—

[(I) the value of all allotments issued by the State agency in the fiscal year; times

[(II) the lesser of—

[(aa) the ratio of—

[(aaa) the amount by which the payment error rate of the State agency for the fiscal

year exceeds the national performance measure for the fiscal year; to

[(bbb) the national performance measure for the fiscal year, or

[(bb) 1; times

[(III) the amount by which the payment error rate of the State agency for the fiscal year exceeds the national performance measure for the fiscal year. The amount of liability shall not be affected by corrective action under subparagraph (B).]

(2) As used in this section—

(A) the term "payment error rate" means the sum of the point estimates of an overpayment error rate and an underpayment error rate determined by the Secretary from data collected in a probability sample of participating households, *as adjusted downward as appropriate under paragraph (10);*

(B) the term "overpayment error rate" means the percentage of the value of all allotments issued in a fiscal year by a State agency that are either—

* * * * * * *

(B) Errors resulting from the use by a State agency of correctly processed information concerning households or individuals received from Federal agencies or from actions based on policy information approved or disseminated, in writing, by the Secretary or the Secretary's designee.

[(4) The Secretary may require a State agency to report any factors that the Secretary considers necessary to determine a State agency's payment error rate, enhanced administrative funding, or claim for payment error, under this subsection.]

(4) REPORTING REQUIREMENTS.—The Secretary may require a State agency to report any factors that the Secretary considers necessary to determine a State agency's payment error rate, enhanced administrative funding, claim for payment error under paragraph (1), or performance under the performance measures under paragraph (11). If a State agency fails to meet the reporting requirements established by the Secretary, the Secretary shall base the determination on all pertinent information available to the Secretary.

[(5) To facilitate the implementation of this subsection each State agency shall submit to the Secretary expeditiously data regarding its operations in each fiscal year sufficient for the Secretary to establish the payment error rate for the State agency for such fiscal year and determine the amount of either incentive payments under paragraph (1)(A) or claims under paragraph (1)(C). The Secretary shall make a determination for a fiscal year, and notify the State agency of such determination, within nine months following the end of each fiscal year.]

(5) PROCEDURES.—To facilitate the implementation of this subsection, each State agency shall expeditiously submit to the Secretary data concerning the operations of the State agency in each fiscal year sufficient for the Secretary to establish the payment error rate for the State agency for the fiscal year, to comply with paragraph (10), and to determine the amount of enhanced administrative funding under paragraph (1)(A), high performance bonus payments under paragraph (11), or claims under subparagraph (B) or

(C) of paragraph (1). The Secretary shall initiate efforts to collect the amount owed by the State agency as a claim established under paragraph (1)(C) for a fiscal year, subject to the conclusion of any formal or informal appeal procedure and administrative or judicial review under section 14 (as provided for in paragraph (7)), before the end of the fiscal year following such fiscal year.

(6) At the time the Secretary makes the notification to State agencies of their error rates and incentive payments or claims pursuant to paragraphs (1)(A) and (1)(C), the Secretary shall also announce a national performance measure that shall be the sum of the products of each State agency's error rate as developed for the notifications under paragraph (8) *(but determined without regard to paragraph (10))* times that State agency's proportion of the total value of national allotments issued for the fiscal year using the most recent issuance data available at the time of the notifications issued pursuant to paragraph (8). Where a State fails to meet reporting requirements pursuant to paragraph (4), the Secretary may use another measure of a State's error developed pursuant to paragraph (8), to develop the national performance measure. The announced national performance measure shall be used in determining the State share of the cost of payment error under paragraph (1)(C) for the fiscal year whose error rates are being announced under paragraph (8).

(7) If the Secretary asserts a financial claim against a State agency under paragraph (1)(C), the State may seek administrative and judicial review of the action pursuant to section 14.

(8)(A) This paragraph applies to the determination of whether a payment is due by a State agency for a fiscal year under paragraph (1)(C).

(B) Not later than [180 days after the end of the fiscal year] *the first May 31 after the end of the fiscal year referred to in subparagraph (A)*, the case review and all arbitrations of State-Federal difference cases shall be completed.

(C) Not later than [30 days thereafter] *the first June 30 after the end of the fiscal year referred to in subparagraph (A)*, the Secretary shall—

* * * * * * *

(E) a significant circumstance beyond the control of the State agency.

(10) ADJUSTMENTS OF PAYMENT ERROR RATE.—

(A) FISCAL YEAR 2002.—

(i) ADJUSTMENT FOR HIGHER PERCENTAGE OF HOUSEHOLDS WITH EARNED INCOME.—Subject to subparagraph (E), with respect to fiscal year 2002, in applying paragraph (1), the Secretary shall adjust the payment error rate determined under paragraph (2)(A) as necessary to take into account any increases in errors that result from the State agency's serving a higher percentage of households with earned income than the lesser of—

(I) the percentage of households with earned income that receive food stamps in all States; or

(II) the percentage of households with earned income that received food stamps in the State in fiscal year 1992.

(ii) ADJUSTMENT FOR HIGHER PERCENTAGE OF HOUSEHOLDS WITH NON-CITIZEN MEMBERS.—Subject to subparagraph (B), with respect to fiscal year 2002, in applying paragraph (1), the Secretary shall adjust the payment error rate determined under paragraph (2)(A) as necessary to take into account any increases in errors that result from the State agency's serving a higher percentage of households with 1 or more members who are not United States citizens than the lesser of—

(I) the percentage of households with 1 or more members who are not United States citizens that receive food stamps in all States: or

(II) the percentage of households with 1 or more members who are not United States citizens that received food stamps in the State in fiscal year 1998.

(B) EXPANDED APPLICABILITY TO STATE AGENCIES SUBJECT TO SANCTIONS.—In the case of a State agency subject to sanctions for fiscal year 2001 or any fiscal year thereafter under paragraph (1), the adjustments described in subparagraph (A) shall apply to the State agency for the fiscal year.

(C) ADDITIONAL ADJUSTMENTS.—For fiscal year 2003 and each fiscal year thereafter, the Secretary may make such additional adjustments to the payment error rate determined under paragraph (2)(A) as the Secretary determines to be consistent with achieving the purposes of this Act.

(11) HIGH PERFORMANCE BONUS PAYMENTS.—

(A) IN GENERAL.—The Secretary shall—

(i) with respect to fiscal year 2002 and each fiscal year thereafter, measure the performance of each State agency with respect to each of the performance measures specified in subparagraph (B); and

(ii) in fiscal year 2003 and each fiscal year thereafter, subject to subparagraphs (C) and (D), make high performance bonus payments to the State agencies with the highest or most improved performance with respect to those performance measures.

(B) PERFORMANCE MEASURES.—The performance measures specified in this subparagraph are—

(i) the ratio, expressed as a percentage, that—

(I) the number of households in the State that—

(aa) receive food stamps;

(bb) have incomes less than 130 percent of the poverty line (as defined in section 673 of the Community Services Block Grant Act (42 U.S.C. 9902));

(cc) have annual earnings equal to at least 1000 times the Federal minimum hourly rate under the Fair Labor Standards Act of 1938 (29 U.S.C. 201 et seq.); and

(dd) have children under age 18; bears to

(II) the number of households in the State that meet the criteria specified in items (bb) through (dd) of subclause (I); and

(ii) 4 additional performance measures, established by the Secretary in consultation with the National Governors

Association, the American Public Human Services Association, and the National Conference of State Legislatures not later than 180 days after the date of enactment of this paragraph, of which not less than 1 performance measure shall relate to provision of timely and appropriate services to applicants for and recipients of food stamp benefits.

(C) HIGH PERFORMANCE BONUS PAYMENTS.—

(i) DEFINITION OF CASELOAD.—In this subparagraph, the term "caseload" has the meaning given the term in section 6(o)(6)(A).

(ii) AMOUNT OF PAYMENTS.—

(I) IN GENERAL.—In fiscal year 2003 and each fiscal year thereafter, the Secretary shall—

(aa) make 1 high performance bonus payment of $6,000,000 for each of the 5 performance measures under subparagraph (B); and

(bb) allocate the high performance bonus payment with respect to each performance measure in accordance with subclauses (II) and (III).

(II) PAYMENT FOR PERFORMANCE MEASURES.—In fiscal year 2003 and each fiscal year thereafter, the Secretary shall allocate, in accordance with subclause (III), the high performance bonus payment made for each performance measure under subparagraph (B) among the 6 State agencies with, as determined by the Secretary by regulation—

(aa) the greatest improvement in the level of performance with respect to the performance measure between the 2 most recent years for which the Secretary determines that reliable data are available; or

(bb) the highest performance in the performance measure for the most recent year for which the Secretary determines that reliable data are available; or

(cc) a combination of the greatest improvement described in item (aa) and the highest performance described in item (bb).

(III) ALLOCATION AMONG STATE AGENCIES ELIGIBLE FOR PAYMENTS.—A high performance bonus payment under subclause (II) or made for a performance measure shall be allocated among the State agencies eligible for the payment in the ratio that—

(aa) the caseload of each of the 6 State agencies eligible for the payment; bears to

(bb) the caseloads of the 6 State agencies eligible for the payment.

(D) PROHIBITION ON RECEIPT OF HIGH PERFORMANCE BONUS PAYMENTS BY STATE AGENCIES SUBJECT TO SANCTIONS.—If, for any fiscal year, a State agency is subject to a sanction under paragraph (1), the State agency shall not be eligible for a high performance bonus payment for the fiscal year.

(E) PAYMENTS NOT SUBJECT TO JUDICIAL REVIEW.—A determination by the Secretary whether, and in what amount, to

make a high performance bonus payment under this paragraph shall not be subject to judicial review.

(d) The Secretary shall undertake the following studies of the payment error improvement system established under subsection (c):

* * * * * * *

(1) IN GENERAL.—

(A) AMOUNTS.—To carry out employment and training programs, the Secretary shall reserve for allocation to State agencies**[**, to remain available until expended,**]** from funds made available for each fiscal year under section 18(a)(1) the amount of—

(i) for fiscal year 1996, $75,000,000;

(ii) for fiscal year 1997, $79,000,000;

(iii) for fiscal year 1998—

(I) $81,000,000; and

(II) an additional amount of $131,000,000;

(iv) for fiscal year 1999—

(I) $84,000,000; and

(II) an additional amount of $31,000,000;

(v) for fiscal year 2000—

(I) $86,000,000; and

(II) an additional amount of $86,000,000;

(vi) for fiscal year 2001—

(I) $88,000,000; and

(II) an additional amount of $131,000,000; and

[(vii) for fiscal year 2002—**]**

(vii) for each of fiscal years 2002 through 2006, $90,000,000, to remain available until expended.

[(I) $90,000,000; and

[(II) an additional amount of $75,000,000.

[(B) ALLOCATION.—

[(i) ALLOCATION FORMULA.—The Secretary shall allocate the amounts reserved under subparagraph (A) among the State agencies using a reasonable formula, as determined and adjusted by the Secretary each fiscal year, to reflect—

[(I) changes in each State's caseload (as defined in section 6(o)(6)(A));

[(II) for fiscal year 1998, the portion of food stamp recipients who reside in each State who are not eligible for an exception under section 6(o)(3); and

[(III) for each of fiscal years 1999 through 2002, the portion of food stamp recipients who reside in each State who are not eligible for an exception under section 6(o)(3) and who—

[(aa) do not reside in an area subject to a waiver granted by the Secretary under section 6(o)(4); or

[(bb) do reside in an area subject to a waiver granted by the Secretary under section 6(o)(4), if the State agency provides employment and training services in the area to food

stamp recipients who are not eligible for an exception under section 6(o)(3).

[(ii) ESTIMATED FACTORS.—The Secretary shall estimate the portion of food stamp recipients who reside in each State who are not eligible for an exception under section 6(o)(3) based on the survey conducted to carry out subsection (c) for fiscal year 1996 and such other factors as the Secretary considers appropriate due to the timing and limitations of the survey.

[(iii) REPORTING REQUIREMENT.—A State agency shall submit such reports to the Secretary as the Secretary determines are necessary to ensure compliance with this paragraph.]

(B) ALLOCATION.—Funds made available under subparagraph (A) shall be made available to and reallocated among State agencies under a reasonable formula that—

"(i) is determined and adjusted by the Secretary; and

"(ii) takes into account the number of individuals who are not exempt from the work requirement under section 6(o).

(C) REALLOCATION.—If a State agency will not expend all of the funds allocated to the State agency for a fiscal year under subparagraph (B), the Secretary shall reallocate the unexpended funds to other States (during the fiscal year or the subsequent fiscal year) as the Secretary considers appropriate and equitable.

(D) MINIMUM ALLOCATION.—Notwithstanding subparagraph (B), the Secretary shall ensure that each State agency operating an employment and training program shall receive not less than $50,000 for each fiscal year.

[(E) USE OF FUNDS.—Of the amount of funds a State agency receives under subparagraphs (A) through (D) for a fiscal year, not less than 80 percent of the funds shall be used by the State agency during the fiscal year to serve food stamp recipients who—

[(i) are not eligible for an exception under section 6(o)(3); and

[(ii) are placed in and comply with a program described in subparagraph (B) or (C) of section 6(o)(2).

[(F) MAINTENANCE OF EFFORT.—To receive an allocation of an additional amount made available under subclause (II) of each of clauses (iii) through (vii) of subparagraph (A), a State agency shall maintain the expenditures of the State agency for employment and training programs and workfare programs for any fiscal year under paragraph (2), and administrative expenses described in section 20(g)(1), at a level that is not less than the level of the expenditures by the State agency to carry out the programs and such expenses for fiscal year 1996.

[(G) COMPONENT COSTS.—The Secretary shall monitor State agencies' expenditure of funds for employment and training programs provided under this paragraph, including the costs of individual components of State agencies' programs. The Secretary may determine the reimbursable costs of employment and training components, and, if the

Secretary makes such a determination, the Secretary shall determine that the amounts spent or planned to be spent on the components reflect the reasonable cost of efficiently and economically providing components appropriate to recipient employment and training needs, taking into account, as the Secretary deems appropriate, prior expenditures on the components, the variability of costs among State agencies' components, the characteristics of the recipients to be served, and such other factors as the Secretary considers necessary.]

(E) ADDITIONAL ALLOCATIONS FOR STATES THAT ENSURE AVAILABILITY OF WORK OPPORTUNITIES.—

(i) IN GENERAL.—In addition to the allocations under subparagraph (A), from funds made available under section 18(a)(1), the Secretary shall allocate not more than $25,000,000 for each of fiscal years 2002 through 2006 to reimburse a State agency that is eligible under clause (ii) for the additional costs incurred in serving food stamp recipients who—

(I) are not eligible for an exception under section 6(o)(3); and

(II) are placed in and comply with a program described in subparagraph (B) or (C) of section 6(o)(2).

(ii) ELIGIBILITY.—To be eligible for an additional allocation under clause (i), a State agency shall—

(I) exhaust the allocation to the State agency under subparagraph (A) (including any reallocation that has been made available under subparagraph (C)); and

(II) make and comply with a commitment to offer a position in a program described in subparagraph (B) or (C) of section 6(o)(2) to each applicant or recipient who—

(aa) is in the last month of the 6-month period described in section 6(o)(2);

(bb) is not eligible for an exception under section 6(o)(3);

(cc) is not eligible for a waiver under section 6(o)(4); and

(dd) is not eligible for an exemption under section 6(o)(6).

(3) REDUCTION IN PAYMENT.—

(A) IN GENERAL.—Notwithstanding any other provision of this section, effective for each of fiscal years 1999 through [2002] *2006*, the Secretary shall reduce, for each fiscal year, the amount paid under subsection (a) to each State by an amount equal to the amount determined for the food stamp program under paragraph (2)(B). The Secretary shall, to the extent practicable, make the reductions required by this paragraph on a quarterly basis.

(B) APPLICATION.—If the Secretary of Health and Human Services does not make the determinations required by paragraph (2) by September 30, 1999—

(i) during the fiscal year in which the determinations are made, the Secretary shall reduce the amount paid under subsection (a) to each State by an amount equal to the sum of the amounts determined for the food stamp program under paragraph (2)(B) for fiscal year 1999 through the fiscal year during which the determinations are made; and

(ii) for each subsequent fiscal year through fiscal year [2002] *2006*, subparagraph (A) applies.

(4) APPEAL OF DETERMINATIONS.—

* * * * * * *

(ii) REVIEW.—The Board shall review the decision on the record.

(iii) DEADLINE.—Not later than 60 days after the date on which the appeal is filed, the Board shall—

(I) make a final decision with respect to an appeal filed under clause (i); and

(II) notify the chief executive officer of the State of the decision.

(D) JUDICIAL REVIEW.—The determinations of the Secretary of Health and Human Services under paragraph (2), and a final decision of the administrative law judge or Board under subparagraphs (B) and (C), respectively, shall not be subject to judicial review.

(E) REDUCED PAYMENTS PENDING APPEAL.—The pendency of an appeal under this paragraph shall not affect the requirement that the Secretary reduce payments in accordance with paragraph (3).

(5) ALLOCATION OF ADMINISTRATIVE COSTS.—

(A) IN GENERAL.—[No funds] *Except as provided in subparagraph (C), no funds* or expenditures described in subparagraph (B) may be used to pay for costs—

* * * * * * *

(B) FUNDS AND EXPENDITURES.—Subparagraph (A) applies to—

(i) funds made available to carry out part A of title IV, or title XX, of the Social Security Act (42 U.S.C. 601 et seq., 1397 et seq.);

(ii) expenditures made as qualified State expenditures (as defined in section 409(a)(7)(B) of that Act (42 U.S.C. 609(a)(7)(B)));

(iii) any other Federal funds (except funds provided under subsection (a)); and

(iv) any other State funds that are—

(I) expended as a condition of receiving Federal funds; or

(II) used to match Federal funds under a Federal program other than the food stamp program.

(C) FOOD STAMP INFORMATIONAL ACTIVITIES.—Subparagraph (A) shall not apply to any funds or expenditures described in clause (i) or (ii) of subparagraph (B) used to pay the costs of any activity that is eligible for reimbursement under subsection (a)(4).

RESEARCH, DEMONSTRATION, AND EVALUATIONS

SEC. 17. (a)(1) The Secretary may[, by way of making make contracts with or grants to public or private organizations or agencies,] *enter into contracts with or make grants to public or private organizations or agencies under this section to* undertake research that will help improve the administration and effectiveness of the food stamp program in delivering nutrition-related benefits. *The waiver authority of the Secretary under subsection (b) shall extend to all contracts and grants under this section.*

* * * * * * *

(iii) RESTRICTIONS ON PERMISSIBLE PROJECTS.—If the Secretary finds that a project under subparagraph (A) would reduce benefits by more than 20 percent for more than 5 percent of households in the area subject to the project (not including any household whose benefits are reduced due to a failure to comply with work or other conduct requirements), the project—

(I) may not include more than 15 percent of the State's food stamp households; and

(II) shall continue for not more than 5 years after the date of implementation, unless the Secretary approves an extension requested by the State agency at any time.

(iv) IMPERMISSIBLE PROJECTS.—The Secretary may not conduct a project under subparagraph (A) that—

(I) involves the payment of the value of an allotment in the form of cash, unless the project was approved prior to the date of enactment of this subparagraph [August 22, 1996];

(II) has the effect of substantially transferring funds made available under this Act to services or benefits provided primarily through another public assistance program, or using the funds for any purpose other than the purchase of food, program administration, or an employment or training program;

(III) is inconsistent with—

(aa) [the last 2 sentences of section 3(i)] *paragraphs (4) and (5) of section 3(i);*

* * * * * * *

(g) In order to assess the effectiveness of the employment and training programs established under section 6(d) in placing individuals into the work force and withdrawing such individuals from the food stamp program, the Secretary is authorized to carry out studies comparing the pre- and post-program labor force participation, wage rates, family income, level of receipt of food stamp and other transfer payments, and other relevant information, for samples of participants in such employment and training programs as compared to the appropriate control or comparison groups that did not participate in such programs. Such studies shall, to the maximum extent possible—

(1) collect such data for up to 3 years after the individual has completed the employment and training program; and

(2) yield results that can be generalized to the national program as a whole.

The results of such studies and reports shall be considered in developing or updating the performance standards required under section 6.

[(h) The Secretary shall conduct a sufficient number of demonstration projects to evaluate the effects, in both rural and urban areas, of including in financial resources under section 5(g) the fair market value of licensed vehicles to the extent the value of each vehicle exceeds $4,500, but excluding the value of—

[(1) any licensed vehicle that is used to produce earned income, necessary for transportation of an elderly or physically disabled household member, or used as the household's home; and

[(2) one licensed vehicle used to obtain, continue, or seek employment (including travel to and from work), used to pursue employment-related education or training, or used to secure food or the benefits of the food stamp program.]

(h) ACCESS AND OUTREACH PILOT PROJECTS.—

(1) IN GENERAL.—The Secretary shall make grants to State agencies and other entities to pay the Federal share of the eligible costs of projects to improve—

(A) access by eligible individuals to benefits under the food stamp program; or

(B) outreach to individuals eligible for those benefits.

(2) FEDERAL SHARE.—The Federal share shall be 75 percent.

(3) TYPES OF PROJECTS.—To be eligible for a grant under this subsection, a project may consist of—

(A) establishing a single site at which individuals may apply for—

(i) benefits under the food stamp program; and

(I) supplemental security income benefits under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.);

(II) benefits under the medicaid program under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.);

(III) benefits under the State children's health insurance program under title XXI of the Social Security Act (42 U.S.C. 1397aa et seq.);

(IV) benefits under the special supplemental nutrition program for women, infants, and children under section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786); and

(V) benefits under such other programs as the Secretary determines to be appropriate;

(B) developing forms that allow an individual to apply for more than 1 of the programs referred to in subparagraph (A);

(C) dispatching State agency personnel to conduct outreach and enroll individuals in the food stamp program and other programs in nontraditional venues (such as shopping malls, schools, community centers, county fairs, clinics, food banks, and job training centers);

(D) developing systems to enable increased participation in the provision of benefits under the food stamp program through farmers' markets, roadside stands, and other community-supported agriculture programs, including wireless electronic benefit transfer systems and other systems appropriate to open-air settings where farmers and other vendors sell directly to consumers;

(E) allowing individuals to submit applications for the food stamp program by means of the telephone or the Internet, in particular individuals who live in rural areas, elderly individuals, and individuals with disabilities;

(F) encouraging consumption of fruit and vegetables by developing a cost-effective system for providing discounts for purchases of fruit and vegetables made through use of electronic benefit transfer cards;

(G) reducing barriers to participation by individuals, with emphasis on working families, eligible immigrants, elderly individuals, and individuals with disabilities;

(H) developing training materials, guidebooks, and other resources to improve access and outreach;

(I) conforming verification practices under the food stamp program with verification practices under other assistance programs; and

(J) such other activities as the Secretary determines to be appropriate.

(4) SELECTION.—

(A) IN GENERAL.—The Secretary shall develop criteria for selecting recipients of grants under this subsection that include the consideration of—

(i) the demonstrated record of a State agency or other entity in serving low-income individuals;

(ii) the ability of a State agency or other entity to reach hard-to-serve populations;

(iii) the level of innovative proposals in the application of a State agency or other entity for a grant; and

(iv) the development of partnerships between public and private sector entities and linkages with the community.

(B) PREFERENCE.—In selecting recipients of grants under paragraph (1), the Secretary shall provide a preference to any applicant that consists of a partnership between a State and a private entity, such as—

(i) a food bank;

(ii) a community-based organization;

(iii) a public school;

(iv) a publicly-funded health clinic;

(v) a publicly-funded day care center; and

(vi) a nonprofit health or welfare agency.

(C) GEOGRAPHICAL DISTRIBUTION OF RECIPIENTS.—

(i) IN GENERAL.—Subject to clause (ii), the Secretary shall select, from all eligible applications received, at least 1 recipient to receive a grant under this subsection from—

(I) each region of the Department of Agriculture administering the food stamp program; and

(II) each additional rural or urban area that the Secretary determines to be appropriate.

(ii) EXCEPTION.—The Secretary shall not be required to select grant recipients under clause (i) to the extent that the Secretary determines that an insufficient number of eligible grant applications has been received.

(5) PROJECT EVALUATIONS.—

(A) IN GENERAL.—The Secretary shall conduct evaluations of projects funded by grants under this subsection.

(B) LIMITATION.—Not more than 10 percent of funds made available to carry out this subsection shall be used for project evaluations described in subparagraph (A).

(6) MAINTENANCE OF EFFORT.—A State agency or other entity shall provide assurances to the Secretary that funds provided to the State agency or other entity under this subsection will be used only to supplement, not to supplant, the amount of Federal, State, and local funds otherwise expended to carry out access and outreach activities in the State under this Act.

(7) FUNDING.—There is authorized to be appropriated to carry out this subsection $3,000,000 for the period of fiscal years 2003 through 2005.

(i)(1)(A) Subject to the availability of funds specifically appropriated to carry out this subsection and subject to the other provisions of this subsection, during each of fiscal years 1992 through [2002] *2006*, the Secretary shall make grants competitively awarded to public or private nonprofit organizations to fund food stamp outreach demonstration projects (hereinafter in this subsection referred to as the "projects") and related evaluations in areas of the United States to increase participation by eligible low-income households in the food stamp program. The total amount of grants provided during a fiscal year may not exceed $5,000,000. Funds appropriated to carry out this subsection shall be used in the year during which the funds are appropriated. Not more than 20 percent of the funds appropriated to carry out this subsection shall be used for evaluations.

* * * * * * *

AUTHORIZATION FOR APPROPRIATIONS

SEC. 18. (a)(1) To carry out this Act, there are authorized to be appropriated such sums as are necessary for each of the fiscal years 1996 through [2002] *2006*. Not to exceed one-fourth of 1 per centum of the previous year's appropriation is authorized in each such fiscal year to carry out the provisions of section 17 of this Act, subject to paragraph (3).

* * * * * * *

BLOCK GRANT

SEC. 19. (a)(1)(A) From the sums appropriated under this Act, the Secretary shall, subject to the provisions of this section, pay to [the Commonwealth of Puerto Rico] *governmental entities specified in subparagraph (D)—*

(i) for fiscal year 2000, $1,268,000,000;

(ii) for fiscal year 2001, the amount required to be paid under clause (i) for fiscal year 2000, as adjusted by the change

in the Food at Home series of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the Department of Labor, for the most recent 12-month period ending in June;[and

[(iii) for fiscal year 2002, the amount required to be paid under clause (ii) for fiscal year 2001, as adjusted by the percentage by which the thrifty food plan is adjusted for fiscal year 2002 under section 3(o)(4);]

(iii) for fiscal year 2002, $1,356,000,000; and

(iv) for each of fiscal years 2003 through 2006, the amount provided in clause (iii), as adjusted by the percentage by which the thrifty food plan has been adjusted under section 3(o)(4) between June 30, 2001, and June 30 of the immediately preceding fiscal year;

to pay the expenditures for nutrition assistance programs for needy persons as described in subparagraphs (B) and (C).

[to finance 100 percent of the expenditures for food assistance provided to needy persons and 50 percent of the administrative expenses related to the provision of the assistance.]

[(B) The] *(B) MAXIMUM PAYMENTS TO COMMONWEALTH OF PUERTO RICO.—*

(i) IN GENERAL.—The payments to the Commonwealth for any fiscal year shall not exceed the expenditures by that jurisdiction during that year for the provision of the assistance the provision of which is included in the plan of the Commonwealth approved under subsection (b) and 50 per centum of the related administrative expenses.

(ii) EXCEPTION FOR EXPENDITURES FOR CERTAIN SYSTEMS.—Notwithstanding subparagraph (A) and clause (i), the Commonwealth of Puerto Rico may spend not more than $6,000,000 of the amount required to be paid to the Commonwealth for fiscal year 2002 under subparagraph (A) to pay 100 percent of the costs of—

(I) upgrading and modernizing the electronic data processing system used to carry out nutrition assistance programs for needy persons; and

(II) implementing systems to simplify the determination of eligibility to receive that nutrition assistance; and

(III) operating systems to deliver benefits through electronic benefit transfers.

(C) AMERICAN SAMOA.—For each fiscal year, the Secretary shall reserve 0.4 percent of the funds made available under subparagraph (A) for payment to American Samoa to pay 100 percent of the expenditures for a nutrition assistance program extended under section 601(c) of Public Law 96–597 (48 U.S.C. 1469d(c)).

(D) GOVERNMENTAL ENTITY.—A governmental entity specified in this subparagraph is—

(i) the Commonwealth of Puerto Rico; and

(ii) for fiscal year 2003 and each fiscal year thereafter, American Samoa.

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SEC. 25. ASSISTANCE FOR COMMUNITY FOOD PROJECTS.

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(b) AUTHORITY TO PROVIDE ASSISTANCE.—

(1) IN GENERAL.—From amounts made available to carry out this Act, the Secretary may make grants to assist eligible private nonprofit entities to establish and carry out community food projects.

(2) LIMITATION ON GRANTS.—The total amount of funds provided as grants under this section may not exceed—

(A) $1,000,000 for fiscal year 1996; and

(B) $2,500,000 for each of fiscal years 1997 through [2002] *2006*.

(c) ELIGIBLE ENTITIES.—To be eligible for a grant under subsection (b), a private nonprofit entity must—

* * * * * * *

(d) PREFERENCE FOR CERTAIN PROJECTS.—In selecting community food projects to receive assistance under subsection (b), the Secretary shall give a preference to projects designed to—

(1) develop linkages between 2 or more sectors of the food system;

(2) support the development of entrepreneurial projects;

(3) develop innovative linkages between the for-profit and nonprofit food sectors; [or

[(4) encourage long-term planning activities and multi-system, interagency approaches.]

(4) encourage long-term planning activities, and multisystem, interagency approaches with multistakeholder collaborations, that build the long-term capacity of communities to address the food and agriculture problems of the communities, such as food policy councils and food planning associations; or

(5) meet, as soon as practicable, specific neighborhood, local, or State food and agriculture needs, including needs for—

(A) infrastructure improvement and development;

(B) planning for long-term solutions; or

(C) the creation of innovative marketing activities that mutually benefit farmers and low-income consumers.

* * * * * * *

(e) MATCHING FUNDS REQUIREMENTS.—

(1) REQUIREMENTS.—The Federal share of the cost of establishing or carrying out a community food project that receives assistance under subsection (b) may not exceed [50] *75* percent of the cost of the project during the term of the grant.

* * * * * * *

SEC. 27. AVAILABILITY OF COMMODITIES FOR THE EMERGENCY FOOD ASSISTANCE PROGRAM.

(a) PURCHASE OF COMMODITIES.—From amounts made available to carry out this Act, for each of fiscal years [1997 through 2002] *2002 through 2006*, the Secretary shall purchase [$100,000,000] *$110,000,000* of a variety of nutritious and useful commodities of the types that the Secretary has the authority to acquire through the Commodity Credit Corporation or under section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes", approved August 24, 1935 (7 U.S.C. 612c), and distribute the commodities to States for distribution in accordance with section 214 of the Emergency Food Assistance Act of 1983 (Public Law 98–098; 7 U.S.C. 612c note).

(b) BASIS FOR COMMODITY PURCHASES.—In purchasing commodities under subsection (a), the Secretary shall, to the extent practicable and appropriate, make purchases based on—

(1) agricultural market conditions;

(2) preferences and needs of States and distributing agencies; and

(3) preferences of recipients.

(c) USE OF FUNDS FOR RELATED COSTS.—

(1) IN GENERAL.—For each of fiscal years 2002 through 2006, the Secretary shall use $10,000,000 of the funds made available under subsection (a) to pay the direct and indirect costs of States relating to the processing, storing, transporting, and distributing to eligible recipient agencies of—

(A) commodities purchased by the Secretary under subsection (a); and

(B) commodities acquired from other sources, including commodities acquired by gleaning (as defined in section 111(a) of the Hunger Prevention Act of 1988 (7 U.S.C. 612c note; Public Law 100–435)).

(2) ALLOCATION OF FUNDS.—The amount required to be used in accordance with paragraph (1) shall be allocated in accordance with section 204(a) of the Emergency Food Assistance Act of 1983 (7 U.S.C. 7508(a)).

* * * * * * *

SEC. 28. INNOVATIVE PROGRAMS FOR ADDRESSING COMMON COMMUNITY PROBLEMS.

(a) IN GENERAL.—The Secretary shall offer to enter into a contract with a nongovernmental organization described in subsection (b) to coordinate with Federal agencies, States, political subdivisions, and nongovernmental organizations (referred to in this section as 'targeted entities') to develop, and recommend to the targeted entities, innovative programs for addressing common community problems, including loss of farms, rural poverty, welfare dependency, hunger, the need for job training, juvenile crime prevention, and the need for self-sufficiency by individuals and communities.

(b) NONGOVERNMENTAL ORGANIZATION.—The nongovernmental organization referred to in subsection (a)—

(1) shall be selected on a competitive basis; and

(2) as a condition of entering into the contract—

(A) shall be experienced in working with targeted entities, and in organizing workshops that demonstrate programs to targeted entities;

(B) shall be experienced in identifying programs that effectively address problems described in subsection (a) that can be implemented by other targeted entities;

(C) shall agree—

(i) to contribute in-kind resources toward the establishment and maintenance of programs described in subsection (a); and

(ii) to provide to targeted entities, free of charge, information on the programs;

(D) shall be experienced in, and capable of, receiving information from, and communicating with, targeted entities throughout the United States; and

(c) AUDITS.—The Secretary shall establish auditing procedures and otherwise ensure the effective use of funds made available under this section.

(d) FUNDING.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this section, and on October 1, 2002, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary of Agriculture to carry out this section $200,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

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RICHARD B. RUSSELL NATIONAL SCHOOL LUNCH ACT

* * * * * * *

(e)(1) Subject to paragraph (2), in each school year the Secretary shall ensure that not less than 12 percent of the assistance provided under section 4, this section, and section 11 shall be in the form of—

(A) commodity assistance provided under this section, including cash in lieu of commodities and administrative costs for procurement of commodities under this section; or

(B) during the period beginning October 1, [2001] *2003,* and ending September 30, 2009, commodities provided by the Secretary under any provision of law.

(2) If amounts available to carry out the requirements of the sections described in paragraph (1) are insufficient to meet the requirement contained in paragraph (1) for a school year, the Secretary shall, to the extent necessary, use the authority provided under section 14(a) to meet the requirement for the school year.

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PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT OF 1996

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SEC. 402. LIMITED ELIGIBILITY OF QUALIFIED ALIENS FOR CERTAIN FEDERAL PROGRAMS.

(a) LIMITED ELIGIBILITY FOR SPECIFIED FEDERAL PROGRAMS.—

(1) IN GENERAL.—Notwithstanding any other provision of law and except as provided in paragraph (2), an alien who is a qualified alien (as defined in section 431) is not eligible for any specified Federal program (as defined in paragraph (3)).

(2) EXCEPTIONS.—

(A) TIME-LIMITED EXCEPTION FOR REFUGEES AND ASYLEES.—With respect to the specified Federal [programs described in paragraph (3)] *program described in paragraph (3)(A),* paragraph (1) shall not apply to an alien until 7 years after the date—

(i) an alien is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act;

* * * * * * *

(B) CERTAIN PERMANENT RESIDENT ALIENS.—Paragraph (1) shall not apply to an alien who—

(i) is lawfully admitted to the United States for permanent residence under the Immigration and Nationality Act; and

(ii)(I) has worked [40] *40 (or 16, in the case of the specified Federal program described in paragraph (3)(B))* qualifying quarters of coverage as defined under title II of the Social Security Act or can be credited with such qualifying quarters as provided under section 435, and (II) in the case of any such qualifying quarter creditable for any period beginning after December 31, 1996, did not receive any Federal means-tested public benefit (as provided under section 403) during any such period.

(C) VETERAN AND ACTIVE DUTY EXCEPTION.—Paragraph (1) shall not apply to an alien who is lawfully residing in any State and is—

* * * * * * *

(F) DISABLED ALIENS LAWFULLY RESIDING IN THE UNITED STATES ON AUGUST 22, 1996.—With respect to eligibility for benefits for the specified Federal programs described in paragraph (3), paragraph (1) shall not apply to an alien who—

[(i) was lawfully residing in the United States on August 22, 1996; and

[(ii)(I) in the case] *(i) in the case of the specified Federal program described in paragraph (3)(A)—*

"(I) was lawfully residing in the United States on August 22, 1996; and

"(II) is blind or disabled, as defined in paragraph (2) or (3) of section 1614(a) of the Social Security Act (42 U.S.C. 1382c(a)); and

"(ii) *in the case* of the specified Federal program described in paragraph (3)(A), is blind or disabled, as defined in section 1614(a)(2) or 1614(a)(3) of the Social Security Act (42 U.S.C. 1382c(a)(3)); and

* * * * * * *

(J) FOOD STAMP EXCEPTION FOR CERTAIN CHILDREN.—With respect to eligibility for benefits for the specified Federal program described in paragraph (3)(B), paragraph (1) shall not apply to any individual [who—

[(i) was lawfully residing in the United States on August 22, 1996; and

[(ii) is under] 18 years of age.

(K) FOOD STAMP EXCEPTION FOR CERTAIN HMONG AND HIGHLAND LAOTIANS.—With respect to eligibility for bene-

fits for the specified Federal program described in paragraph (3)(B), paragraph (1) shall not apply to—

* * * * * * *

(IV) an alien is granted status as a Cuban and Haitian entrant (as defined in section 501(e) of the Refugee Education Assistance Act of 1980); or

(V) an alien admitted to the United States as an Amerasian immigrant as described in subsection (a)(2)(A)(i)(V) until 5 years after the date of such alien's entry into the United States.

(L) FOOD STAMP EXCEPTION FOR REFUGEES AND ASYLEES.—With respect to eligibility for benefits for the specified Federal program described in paragraph (3)(B), paragraph (1) shall not apply to an alien with respect to which an action described in subparagraph (A) was taken and was not revoked.

* * * * * * *

(H) Programs of student assistance under titles IV, V, IX, and X of the Higher Education Act of 1965, and titles III, VII, and VIII of the Public Health Service Act.

(I) Means-tested programs under the Elementary and Secondary Education Act of 1965.

(J) Benefits under the Head Start Act.

(K) Benefits under the Job Training Partnership Act or title I of the Workforce Investment Act of 1998.

(L) Assistance or benefits under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.).

Effective on July 1, 2000, this paragraph is amended by striking "Job Training Partnership Act or".

(d) BENEFITS FOR CERTAIN GROUPS.—Notwithstanding any other provision of law, the limitations under section 401(a) and subsection (a) shall not apply to—

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SEC. 421. FEDERAL ATTRIBUTION OF SPONSOR'S INCOME AND RESOURCES TO ALIEN.

(a) IN GENERAL.—Notwithstanding any other provision of law, in determining the eligibility and the amount of benefits of an alien for any Federal means-tested public benefits program (as provided under section 403), the income and resources of the alien shall be deemed to include the following:

(1) The income and resources of any person who executed an affidavit of support pursuant to section 213A of the Immigration and Nationality Act (as added by section 423 and as amended by section 551(a) of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996) on behalf of such alien.

(2) The income and resources of the spouse (if any) of the person.

(b) DURATION OF ATTRIBUTION PERIOD.—Subsection (a) shall apply with respect to an alien until such time as the alien—

(1) achieves United States citizenship through naturalization pursuant to chapter 2 of title III of the Immigration and Nationality Act; or

(2)(A) has worked [40] *40 (or 16, in the case of the specified Federal program described in section 402(a)(3)(B) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(3)(B)))* qualifying quarters of coverage as defined under title II of the Social Security Act or can be credited with such qualifying quarters as provided under section 435, and (B) in the case of any such qualifying quarter creditable for any period beginning after December 31, 1996, did not receive any Federal means-tested public benefit (as provided under section 403) during any such period.

(c) REVIEW OF INCOME AND RESOURCES OF ALIEN UPON REAPPLICATION.—Whenever an alien is required to reapply for benefits under any Federal means-tested public benefits program, the applicable agency shall review the income and resources attributed to the alien under subsection (a).

(d) APPLICATION.—

(1) If on the date of the enactment of this Act, a Federal means-tested public benefits program attributes a sponsor's income and resources to an alien in determining the alien's eligibility and the amount of benefits for an alien, this section shall apply to any such determination beginning on the day after the date of the enactment of this Act.

(2) If on the date of the enactment of this Act, a Federal means-tested public benefits program does not attribute a sponsor's income and resources to an alien in determining the alien's eligibility and the amount of benefits for an alien, this section shall apply to any such determination beginning 180 days after the date of the enactment of this Act.

(3) *This section shall not apply to assistance or benefits under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.) to the extent that a qualified alien is eligible under section 402(a)(2)(J).*

(e) INDIGENCE EXCEPTION.—

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AGRICULTURE AND CONSUMER PROTECTION ACT OF 1973

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COMMODITY DISTRIBUTION PROGRAM

SEC. 4. (a) Notwithstanding any other provision of law, the Secretary may, during fiscal years 1991 through [2002] *2006* purchase and distribute sufficient agricultural commodities with funds appropriated from the general fund of the Treasury to maintain the traditional level of assistance for food assistance programs as are authorized by law, including but not limited to distribution to institutions (including hospitals and facilities caring for needy infants and children), supplemental feeding programs serving women, infants, and children or elderly persons, or both, wherever located, disaster areas, summer camps for children, the United States Trust Territory of the Pacific Islands, and Indians, whenever a tribal organization requests distribution of federally donated foods pursuant to section 4(b) of the Food Stamp Act of 1977. In providing for

commodity distribution to Indians, the Secretary shall improve the variety and quantity of commodities supplied to Indians in order to provide them an opportunity to obtain a more nutritious diet.

* * * * * * *

SEC. 5. [(a) In carrying out the supplemental feeding program (hereinafter referred to as the "commodity supplemental food program") under section 4 of this Act, the Secretary (1) may institute two pilot projects directed at low-income elderly persons, including, where feasible, distribution of commodities to such persons in their homes; (2) shall provide to the State agencies administering the commodity supplemental food program, for each of the fiscal year 1991 through 2002 funds appropriated from the general fund of the Treasury in amounts equal to the administrative costs of State and local agencies in operating the program, except that the funds provided to State agencies each fiscal year may not exceed 20 percent of the amount appropriated for the commodity supplemental food program.]

(a) GRANTS PER ASSIGNED CASELOAD SLOT.—

(1) IN GENERAL.—In carrying out the program under section 4 (referred to in this section as the "commodity supplemental food program"), for each of fiscal years 2003 through 2006, the Secretary shall provide to each State agency from funds made available to carry out that section (including any such funds remaining available from the preceding fiscal year), a grant per assigned caseload slot for administrative costs incurred by the State agency and local agencies in the State in operating the commodity supplemental food program.

(2) AMOUNT OF GRANTS.—For each of fiscal years 2003 through 2006, the amount of each grant per caseload slot shall be equal to $50, adjusted by the percentage change between—

(A) the value of the State and local government price index, as published by the Bureau of Economic Analysis of the Department of Commerce, for the 12-month period ending June 30 of the second preceding fiscal year; and

(B) the value of that index for the 12-month period ending June 30 of the preceding fiscal year.

(b) During the first three months of any commodity supplemental food program, or until such program reaches its projected caseload level, whichever comes first, the Secretary shall pay those administrative costs necessary to commence the program successfully: Provided, That in no event shall administrative costs paid by the Secretary for any fiscal year exceed the limitation established in subsection (a) of this section.

(c) Administrative costs for the purposes of the commodity supplemental food program shall include, but not be limited to, expenses for information and referral, operation, monitoring, nutrition education, start-up costs, and general administration, including staff, warehouse and transportation personnel, insurance, and administration of the State or local office.

(d)(1) During each fiscal year the commodity supplemental food program is in operation, the types and varieties of commodities and their proportional amounts shall be determined by the Secretary, but, if the Secretary proposes to make any significant changes in the types, varieties, or proportional amounts from those that were available or were planned at the beginning of the fiscal year (or as

were available during the fiscal year ending June 30, 1976, whichever is greater) the Secretary shall report such changes before implementation to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(2) Notwithstanding any other provision of law, the Commodity Credit Corporation shall, to the extent that the Commodity Credit Corporation inventory levels permit, provide not less than 9,000,000 pounds of cheese and not less than 4,000,000 pounds of nonfat dry milk in each of the fiscal years 1991 through [2002] *2006* to the Secretary of Agriculture. The Secretary shall use such amounts of cheese and nonfat dry milk to carry out the commodity supplemental food program before the end of each fiscal year.

(e) The Secretary of Agriculture is authorized to issue such regulations as may be necessary to carry out the commodity supplemental food program.

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EMERGENCY FOOD ASSISTANCE ACT OF 1983

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AUTHORIZATION AND APPROPRIATIONS

SEC. 204.(a) (1) There are authorized to be appropriated $50,000,000 for each of the fiscal years 1991 through [2002] *2006*, for the Secretary to make available to the States to pay for the direct and indirect [administrative] costs of the States related to the processing, *storage*, transporting, and distributing to eligible recipient agencies of commodities provided by the Secretary under this Act and commodities secured from other sources. Funds appropriated under this paragraph for any fiscal year shall be allocated to the States on an advance basis, dividing such funds among the States in the same proportions as the commodities distributed under this Act for such fiscal year are divided among the States. If a State agency is unable to use all of the funds so allocated to it, the Secretary shall

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CHILD NUTRITION ACT OF 1966

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(iii)(I) receives medical assistance under title XIX of the Social Security Act; or

(II) is a member of a family in which a pregnant woman or an infant receives such assistance.

(B) For the purpose of determining income eligibility under this section, any State agency may choose to exclude from income—

(i) any [basic allowance for housing] *basic allowance—*

(I) for housing received by military service personnel residing off military installations; [and] *or*

(II) *provided under section 403 of title 37, United States Code, for housing that is acquired or constructed under subchapter IV of chapter 169 of title 10, United States Code, or any related provision of law; and*

(ii) any cost-of-living allowance provided under section 405 of title 37, United States Code, to a member of a uniformed service who is on duty outside the contiguous States of the United States.

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SEC. 456. SENIORS FARMERS MARKET NUTRITION PROGRAM.

(a) ESTABLISHMENT.—The Secretary of Agriculture shall carry out and expand a seniors farmers' market nutrition program.

(b) PROGRAM PURPOSES.—The purposes of the seniors farmers' market nutrition program are—

(1) to provide to low-income seniors resources in the form of fresh, nutrition, unprepared, locally grown fruits, vegetables, and herbs from farmers' markets, roadside stands, and community-supported agriculture programs.

(2) to increase domestic consumption of agricultural commodities by expanding or assistance in the expansion of domestic farmers' markets, roadside stands, and community-supported agriculture programs; and (3) to develop or aid in the development of new farmers' markets, roadside stands, and community-supported agriculture programs.

(c) REGULATIONS.—The Secretary may promulgate such regulations as the Secretary considers necessary to carry out the seniors farmers' market nutrition program under this section.

(d) TERMINATION OF EFFECTIVENESS.—The program established under subsection (a) terminates on September 30, 2006, and shall be considered to have expired notwithstanding section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 907).

* * * * * * *

TITLE 5

CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

* * * * * * *

Subtitle A—Real Estate Loans

SEC. 302. (a) The Secretary is authorized to make and insure loans under this subtitle to farmers and ranchers in the United States, and to farm cooperatives and private domestic corporations, partnerships, and [joint operations] *joint operations, and limited liability companies* that are controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States, subject to the conditions specified in this section. To

be eligible for such loans, applicants who are individuals, or, in the case of cooperatives, corporations, partnerships, [and joint operations] *joint operations, and limited liability companies,* individuals holding a majority interest in such entity, must (1) be citizens of the United States, (2) for direct loans only, have either training or farming experience that the Secretary determines is sufficient to assure reasonable prospects of success in the proposed farming operations, (3) be or will become owner-operators of not larger than family farms (or in the case of cooperatives, corporations, partnerships, [and joint operations] *joint operations, and limited liability companies* in which a majority interest is held by individuals who are related by blood or marriage, as defined by the Secretary, such individuals must be or will become either owners or operators of not larger than a family farm and at least one such individual must be or will become an operator of not larger than a family farm or, in the case of holders of the entire interest who are related by blood or marriage and all of whom are or will become farm operators, the ownership interest of each such holder separately constitutes not larger than a family farm, even if their interests collectively constitute larger than a family farm, as defined by the Secretary), and (4) be unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. In addition to the foregoing requirements of this section, in the case of corporations, partnerships, and joint operations, the family farm requirement of clause (3) of the preceding sentence shall apply as well to the farm or farms in which the entity has an ownership and operator interest and the requirement of clause (4) of the preceding sentence shall apply as well to the entity in the case of cooperatives, corporations, partnerships, [and joint operations] *joint operations, and limited liability companies.*

(b) DIRECT LOANS.—

(1) IN GENERAL.—Subject to paragraph (3), the Secretary may make a direct loan under this subtitle only to a farmer or rancher who has [operated] *participated in the business operations of* a farm or ranch for not less than 3 years and—

(A) is a qualified beginning farmer or rancher;

(B) has not received a previous direct farm ownership loan made under this subtitle; or

* * * * * * *

SEC. 303. PURPOSES OF LOANS.

(a) ALLOWED PURPOSES.—

(1) DIRECT LOANS.—A farmer or rancher may use a direct loan made under this subtitle only for—

(A) acquiring or enlarging a farm or ranch;

(B) making capital improvements to a farm or ranch;

(C) paying loan closing costs related to acquiring, enlarging, or improving a farm or ranch; or

(D) paying for activities to promote soil and water conservation and protection described in section 304 on a farm or ranch.

(2) GUARANTEED LOANS.—A farmer or rancher may use a loan guaranteed under this subtitle only for—

(A) acquiring or enlarging a farm or ranch;

(B) making capital improvements to a farm or ranch;

(C) paying loan closing costs related to acquiring, enlarging, or improving a farm or ranch;

(D) paying for activities to promote soil and water conservation and protection described in section 304 on a farm or ranch; or

(E) refinancing indebtedness.

(E) refinancing, during a fiscal year, a short-term, temporary bridge loan made by a commercial or cooperative lender to a beginning farmer or rancher for the acquisition of land for a farm or ranch, if—

(i) the Secretary approved an application for a direct farm ownership loan to the beginning farmer or rancher for acquisition of the land; and

(ii) funds for direct farm ownership loans under section 346(b) were not available at the time at which the application was approved.

(b) PREFERENCES.—In making or guaranteeing a loan under this subtitle for purchase of a farm or ranch, the Secretary shall give preference to a person who—

* * * * * * *

SEC. 305. LIMITATIONS ON AMOUNT OF FARM OWNERSHIP LOANS.

[(a) IN GENERAL.—The Secretary shall make or insure no loan under sections 302, 303, 304, 310D, and 310E of this title that would cause the unpaid indebtedness under such sections of any one borrower to exceed the smaller of (1) the value of the farm or other security, or (2) in the case of a loan other than a loan guaranteed by the Secretary, $200,000, or, in the case of a loan guaranteed by the Secretary, $700,000 (increased, beginning with fiscal year 2000, by the inflation percentage applicable to the fiscal year in which the loan is guaranteed and reduced by the amount of any unpaid indebtedness of the borrower on loans under subtitle B that are guaranteed by the Secretary).**]**

(a) IN GENERAL.—The Secretary shall not make or insure a loan under section 302, 303, 304, 310D, or 310E that would cause the unpaid indebtedness under those sections of any 1 borrower to exceed the lesser of—

(1) the value of the farm or other security; or

(2)(A) in the case of a loan made by the Secretary—

(i) to a beginning farmer or rancher, $250,000, as adjusted (beginning with fiscal year 2003) by the inflation percentage applicable to the fiscal year in which the loan is made; or

(ii) to a borrower other than a beginning farmer or rancher, $200,000; or

(B) in the case of a loan guaranteed by the Secretary, $700,000, as—

(i) adjusted (beginning with fiscal year 2000) by the inflation percentage applicable to the fiscal year in which the loan is guaranteed; and

(ii) reduced by the amount of any unpaid indebtedness of the borrower on loans under subtitle B that are guaranteed by the Secretary.

(b) DETERMINATION OF VALUE.—In determining the value of the farm, the Secretary shall consider appraisals made by competent appraisers under rules established by the Secretary.

* * * * * * *

SEC. 307. (a)(1) The period for repayment of loans under this subtitle shall not exceed forty years.

* * * * * * *

(C) NOTWITHSTANDING SUBPARAGRAPH (A), the Secretary shall establish loan rates for health care and related facilities based solely on the income of the area to be served, and such rates shall be otherwise consistent with such subparagraph.

(D) JOINT FINANCING ARRANGEMENT.—**[**If**]**

(*i*) *IN GENERAL.—Subject to clause (ii), if* a direct farm ownership loan is made under this subtitle as part of a joint financing arrangement and the amount of the direct farm ownership loan does not exceed 50 percent of the total principal amount financed under the arrangement, the interest rate on the direct farm ownership loan shall be at least 4 percent annually.

(ii) BEGINNING FARMERS AND RANCHERS.—The interest rate charged a beginning farmer or rancher for a loan described in clause (i) shall be 50 basis points less than the rate charged farmers and ranchers that are not beginning farmers or ranchers.

* * * * * * *

SEC. 309. (a) The fund established pursuant to section 11(a) of the Bankhead-Jones Farm Tenant Act, as amended, shall hereafter be called the Agricultural Credit Insurance Fund and is hereinafter in this subtitle referred to as the "fund". The fund shall remain available as a revolving fund for the discharge of the obligations of the Secretary under agreements insuring loans under this subtitle and loans and mortgages insured under prior authority.

* * * * * * *

(h)(1) The Secretary may provide financial assistance to borrowers for purposes provided in this title by guaranteeing loans made by any Federal or State chartered bank, savings and loan association, cooperative lending agency, or other legally organized lending agency.

(2) The interest rate payable by a borrower on the portion of a guaranteed loan that is sold by a lender to the secondary market under this title may be lower than the interest rate charged on the portion retained by the lender, but shall not exceed the average interest rate charged by the lender on loans made to farm and ranch borrowers.

(3) With regard to any loan guarantee on a loan made by a commercial or cooperative lender related to a loan made by the Secretary under section 310E—

(A) the Secretary shall not charge a fee to any person (including a lender); and

(B) a lender may charge a loan origination and servicing fee in an amount not to exceed 1 percent of the amount of the loan.

(4) MAXIMUM GUARANTEE OF 90 PERCENT.—Except as provided in [paragraphs (5) and (6)] *paragraphs (5), (6), and (7)*, a loan guarantee under this title shall be for not more than 90 percent of the principal and interest due on the loan.

(5) REFINANCED LOANS GUARANTEED AT 95 PERCENT.—The Secretary shall guarantee 95 percent of—

(A) in the case of a loan that solely refinances a direct loan made under this title, the principal and interest due on the loan on the date of the refinancing; or

(B) in the case of a loan that is used for multiple purposes, the portion of the loan that refinances the principal and interest due on a direct loan made under this title that is outstanding on the date the loan is guaranteed.

(6) BEGINNING FARMER LOANS [GUARANTEED UP TO 95 PERCENT.—The Secretary may guarantee not more than] GUARANTEED AT 95 PERCENT.—*The Secretary shall guarantee* 95 percent of—

(7) AMOUNT OF GUARANTEE OF LOANS FOR TRIBAL OPERATIONS.—In the case of an operating loan made to a farmer or rancher who is a member of an Indian tribe and whose farm or ranch is within an Indian reservation (as defined in section 335(e)(1)(A)(iii)), the Secretary shall guarantee 95 percent of the loan.

(A) a farm ownership loan for acquiring a farm or ranch to a borrower who is participating in the down payment loan program under section 310E; or

(B) an operating loan to a borrower who is participating in the down payment loan program under section 310E that is made during the period that the borrower has a direct loan outstanding under this subtitle for acquiring a farm or ranch.

(i)(1) Not later than 60 days after any State expresses to the Secretary, in writing, a desire to coordinate the provision of financial assistance to qualified beginning farmers and ranchers in the State, the Secretary and the State shall conclude a joint memorandum of understanding that shall govern the coordination of the provision of the financial assistance by the State and the Secretary.

(2) The memorandum of understanding shall provide that if a State beginning farmer program makes a commitment to provide a qualified beginning farmer or rancher with financing to establish or maintain a viable farming or ranching operation, the Secretary shall, subject to applicable law, normal loan approval criteria, and the availability of funds provide the farmer or rancher with a down payment loan under section 310E or a guarantee of the financing provided by the State program, or both.

(3) The Secretary shall not charge any person (including a lender) any fee with respect to the provision of any guarantee under this subsection.

(4) The Secretary shall notify each State of the provisions of this subsection.

(5) As used in paragraph (1), the term "State beginning farmer program" means any program that is—

(A) carried out by, or under contract with, a State; and

(B) designed to assist persons in obtaining the financial assistance necessary to enter agriculture and establish viable farming or ranching operations.

(j) GUARANTEE OF LOANS MADE UNDER STATE BEGINNING FARMER OR RANCHER PROGRAMS.—The Secretary may guarantee under this title a loan made under a State beginning farmer or rancher program, including a loan financed by the net proceeds of a qualified small issue agricultural bond for land or property described in section 144(a)(12)(B)(ii) of the Internal Revenue Code of 1986.

* * * * * * *

(7) AMOUNT OF GUARANTEE OF LOANS FOR TRIBAL OPERATIONS.—In the case of an operating loan made to a Native American farmer or rancher whose farm or ranch is within an Indian reservation (as defined in section 335(e)(1)(A)(iii)), the Secretary shall guarantee 95 percent of the loan.

* * * * * * *

SEC. 310E. DOWN PAYMENT LOAN PROGRAM.

(a) IN GENERAL.—

(1) ESTABLISHMENT.—Notwithstanding any other section of this subtitle, the Secretary shall establish, within the farm ownership loan program established under this subtitle, a program under which loans shall be made under this section to qualified beginning farmers and ranchers for down payments on farm ownership loans.

(2) ADMINISTRATION.—The Secretary shall be the primary coordinator of credit supervision for the down payment loan program established under this section, in consultation with the commercial or cooperative lender and, if applicable, the contracting credit counseling service selected under section 360(c).

(b) LOAN TERMS.—

(1) PRINCIPAL.—Each loan made under this section shall be in an amount equal to [30 percent] *40 percent* of the purchase price or appraisal value, whichever is lower, of the farm or ranch to be acquired, unless the borrower requests a lesser amount.

(2) INTEREST RATE.—The interest rate on any loan made by the Secretary under this section shall be 4 percent.

(3) DURATION.—Each loan under this section shall be made for a period of [10 years] *20-years* or less, at the option of the borrower.

(4) REPAYMENT.—Each borrower of a loan under this section shall repay the loan to the Secretary in equal annual installments.

* * * * * * *

(c) LIMITATIONS.—

(1) BORROWERS REQUIRED TO MAKE MINIMUM DOWN PAYMENT.—The Secretary shall not make a loan under this section to any borrower with respect to a farm or ranch if the contribution of the borrower to the down payment on the farm or ranch will be less than 10 percent of the purchase price of the farm or ranch.

(2) MAXIMUM PRICE OF PROPERTY TO BE ACQUIRED.—The Secretary shall not make a loan under this section with respect to

a farm or ranch for which the purchase price or appraisal value, whichever is lower, exceeds $250,000.

(3) PROHIBITED TYPES OF FINANCING.—The Secretary shall not make a loan under this section with respect to a farm or ranch if the farm or ranch is to be acquired with other financing that contains any of the following conditions:

(A) The financing is to be amortized over a period of less than 30 years.

(B) A balloon payment will be due on the financing during the [10-year] *20-year* period beginning on the date the loan is to be made by the Secretary.

* * * * * * *

SEC. 310F. BEGINNING FARMER AND RANCHER CONTRACT LAND SALES PROGRAM.

(a) IN GENERAL.—Not later than October 1, 2002, the Secretary shall carry out a pilot program in not fewer than 10 geographically dispersed States, as determined by the Secretary, to guarantee up to 5 loans per State in each of fiscal years 2003 through 2006 made by a private seller of a farm or ranch to a qualified beginning farmer or rancher on a contract land sale basis, if the loan meets applicable underwriting criteria and a commercial lending institution agrees to serve as escrow agent.

(b) DATE OF COMMENCEMENT OF PROGRAM.—The Secretary shall commence the pilot program on making a determination that guarantees of contract land sales present a risk that is comparable with the risk presented in the case of guarantees to commercial lenders.

* * * * * * *

Subtitle B—Operating Loans

SEC. 311. (a) The Secretary is authorized to make and insure loans under this subtitle to farmers and ranchers in the United States, and to farm cooperatives and private domestic corporations, partnerships, [and joint operations] *joint operations and limited liability companies* that are controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States, subject to the conditions specified in this section. To be eligible for such loans, applicants who are individuals, or, in the case of cooperatives, corporations, partnerships, [and joint operations] *joint operations, and limited liability companies*, individuals holding a majority interest in such entity, must (1) be citizens of the United States, (2) for direct loans only, have either training or farming experience that the Secretary determines is sufficient to assure reasonable prospects of success in the proposed farming operations, (3) be or will become operators of not larger than family farms (or in the case of cooperatives, corporations, partnerships, [and joint operations] *joint operations, and limited liability companies* in which a majority interest is held by individuals who are related by blood or marriage, as defined by the Secretary, such individuals must be or will become either owners or operators of not larger than a family farm and at least one such individual must be or will become an operator of not larger than a family farm or, in the case of holders of the entire interest who are related by blood or marriage and all of whom are or will become farm opera-

tors, the ownership interest of each such holder separately constitutes not larger than a family farm, even if their interests collectively constitute larger than a family farm, as defined by the Secretary), and (4) be unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. In addition to the foregoing requirements of this subsection, in the case of corporations, partnerships, [and joint operations] *joint operations, and limited liability companies*, the family farm requirement of clause (3) of the preceding sentence shall apply as well to the farm or farms in which the entity has an operator interest and the requirement of clause (4) of the preceding sentence shall apply as well to the entity in the case of cooperatives, corporations, partnerships, [and joint operations] *joint operations, and limited liability companies*.

(b)(1) Loans may also be made under this subtitle without regard to the requirements of clauses (2) and (3) of subsection (a) to youths who are rural residents to enable them to operate enterprises in connection with their participation in 4–H Clubs, Future Farmers of America, and similar organizations.

(2) A person receiving a loan under this subsection who executes a promissory note therefor shall thereby incur full personal liability for the indebtedness evidenced by such note in accordance with its terms free of any disability of minority.

* * * * * * *

(c) DIRECT LOANS.—

(1) IN GENERAL.—Subject to [paragraph (3)] *paragraphs (3) and (4)*, the Secretary may make a direct loan under this subtitle only to a farmer or rancher who—

(A) is a qualified beginning farmer or rancher [who has not operated a farm or ranch, or who has operated a farm or ranch for not more than 5 years];

(B) has not received a previous direct operating loan made under this subtitle; or

* * * * * * *

*(4) WAIVERS. * * *—*

(A) TRIBAL FARM AND RANCH OPERATIONS.—The Secretary shall waive the limitation under paragraph (1)(C) or (3) for a direct loan made under this subtitle to a farmer or rancher who is a member of an Indian Tribe and whose farm or ranch is within an Indian reservation (as defined in section 335(e)(1)(A)(ii)) if the Secretary determines that commercial credit is not generally available for such farm or ranch operations.

(B) OTHER FARM AND RANCH OPERATIONS.—On a case-by-case determination not subject to administrative appeal, the Secretary may grant a borrower a waiver, 1 time only for a period of 2 years, of the limitation under paragraph (1)(C) for a direct operating loan if the borrower demonstrates to the satisfaction of the Secretary that—

(i) the borrower has a viable farm or ranch operation;

(ii) the borrower applied for commercial credit from at least 2 commercial lenders;

(iii) the borrower was unable to obtain a commercial loan (including a loan guaranteed by the Secretary); and

(iv) the borrower successfully has completed, or will complete within 1 year, borrower training under section 359 (from which requirement the Secretary shall not grant a waiver under section 359(f)).

* * * * * * *

Subtitle C—Emergency Loans

SEC. 321. (a) The Secretary shall make and insure loans under this subtitle only to the extent and in such amounts as provided in advance in appropriation Acts to (1) established farmers, ranchers, or persons engaged in aquaculture, who are citizens of the United States and who are owner-operators (in the case of loans for a purpose under subtitle A) or operators (in the case of loans for a purpose under subtitle B) of not larger than family farms, and (2) farm cooperatives, private domestic corporations, partnerships, [or joint operations] *joint operations or limited liability companies*, (A) that are engaged primarily in farming, ranching, or aquaculture, and (B) in which a majority interest is held by individuals who are citizens of the United States and who are owner-operators (in the case of loans for a purpose under subtitle A) or operators (in the case of loans for a purpose under subtitle B) of not larger than family farms (or in the case of such cooperatives, corporations, partnerships, [or joint operations] in which a majority interest is held by individuals who are related by blood or marriage, as defined by the Secretary, such individuals must be either owners or operators of not larger than a family farm and at least one such individual must be an operator of not larger than a family farm), where the Secretary finds that the applicants' farming, ranching, or aquaculture operations have been substantially affected by a natural disaster in the United States or by a major disaster or emergency designated by the President under the Disaster Relief and Emergency Assistance Act: Provided, That they have experience and resources necessary to assure a reasonable prospect for successful operation with the assistance of such loan and are not able to obtain sufficient credit elsewhere. In addition to the foregoing requirements of this subsection, in the case of farm cooperatives, private domestic corporations, partnerships, [and joint operations], the family farm requirement of the preceding sentence shall apply as well to all farms in which the entity has an ownership and operator interest (in the case of loans for a purpose under subtitle A) or an operator interest (in the case of loans for a purpose under subtitle B). The Secretary shall accept applications from, and make or insure loans pursuant to the requirements of this subtitle to, applicants, otherwise eligible under this subtitle, that conduct farming, ranching, or aquaculture operations in any county contiguous to a county where the Secretary has found that farming, ranching, or aquaculture operations have been substantially affected by a natural disaster in the United States or by a

major disaster or emergency designated by the President under the Disaster Relief and Emergency Assistance Act. The Secretary shall accept applications for assistance under this subtitle from persons affected by a natural disaster at any time during the eight-month period beginning (A) on the date on which the Secretary determines that farming, ranching, or aquaculture operations have been substantially affected by such natural disaster or (B) on the date the President makes the major disaster or emergency designation with respect to such natural disaster, as the case may be.

(b) HAZARD INSURANCE REQUIREMENT.—

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Subtitle D—Administrative Provisions

SEC. 331. (a) In accordance with section 359, for purposes of this title, and for the administration of assets under the jurisdiction of the Secretary of Agriculture pursuant to the Farmers Home Administration Act of 1946, as amended, the Bankhead-Jones Farm Tenant Act, as amended, the Act of August 28, 1937, as amended, the Act of April 6, 1949, as amended, the Act of August 31, 1954, as amended, and the powers and duties of the Secretary under any other Act authorizing agricultural credit, the Secretary may assign and transfer such powers, duties, and assets to such officers or agencies of the Department of Agriculture as the Secretary considers appropriate.

(b) The Secretary may—

* * * * * * *

(3) within the limits of appropriations made therefor, make necessary expenditures for purchase or hire of passenger vehicles, and such other facilities and services as he may from time to time find necessary for the proper administration of this title;

(4) compromise, adjust, reduce, or charge-off debts or claims (including debts and claims arising from loan guarantees), and adjust, modify, subordinate, or release the terms of security instruments, leases, contracts, and agreements entered into or administered by the Consolidated Farm Service Agency, Rural Utilities Service, Rural Housing Service, Rural Business-Cooperative Service, or a successor agency, or the Rural Development Administration, except for activities under the Housing Act of 1949. In the case of a security instrument entered into under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.), the Secretary shall notify the Attorney General of the intent of the Secretary to exercise the authority of the Secretary under this paragraph. The Secretary may not require liquidation of property securing any farmer program loan or acceleration of any payment required under any farmer program loan as a prerequisite to initiating an action authorized under this subsection. The Secretary may release borrowers or others obligated on a debt, except for debt incurred under the Housing Act of 1949, from personal liability with or without payment of any consideration at the time of the compromise, adjustment, reduction, or charge-off of any claim, except that no com-

promise, adjustment, reduction, or charge-off of any claim may be made or [carried out—

[(A) with respect to farmer program loans, on terms more favorable than those recommended by the appropriate county committee utilized pursuant to section 332; or]

[(B) after] *carried out after* the claim has been referred to the Attorney General, unless the Attorney General approves;

(5) except for activities conducted under the Housing Act of 1949, collect all claims and obligations administered by the Farmers Home Administration, or under any mortgage, lease, contract, or agreement entered into or administered by the Farmers Home Administration and, if in his judgment necessary and advisable, pursue the same to final collection in any court having jurisdiction;

* * * * * * *

(c) The Secretary may use for the prosecution or defense of any claim or obligation described in subsection (b)(5) the Attorney General, the General Counsel of the Department of Agriculture, or a private attorney who has entered into a contract with the Secretary.

[(d) TEMPORARY AUTHORITY TO ENTER INTO CONTRACTS.—]

(1) DEFINITIONS.—In this subsection:

(A) ELIGIBLE FINANCIAL INSTITUTION.—The term "eligible financial institution" means a financial institution with substantial experience in farm, ranch, or aquaculture lending that is regulated by the Comptroller of the Currency, the Farm Credit Administration, or a similar regulatory body.

* * * * * * *

(5) SUNSET PROVISION.—This subsection shall be effective until September 30, 2002.

[(e) PRIVATE COLLECTION AGENCY.—The Secretary may use a private collection agency to collect a claim or obligation described in subsection (b)(5).]

* * * * * * *

SEC. 331B. Any loan for farm ownership purposes under subtitle A of this title, farm operating purposes under subtitle B of this title, or disaster emergency purposes under subtitle C of this title, other than a guaranteed loan, that is deferred, consolidated, rescheduled, or reamortized under this title shall, notwithstanding any other provision of this title, bear interest on the balance of the original loan and for the term of the original loan at a rate that is the [lower of (1) the] *lowest of* the rate of interest on the [original loan or (2) the] *original loan; the rate being charged by the Secretary for loans, other than guaranteed loans, of the same type at the time at which the borrower applies for a deferral, consolidation, rescheduling, or reamortization; or the ????* of the deferral, consolidation, rescheduling, or reamortization.

* * * * * * *

SEC. 333. In connection with loans made or insured under this title, the Secretary shall require—

(1) the applicant (A) to certify in writing, and the Secretary shall determine, that he is unable to obtain sufficient credit elsewhere to finance his actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time, and (B) to furnish an appropriate written financial statement;

[(2) except with respect to a loan under section 306, 310B, or 314, the county or area committee established under section 8(b)(5)(B) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)(5)(B)) to certify in writing—

[(A) that an annual review of the credit history and business operation of the borrower has been conducted; and

[(B) that a review of the continued eligibility of the borrower for the loan has been conducted;]

(2) except with respect to a loan under section 306, 310B, or 314—

(A) an annual review of the credit history and business operation of the borrower; and

(B) an annual review of the continued eligibility of the borrower for the loan;

(3) except for guaranteed loans, an agreement by the borrower that if at any time it shall appear to the Secretary that the borrower may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source (or, in the case of a borrower under section 310D of this title, the borrower may be able to obtain a loan under section 302 of this title), at reasonable rates and terms for loans for similar purposes and periods of time, the borrower will, upon request by the Secretary, apply for and accept such loan in sufficient amount to repay the Secretary or the insured lender, or both, and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan;

* * * * * * *

(6) To the extent necessary for the borrower to obtain a loan, guaranteed by the Secretary, from a commercial or cooperative lender, the Secretary shall provide interest rate reductions as provided for under section 351.

(g)(1) The Secretary shall provide to lenders a short, simplified application form for guarantees under this title [of loans the principal amount of which is $50,000 or less] *of farmer program loans the principal amount of which is $100,000 or less*.

(2) IN DEVELOPING THE APPLICATION, THE SECRETARY SHALL—

* * * * * * *

SEC. 335. (a) The Secretary is authorized and empowered to make advances, without regard to any loan or total indebtedness limitation, to preserve and protect the security for or the lien or priority of the lien securing any loan or other indebtedness owing to, insured by, or acquired by the Secretary under this title or under any other programs administered by the Farmers Home Administration or the Rural Development Administration; to bid for

and purchase at any execution, foreclosure, or other sale or otherwise to acquire property upon which the United States has a lien by reason of a judgment or execution arising from, or which is pledged, mortgaged, conveyed, attached, or levied upon to secure the payment of, any such indebtedness whether or not such property is subject to other liens, to accept title to any property so purchased or acquired; and to sell, manage, or otherwise dispose of such property as hereinafter provided.

* * * * * * *

(c) SALE OF PROPERTY.—

(1) IN GENERAL.—Subject to this subsection and subsection (e)(1)(A), the Secretary shall offer to sell real property that is acquired by the Secretary under this title using the following order and method of sale:

(A) ADVERTISEMENT.—Not later than 15 days after acquiring real property, the Secretary shall publicly advertise the property for sale.

(B) BEGINNING FARMER OR RANCHER.—

(i) IN GENERAL.—Not later than [75 days] *135 days* after acquiring real property, the Secretary shall offer to sell the property to a qualified beginning farmer or rancher at current market value based on a current appraisal.

(ii) RANDOM SELECTION.—If more than 1 qualified beginning farmer or rancher offers to purchase the property, the Secretary shall select between the qualified applicants on a random basis.

(iii) APPEAL OF RANDOM SELECTION.—A random selection or denial by the Secretary of a beginning farmer or rancher for farm inventory property under this subparagraph shall be final and not administratively appealable.

(iv) COMBINING AND DIVIDING OF PROPERTY.—To the maximum extent practicable, the Secretary shall maximize the opportunity for beginning farmers and ranchers to purchase real property acquired by the Secretary under this title by combining or dividing inventory parcels of the property in such manner as the Secretary determines to be appropriate.

(C) PUBLIC SALE.—If no acceptable offer is received from a qualified beginning farmer or rancher under subparagraph (B) not later than [75 days] *135 days* after acquiring the real property, the Secretary shall, not later than 30 days after the [75-day period] *135-day period,* sell the property after public notice at a public sale, and, if no acceptable bid is received, by negotiated sale, at the best price obtainable.

(2) PREVIOUS LEASE.—In the case of real property acquired before April 4, 1996, that the Secretary leased before April 4, 1996, not later than 60 days after the lease expires, the Secretary shall offer to sell the property in accordance with paragraph (1).

(A) PREVIOUS LEASE.—In the case of real property acquired prior to the date of enactment of this subparagraph that the Secretary leased prior to the date of enactment of

this subparagraph, not later than 60 days after the lease expires, the Secretary shall offer to sell the property in accordance with paragraph (1).

(B) PREVIOUSLY IN INVENTORY.—In the case of real property acquired prior to the date of enactment of this subparagraph that the Secretary has not leased, not later than 60 days after the date of enactment of this subparagraph, the Secretary shall offer to sell the property in accordance with paragraph (1).

(3) INTEREST.—

(A) IN GENERAL.—Subject to [subparagraph (B)] *subparagraphs (B) and (C),* any conveyance of real property under this subsection shall include all of the interest of the United States in the property, including mineral rights.

(B) CONSERVATION.—The Secretary may for conservation purposes grant or sell an easement, restriction, development right, or similar legal right to real property to a State, a political subdivision of a State, or a private nonprofit organization separately from the underlying fee or other rights to the property owned by the United States.

(C) OFFER TO SELL OR GRANT FOR FARMLAND PRESERVATION.—For the purpose of farmland preservation, the Secretary shall—

(i) in consultation with the State Conversationist of each State in which inventory property is located, identify each parcel of inventory property in the State that should be preserved for agricultural use; and

(ii) offer to sell or grant an easement, restriction, development right, or similar legal right to each parcel identified under clause (i) to a State, a political subdivision of a State, or a private nonprofit organization separately from the underlying fee or other rights to the property owned by the United States.

(4) OTHER LAW.—The Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471 et seq.) shall not apply to any exercise of authority under this title.

* * * * * * *

SEC. 343. (a) As used in this title:

(1) The term "farmer" includes a person who is engaged in, or who, with assistance afforded under this title, intends to engage in, fish farming.

* * * * * * *

(aa) materially and substantially participate in the operation of the farm or ranch; and

(bb) provide substantial day-to-day labor and management of the farm or ranch, consistent with the practices in the State or county in which the farm or ranch is located; or

(II) (aa) in the case of a loan made to a cooperative, corporation, partnership, or joint operation, will have members, stockholders, partners, or joint operators, materially and substantially participate in the operation of the farm or ranch; and

(bb) in the case of a loan made to a corporation, has stockholders, all of whom are qualified beginning farmers or ranchers;

(E) who agrees to participate in such loan assessment, borrower training, and financial management programs as the Secretary may require;

(F) who does not own land or who, directly or through interests in family farm corporations, owns land, the aggregate acreage of which does not exceed [25 percent] *30 percent* of the median acreage of the farms or ranches, as the case may be, in the county in which the farm or ranch operations of the applicant are located, as reported in the most recent census of agriculture taken under section 142 of title 13, United States Code, except that this subparagraph shall not apply to a loan made or guaranteed under subtitle B; and

(G) who demonstrates that the available resources of the applicant and spouse (if any) of the applicant are not sufficient to enable the applicant to continue farming or ranching on a viable scale.

(12) DEBT FORGIVENESS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the term "debt forgiveness" means reducing or terminating a farmer program loan made or guaranteed under this title, in a manner that results in a loss to the Secretary, through—

(i) writing down or writing off a loan under section 353;

(ii) compromising, adjusting, reducing, or charging-off a debt or claim under section 331;

(iii) paying a loss on a guaranteed loan under section 357; or

(iv) discharging a debt as a result of bankruptcy.

[(B) LOAN RESTRUCTURING.—The term "debt forgiveness" does not include consolidation, rescheduling, reamortization, or deferral.]

(B) EXCEPTIONS.—The term "debt forgiveness" does not include—

(i) consolidation, rescheduling, reamortization, or deferral of a loan; or

(ii) any write-down provided as part of a resolution of a discrimination complaint against the Secretary.

* * * * * * *

SEC. 346. (a) Effective October 1, 1979, the aggregate principal amount of loans under the programs authorized under each subtitle of this title during each three-year period thereafter shall not exceed such amounts as may be authorized by law after the date of enactment of this section. There shall be two amounts so established for each of such programs and for any maximum levels provided in appropriation Acts for the programs authorized under this title, one against which direct and insured loans shall be charged and the other against which guaranteed loans shall be charged.

(b) AUTHORIZATION FOR LOANS.—

[(1) IN GENERAL.—The Secretary may make or guarantee loans under subtitles A and B from the Agricultural Credit In-

surance Fund provided for in section 309 in not more than the following amounts:]

(1) IN GENERAL.—The Secretary may make or guarantee loans under subtitles A and B from the Agricultural Credit Insurance Fund provided for in section 309 for not more than $3,750,000,000 for each of fiscal years 2002 through 2006, of which, for each fiscal year—

(A) $750,000,000 shall be for direct loans, of which—

(i) $2000,000,000 shall be for farm ownership loans under subtitle A; and

(ii) $550,000,000 shall be for operating loans under subtitle B; and

(B) $3,000,000,000 shall be for guaranteed loans, of which—

(i) $1,000,000,000 shall be for guarantees of farm ownership loans under subtitle A; and

(ii) $2,000,000,000 shall be for guarantees of operating loans under subtitle B.

(A) FISCAL YEAR 1996.—For fiscal year 1996, $3,085,000,000, of which—

(i) $585,000,000 shall be for direct loans, of which—

(I) $85,000,000 shall be for farm ownership loans under subtitle A; and

* * * * * * *

(i) FARM OWNERSHIP LOANS.—

(I) IN GENERAL.—Of the amounts made available under paragraph (1) for direct farm ownership loans, the Secretary shall reserve 70 percent for qualified beginning farmers and ranchers.

(II) DOWN PAYMENT LOANS.—Of the amounts reserved for a fiscal year under subclause (I), the Secretary shall reserve 60 percent for the down payment loan program under section 310E until April 1 of the fiscal year.

(ii) OPERATING LOANS.—Of the amounts made available under paragraph (1) for direct operating loans, the Secretary shall reserve for qualified beginning [farmers and ranchers—

[(I) for each of fiscal years 1996 through 1998, 25 percent;

[(II) for fiscal year 1999, 30 percent; and

[(III) for each of fiscal years 2000 through 2002, 35 percent] *farmers and ranchers 35 percent for each of fiscal years 2002 through 2007.*

(iii) FUNDS RESERVED UNTIL SEPTEMBER 1.—Except as provided in clause (i)(II), funds reserved for qualified beginning farmers or ranchers under this subparagraph for a fiscal year shall be reserved only until September 1 of the fiscal year.

(B) GUARANTEED LOANS.—

* * * * * * *

SEC. 350. Notwithstanding any other provision of this title, the Secretary shall ensure that farm loan guarantee programs carried out under this title are designed so as to be responsive to borrower

and lender needs and to include provisions under reasonable terms and conditions for advances, before completion of the liquidation process, of guarantee proceeds on loans in default.

SEC. 351. INTEREST RATE REDUCTION PROGRAM.

(a) ESTABLISHMENT OF [PROGRAM.—

(1) [IN GENERAL.—THE SECRETARY] *PROGRAM.—The Secretary shall establish and carry out in accordance with this section an interest rate reduction program for loans guaranteed under this title.*

[(2) TERMINATION OF AUTHORITY.—The authority provided by this subsection shall terminate on September 30, 2002.]

(b) Under such program, the Secretary shall enter into a contract with, and make payments to, a legally organized institution to reduce during the term of such contract the interest rate paid by a borrower on a guaranteed loan made by such institution if—

(1) the borrower—

(A) is unable to obtain sufficient credit elsewhere to finance the actual needs of the borrower at reasonable rates and terms, taking into consideration private and cooperative rates and terms for a loan for a similar purpose and period of time in the community in or near which the borrower resides;

(B) is otherwise unable to make payments on such loan in a timely manner; and

(C) has a total estimated cash income during the 24-month period beginning on the date such contract is entered into (including all farm and nonfarm income) that will equal or exceed the total estimated cash expenses to be incurred by the borrower during such period (including all farm and nonfarm expenses); and

(2) the lender reduces during the term of such contract the annual rate of interest payable on such loan by a minimum percentage specified in such contract.

[(c) In return for a contract entered into by a lender under subsection (b) for the reduction of the interest rate paid on a loan, the Secretary shall make payments to the lender in an amount equal to not more than 100 percent of the cost of reducing the annual rate of interest payable on such loan, except that such payments may not exceed the cost of reducing such rate by more than 4 percent.]

(c) AMOUNT OF INTEREST RATE REDUCTION.—

(1) IN GENERAL.—In return for a contract entered into by a lender under subsection (b) for the reduction of the interest rate paid on a loan, the Secretary shall make payments to the lender in an amount equal to not more than 100 percent of the cost of reducing the annual rate of interest of interest payable on the loan, except that such payments shall not exceed the cost of reducing the rate by more than—

(A) in the case of a borrower other than a beginning farmer or rancher, 3 percent; and

(B) in the case of a beginning farmer or rancher, 4 percent.

(2) BEGINNING FARMERS AND RANCHERS.—The percentage reduction of the interest rate for which payments are authorized to be made for a beginning farmer or rancher under paragraph

(1) shall be 1 percent more than the percentage reduction for farmers and ranchers that are not beginning farmers or ranchers.

(d) The term of a contract entered into under this section to reduce the interest rate on a guaranteed loan may not exceed the outstanding term of such loan.

(e)(1) Notwithstanding any other provision of this title, the Agricultural Credit Insurance Fund established under section 309 may be used by the Secretary to carry out this section.

[(2) The total amount of funds used by the Secretary to carry out this section may not exceed $490,000,000.**]**

(2) MAXIMUM AMOUNT OF FUNDS.—

(A) IN GENERAL.—The total amount of funds used by the Secretary to carry out this section for a fiscal year shall not exceed $750,000,000.

(B) BEGINNING FARMERS AND RANCHERS.—

(i) IN GENERAL.—The Secretary shall reserve not less than 25 percent of the funds used by the Secretary under subparagraph (A) to make payments for guaranteed loans made to beginning farmers and ranchers.

(ii) DURATION OF RESERVATION OF FUNDS.—Funds reserved for beginning farmers or ranchers under clause (i) for a fiscal year shall be reserved only until April 1 of the fiscal year.

(f) The Secretary shall make available to farmers, on request, a list of lenders in the area that participate in guaranteed farm loan programs and other lenders in the area that express a desire to participate in such programs and that request inclusion in the list.

(g) Notwithstanding any other provision of law, each contract of guarantee on a farm loan entered into under this title after the date of the enactment of this subsection shall contain a condition that the lender of the guaranteed loan may not initiate foreclosure action on the loan until 60 days after a determination is made with respect to the eligibility of the borrower thereof to participate in the program under this section.

* * * * * * *

SEC. 353. DEBT RESTRUCTURING AND LOAN SERVICING.

(a) IN GENERAL.—The Secretary shall modify delinquent farmer program loans made or insured under this title, or purchased from the lender or the Federal Deposit Insurance Corporation under section 309B, to the maximum extent possible—

* * * * * * *

(e) SHARED APPRECIATION ARRANGEMENTS.—

(1) IN GENERAL.—As a condition of restructuring a loan in accordance with this section, the borrower of the loan may be required to enter into a shared appreciation arrangement that requires the repayment of amounts written off or set aside.

(2) TERMS.—Shared appreciation agreements shall have a term not to exceed 10 years, and shall provide for recapture based on the difference between the appraised values of the real security property at the time of restructuring and at the time of recapture.

(3) PERCENTAGE OF RECAPTURE.—The amount of the appreciation to be recaptured by the Secretary shall be 75 percent

of the appreciation in the value of such real security property if the recapture occurs within 4 years of the restructuring, and 50 percent if the recapture occurs during the remainder of the term of the agreement.

(4) TIME OF RECAPTURE.—Recapture shall take place at the end of the term of the agreement, or sooner—

(A) on the conveyance of the real security property;

(B) on the repayment of the loans; or

(C) if the borrower ceases farming operations.

(5) TRANSFER OF TITLE.—Transfer of title to the spouse of a borrower on the death of such borrower shall not be treated as a conveyance for the purpose of paragraph (4).

(6) NOTICE OF RECAPTURE.—Beginning with fiscal year 2000 not later than 12 months before the end of the term of a shared appreciation arrangement, the Secretary shall notify the borrower involved of the provisions of the arrangement.

[(7) FINANCING OF RECAPTURE PAYMENT.—]

(7) OPTIONS FOR SATISFACTION OF OBLIGATION TO PAY RECAPTURE AMOUNT.—

[(A) IN GENERAL.—The Secretary may amortize a recapture payment owed to the Secretary under this subsection.

[(B) TERM.—The term of an amortization under this paragraph may not exceed 25 years.

[(C) INTEREST RATE.]

(i) IN GENERAL.—The Secretary may amortize a recapture payment owed to the Secretary under this subsection.

(ii) TERM.—The term of an amortization under this paragraph may not exceed 25 years.

(iii) INTEREST RATE.—

(A) IN GENERAL.—As an alternative to repaying the full recapture amount at the end of the term of the shared appreciation agreement (as determined by the Secretary in accordance with this subsection), a borrower may satisfy the obligation to pay the amount of recapture by—

(i) financing the recapture payment in accordance with subparagraph (B); or

(ii) granting the Secretary an agricultural use protection and conservation easement on the property subject to the shared appreciation agreement in accordance with subparagraph (C).

(B) FINANCING OF RECAPTURE PAYMENT.—"; and

(4) by adding at the end the following:

(C) AGRICULTURAL USE PROTECTION AND CONSERVATION EASEMENT.—

(i) IN GENERAL.—Subject to clause (iii), the Secretary shall accept an agricultural use protection and conservation easement from the borrower for all of the real security property subject to the shared appreciation agreement in lieu of payment of the recapture amount.

(ii) TERM.—The term of an easement accepted by the Secretary under this subparagraph shall be 25 years.

(iii) CONDITIONS.—The easement shall require that the property subject to the easement shall continue to be used or conserved for agricultural and conservation

uses in accordance with sound farming and conservation practices, as determined by the Secretary.

(iv) REPLACEMENT OF METHOD OF SATISFYING OBLIGATION.—A borrower that has begun financing of a recapture payment under subparagraph (B) may replace that financing with an agricultural use protection and conservation easement under this subparagraph.

[(i)] (I) IN GENERAL.—The interest rate applicable to an amortization under this paragraph may not exceed the rate applicable to a loan to reacquire homestead property less 100 basis points.

[(ii)] (II) EXISTING AMORTIZATIONS AND LOANS.—The interest rate applicable to an amortization or loan made by the Secretary before the date of enactment of this paragraph to finance a recapture payment owed to the Secretary under this subsection may not exceed the rate applicable to a loan to reacquire homestead property less 100 basis points.

(f) DETERMINATION TO RESTRUCTURE.—If the appeal process results in a determination that a loan is eligible for restructuring, the Secretary shall restructure the loan in the manner consistent with this section, taking into consideration the restructuring recommendations, if any, of the appeals officer.

* * * * * * *

SEC. 359. BORROWER TRAINING.

(a) IN GENERAL.—The Secretary shall enter into contracts to provide educational training to all borrowers of farmer program direct loans made under this title in financial and farm management concepts associated with commercial farming.

* * * * * * *

(e) PAYMENT.—A borrower shall pay for training received under this section, and may use funds from operating loans made under subtitle B to pay for the training.

[(f) WAIVERS.—The Secretary may waive the requirements of this section for an individual borrower on a determination by the county committee that the borrower demonstrates adequate knowledge in areas described in this section.]

(f) WAIVERS.—

(1) IN GENERAL.—The Secretary may waive the requirements of this section for an individual borrower if the Secretary determines that the borrower demonstrates adequate knowledge in areas described in this section.

(2) CRITERIA.—The Secretary shall establish criteria providing for the application of paragraph (1) consistently in all counties nationwide.

* * * * * * *

FARM CREDIT ACT OF 1971

* * * * * * *

SEC. 1.12. RELATED SERVICES.

(a) IN GENERAL.—The Farm Credit Banks may provide technical assistance to borrowers, members, and applicants from the bank and associations in the district, including persons obligated on paper discounted by the bank, and may make available to them at their option such financial related services appropriate to their on-farm and aquatic operations as determined to be feasible by the board of directors of the bank, under regulations of the Farm Credit Administration.

(b) AUTHORITY TO PASS ALONG COST OF INSURANCE PREMIUMS.—Each Farm Credit Bank may assess each production credit association, other association making direct loans under the authority provided under section 7.6, and other financing institution described in section 1.7(b)(1)(B) in the district in which the bank is located to cover the costs of making premium payments under part E of title V. The assessment of any such association or other financing institution for any calendar year shall be computed on the same basis as is used to compute the premium payment and shall not exceed the sum of—

(1) the annual average principal outstanding for such year on loans made by the association, or on loans made by the other financing institution and funded by or discounted with the Farm Credit Bank, that are in accrual status, excluding the guaranteed portions of government-guaranteed loans (as defined in section 5.55(a)(3)) provided for in paragraph (3) *and Government Sponsored Enterprised-guaranteed loans (as defined in section 5.55(a)(4)) provided for in paragraph (4),* multiplied by 0.0015;

(2) the annual average principal outstanding for such year on loans made by the association, or on loans made by the other financing institution and funded by or discounted with the Farm Credit Bank, that are in nonaccrual status, multiplied by 0.0025; **[**and**]**

(3)(A) the annual average principal outstanding for such year on the guaranteed portions of Federal government-guaranteed loans (as so defined) made by the association, or by the other financing institution and funded by or discounted with the Farm Credit Bank, that are in accrual status, multiplied by 0.00015;

(B) the annual average principal outstanding for such year on the guaranteed portions of State government-guaranteed loans (as so defined) made by the association, or by the other financing institution and funded by or discounted with the Farm Credit Bank, that are in accrual status, multiplied by 0.0003. ; and;

(4) the annual average principal outstanding for such year on the guaranteed portions of Government Sponsored Enterprise-guaranteed loans (as so defined) made by the association, or by the other financing institution and funded by or discounted with the Farm Credit Bank, that are in accrual status, multiplied by the factor, not to exceed 0.0015, determined by the Corporation for the purpose of setting the premium for such guaranteed portions of loans under section 5.55(a)(1)(D).

* * * * * * *

SEC. 3.1. CORPORATE EXISTENCE; GENERAL CORPORATE POWERS.—Each bank for cooperatives shall be a body corporate and, subject to regulation by the Farm Credit Administration, shall have power to—

* * * * * * *

(11)(A) Participate in loans under this title with one or more other banks for cooperatives and with commercial banks and other financial institutions upon such terms as may be agreed among them, and participate with one or more other Farm Credit System institutions in loans made under this title or other titles of this Act on the basis prescribed in section 4.18 of this Act.

(B)(i) Participate in any loan of a type otherwise authorized under this title that is made to a similar entity by any institution in the business of extending credit, including purchases of participations in loans to finance international trade transactions involving the sale of agricultural commodities or the products thereof, except that—

(I) a bank for cooperatives may not participate in a loan—

(aa) if the participation would cause the total amount of all loan participations by the bank under this subparagraph involving a single credit risk to exceed 10 percent of the bank's total capital; or

(bb) if the participation by the bank will itself equal or exceed 50 percent of the principal of the loan or, when taken together with participations in the loan by other Farm Credit System institutions, will cause the cumulative amount of the participations by all Farm Credit System institutions in the loan to equal or exceed 50 percent of the principal of the loan;

(II) a bank for cooperatives may not participate in a loan to a similar entity under this subparagraph if the similar entity has a loan or loan commitment outstanding with a Farm Credit Bank or an association chartered under this Act, unless agreed to by the Bank or association; and

(III) the cumulative amount of participations that a bank for cooperatives may have outstanding under this subparagraph at any time may not exceed 15 percent of the bank's total assets.

(ii) As used in this subparagraph, the term "similar entity" means an entity that, while not eligible for a loan under section 3.8, is functionally similar to an entity eligible for a loan under section 3.8 in that it derives a majority of its income from, or has a majority of its assets invested in, the conduct of activities functionally similar to those conducted by the entity.

[(iii) With respect to similar entities that are eligible to borrow from a Farm Credit Bank or association under title I or II, the authority of a bank for cooperatives to participate in loans to the entities under this subparagraph shall be subject to the prior approval of the Farm Credit Bank or Banks in whose chartered territory the entity is eligible to borrow. The approval may be granted on an annual basis and under such terms and conditions as may be agreed on between the bank

for cooperatives and the Farm Credit Bank or Banks that serve the territory.

[(iv)] *(iii)* As used in this subparagraph, the term "participate" or "participation" refers to multilender transactions, including syndications, assignments, loan participations, subparticipations, or other forms of the purchase, sale, or transfer of interests in loans, other extensions of credit, or other technical and financial assistance.

* * * * * * *

SEC. 3.7. LENDING POWER.—(a) The banks for cooperatives are authorized to make loans and commitments to eligible cooperative associations and to extend to them other technical and financial assistance at any time (whether or not they have a loan from the bank outstanding), including but not limited to discounting notes and other obligations, guarantees, currency exchange necessary to service individual transactions that may be financed under subsection (b) of this section, collateral custody, or participation with other banks for cooperatives and commercial banks or other financial institutions in loans to eligible cooperatives, under such terms and conditions as may be determined to be feasible by the board of directors of each bank for cooperatives under regulations of the Farm Credit Administration. Such regulations may include provisions for avoiding duplication between the Central Bank and district banks for cooperatives. Each bank may own and lease, or lease with option to purchase, to stockholders eligible to borrow from the bank equipment needed in the operations of the stockholder and may make or participate in loans or commitments and extend other technical and financial assistance to other domestic parties for the acquisition of equipment and facilities to be leased to such stockholders for use in their operations in the United States.

(b)(1) A bank for cooperatives is authorized to make or participate in loans and commitments to, and to extend other technical and financial assistance to a domestic or foreign party with respect to its transactions with an association that is a voting stockholder of the bank for the import of agricultural commodities or products thereof, [farm supplies] *agricultural supplies,* or aquatic products through purchases, sales or exchanges, if the bank for cooperatives determines, under regulations of the Farm Credit Administration, that the voting stockholder will benefit substantially as a result of such loan, commitment, or assistance.

(2)(A) A bank for cooperatives may make or participate in loans and commitments to, and extend other technical and financial assistance to—

(i) any domestic or foreign party for the export, including (where applicable) the cost of freight, of agricultural commodities or products thereof, [farm supplies] *agricultural supplies,* or aquatic products from the United States under policies and procedures established by the bank to ensure that the commodities, products, or supplies are originally sourced, where reasonably available, from one or more eligible cooperative associations described in section 3.8(a) on a priority basis, except that if the total amount of the balances outstanding on loans made by a bank under this clause that—

(I) are made to finance the export of commodities, products, or supplies that are not originally sourced from a cooperative, and

* * * * * * *

(f) The banks for cooperatives may, for the purpose of installing, maintaining, expanding, improving, or operating water and waste disposal facilities in rural areas, make and participate in loans and commitments and extending other technical and financial assistance to—

(1) cooperatives formed specifically for the purpose of establishing or operating such facilities; and

(2) public and quasi-public agencies and bodies, and other public and private entities that, under authority of State or local law, establish or operate such facilities.

For purposes of this subsection, the term "rural area" means all territory of a State that is not within the outer boundary of any city or town having a population of more than 20,000 based on the latest decennial census of the United States.

(4) DEFINITION OF AGRICULTURAL SUPPLY.—In this subsection, the term 'agricultural supply' includes—

(A) a farm supply; and

(B)(i) agriculture-related processing equipment;

(ii) agriculture-related machinery; and

(iii) other capital goods related to the storage or handling of agricultural commodities or products.

* * * * * * *

SEC. 4.18A. AUTHORITY OF FARM CREDIT BANKS AND DIRECT LENDER ASSOCIATIONS TO PARTICIPATE IN LOANS TO SIMILAR ENTITIES FOR RISK MANAGEMENT PURPOSES.

(a) DEFINITIONS.—As used in this section:

(1) PARTICIPATE AND PARTICIPATION.—The terms "participate" and "participation" shall have the meaning provided in section [3.11(11)(B)(iv)] *3.11(11)(B)(iii).*

(2) SIMILAR ENTITY.—The term "similar entity" means a person that—

* * * * * * *

(3) the participation would cause the cumulative amount of participations that the Farm Credit Bank or association has outstanding under this section to exceed 15 percent of the total assets of the Farm Credit Bank or association; or

(4) the loan is of the type authorized under section 1.11(b) or 2.4(a)(2).

[(c) PRIOR APPROVAL REQUIRED.—]

* * * * * * *

SEC. 5.55. PREMIUMS.

(a) AMOUNT IN FUND NOT EXCEEDING SECURE BASE AMOUNT.—

(1) IN GENERAL.—If at the end of any calendar year the aggregate of amounts in the Farm Credit Insurance Fund does not exceed the secure base amount, subject to paragraph (2), the annual premium due from any insured System bank for the calendar year shall be equal to the sum of—

(A) the annual average principal outstanding for such year on loans made by the bank that are in accrual status,

excluding the guaranteed portions of [government-guaranteed loans provided for in subparagraph (C)] *loans provided for in subparagraphs (C) and (D),* multiplied by 0.0015;

(B) the annual average principal outstanding for such year on loans made by the bank that are in nonaccrual status, multiplied by 0.0025; [and]

(C)(i) the annual average principal outstanding for such year on the guaranteed portions of Federal Government-guaranteed loans made by the bank that are in accrual status, multiplied by 0.00015; *and*

(ii) the annual average principal outstanding for such year on the guaranteed portions of State government-guaranteed loans made by the bank that are in accrual status, multiplied by 0.0003. *; and*

(D) the annual average principal outstanding for such year on the guaranteed portions of Government Sponsored Enterprise-guaranteed loans made by the bank that are in accrual status, multiplied by a factor, not to exceed 0.0015, determined by the Corporation at the sole discretion of the Corporation.

(2) REDUCED PREMIUMS.—The Corporation, in the sole discretion of the Corporation, may reduce by a percentage uniformly applied to all insured System banks the annual premium due from each insured System bank during any calendar year, as determined under paragraph (1).

* * * * * * *

(3) ANNUAL ALLOCATIONS.—If, at the end of any calendar year, the aggregate of the amounts in the Farm Credit Insurance Fund exceeds the average secure base amount for the calendar year (as calculated on an average daily balance basis), the Corporation shall allocate to the Allocated Insurance Reserves Accounts the excess amount less the amount that the Corporation, in its sole discretion, determines to be the sum of the estimated operating expenses and estimated insurance obligations of the Corporation for the immediately succeeding calendar year.

(4) ALLOCATION FORMULA.—From the total amount required to be allocated at the end of a calendar year under paragraph (3)—

(A) 10 percent of the total amount shall be credited to the Allocated Insurance Reserves Account established under paragraph (1)(B), subject to paragraph (6)(C); and

(B) there shall be credited to the Allocated Insurance Reserves Account of each insured System bank an amount that bears the same ratio to the total amount (less any amount credited under subparagraph (A)) as the average principal outstanding for the 3-year period ending on the end of the calendar year on loans made by the bank that are in accrual status bears to the average principal outstanding for the 3-year period ending on the end of the calendar year on loans made by all insured System banks that are in accrual status (excluding, in each case, the guaranteed portions of [government-guaranteed loans de-

scribed in subsection (a)(1)(C))] *loans described in subparagraph (C) or (D) of subsection (a)(1).*

(5) USE OF FUNDS IN ALLOCATED INSURANCE RESERVES ACCOUNTS.—To the extent that the sum of the operating expenses of the Corporation and the insurance obligations of the Corporation for a calendar year exceeds the sum of operating expenses and insurance obligations determined under paragraph (3) for the calendar year, the Corporation shall cover the expenses and obligations by—

* * * * * * *

(i) the total of the amounts that would have been paid if payments under subparagraph (A) had been authorized to begin, under the same terms and conditions, in the first calendar year beginning more than 5 years after the date on which the aggregate of the amounts in the Farm Credit Insurance Fund exceeds the secure base amount, and to continue through the 2 immediately subsequent years;

(ii) interest earned on any amounts that would have been paid as described in clause (i) from the date on which the payments would have been paid as described in clause (i); and

(iii) the payment to be made in the initial year described in subparagraph (A), based on the amount in each Account after subtracting the amounts to be paid under clauses (i) and (ii).

(4) DEFINITION OF GOVERNMENT SPONSORED ENTERPRISE-GUARANTEED LOAN.—In this section and sections 1.12(b) and 5.56(a), the term "Government Sponsored Enterprise-guaranteed loan" means a loan or credit, or portion of a loan or credit, that is guaranteed by an entity that is chartered by Congress to serve a public purpose and the debt obligations of which are not explicitly guaranteed by the United States, including the Federal National Mortgage Association, the Federal Home Loan Mortgages Corporation, the Federal Home Loan Bank System, and the Federal Agricultural Mortgage Corporation, but not including any other institution of the Farm Credit System.

* * * * * * *

SEC. 5.56. CERTIFICATION OF PREMIUMS.

(a) FILING CERTIFIED STATEMENT.—Annually, on a date to be determined in the sole discretion of the Board of Directors, each insured System bank that became insured before the beginning of the year shall file with the Corporation a certified statement showing—

(1) the annual average principal outstanding on loans made by the bank that are in accrual status, including the nonguaranteed portions of government-guaranteed loans *and Government Sponsored Enterprise-guaranteed loans*;

(2) the annual average principal outstanding on the guaranteed portion of Federal Government-guaranteed loans (as defined in section 5.55(a)(3)) that are in accrual status;

(3) the annual average principal outstanding on State government-guaranteed loans (as defined in section 5.55(a)(3)) that are in accrual status;

(4) the annual average principal outstanding on the guaranteed portions of Government Sponsored Enterprise-guaranteed loans (as defined in section 5.55(a)(4)) that are in accrual status;

(5) the annual average principal outstanding on loans that are in nonaccrual status; and

(6) the amount of the premium due the Corporation from the bank for the year.

(b) CONTENTS AND FORM OF STATEMENT.—The certified statement required to be filed with the Corporation under subsection (a) shall be in such form and set forth such supporting information as the Board of Directors shall prescribe, and shall be certified by the president of the bank or any other officer designated by its board of directors that to the best of the person's knowledge and belief the statement is true, correct, complete, and has been prepared in accordance with this part and all regulations issued thereunder.

(c) INITIAL PREMIUM PAYMENT.—Each System bank shall pay to the Corporation the amount of the initial premium it is required to certify under subsection (a) as soon as practicable after January 1, 1990, based on the application of section 5.55 to the accruing loan volume of the bank for calendar year 1989.

(d) SUBSEQUENT PREMIUM PAYMENTS.—The premium payments required from insured System banks under subsection (a) shall be made not less frequently than annually in such manner and at such time or times as the Board of Directors shall prescribe, except that the amount of the premium shall be established not later than 60 days after filing the certified statement setting forth the amount of the premium.

(e) REGULATIONS.—The Board of Directors shall prescribe all rules and regulations necessary for the enforcement of this section. The Board of Directors may limit the retroactive effect, if any, of any of its rules or regulations.

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SEC. 8.2. BOARD OF DIRECTORS.

(a) INTERIM BOARD.—

* * * * * * *

(b) PERMANENT BOARD.—

(1) ESTABLISHMENT.—Immediately after the date that banks, other financial institutions or entities, insurance companies, and System institutions have subscribed and fully paid for at least $20,000,000 of common stock of the Corporation, the Corporation shall arrange for the election and appointment of a permanent board of directors. After the termination of the interim board, the Corporation shall be under the management of the permanent board.

(2) COMPOSITION.—The permanent board shall consist of [15] *17* members, of which—

(A) 5 members shall be elected by holders of [common stock that are insurance companies, banks, or other financial institutions or entities] *Class B voting common stock;*

(B) 5 members shall be elected by holders of common stock that are Farm Credit System institutions; and

(C) 2 members shall be elected by holders of Class A voting common stock and Class B voting common stock, 1 of

whom shall be the chief executive officer of the Corporation and 1 of whom shall be another executive officer of the Corporation; and

(D) 5 members shall be appointed by the President, by and with the advice and consent of the Senate—

(i) which members shall not be, or have been, officers or directors of any financial institutions or entities;

(ii) which members shall be representatives of the general public;

(iii) of which members not more than 3 shall be members of the same political party; and

(iv) of which members at least 2 shall be experienced in farming or ranching.

(3) PRESIDENTIAL APPOINTEES.—The President shall appoint the members of the permanent board referred to in paragraph ⟦(2)(C)⟧ *(2)(D)* not later than the later of—

(A) the date referred to in paragraph (1); or

(B) the expiration of the 270-day period beginning on the date of the enactment of this title.

(4) VACANCY.—

(A) ELECTED MEMBERS.—Subject to paragraph (6), a vacancy among the members elected to the permanent board in the manner described in subparagraph ⟦(A) or (B)⟧ *(A), (B), or (C)* of paragraph (2) shall be filled by the permanent board from among persons eligible for election to the position for which the vacancy exists.

(B) APPOINTED MEMBERS.—A vacancy among the members appointed to the permanent board under paragraph ⟦(2)(C)⟧ *(2)(D)* shall be filled in the manner in which the original appointment was made.

(5) CONTINUATION OF MEMBERSHIP.—If—

(A) any member of the permanent board who was appointed or elected to the permanent board from among persons who are *executive officers of the Corporations or* representatives of banks, other financial institutions or entities, insurance companies, or Farm Credit System institutions ceases to be ⟦such a representative;⟧ *such an executive officer or representative;* or

(B) any member who was appointed from persons who are not or have not been directors or officers of any financial institution or entity becomes a director or an officer of any financial institution or entity; such member may continue as a member for not longer than the 45-day period beginning on the date such member ceases to be such a representative, officer, or employee or becomes such a director or officer, as the case may be.

(6) TERMS.—

(A) APPOINTED MEMBERS.—The members appointed by the President shall serve at the pleasure of the President.

(B) ELECTED MEMBERS.—The members elected under subparagraphs ⟦(A) and (B)⟧ *(A), (B), and (C)* of subsection (b)(2) shall each be elected annually for a term ending on the date of the next annual meeting of the common stockholders of the Corporation and shall serve until their suc-

cessors are elected and qualified. Any seat on the permanent board that becomes vacant after the annual election of the directors shall be filled by the members of the permanent board from the same category of directors, but only for the unexpired portion of the term.

(C) VACANCY APPOINTMENT.—Any member appointed to fill a vacancy occurring before the expiration of the term for which the predecessor of the member was appointed shall be appointed only for the remainder of such term.

(D) SERVICE AFTER EXPIRATION OF TERM.—A member may serve after the expiration of the term of the member until the successor of the member has taken office.

(7) QUORUM.—[8 members] *Nine members* of the permanent board shall constitute a quorum.

(8) NO ADDITIONAL PAY FOR FEDERAL OFFICERS OR EMPLOYEES OR EXECUTIVE OFFICERS OF THE CORPORATION.—Members of the permanent board who are fulltime officers or employees of the United States *or executive officers of the Corporation* shall receive no additional pay by reason of service on the permanent board.

[(9) CHAIRPERSON.—The President shall designate 1 of the members of the permanent board who are appointed by the President as the chairperson of the permanent board.]

(9) CHAIRPERSON.—

(A) ELECTION.—*The permanent board shall annually elect a chairperson from among the members of the permanent board.*

(B) TERM.—*The term of the chairperson shall coincide with the term served by elected members of the permanent board under paragraph (6)(B).*

(10) MEETINGS.—The permanent board shall meet at the call of the chairperson or a majority of its members.

(c) OFFICERS AND STAFF.—The Board may appoint, employ, fix the pay of, and provide other allowances and benefits for such officers and employees of the Corporation as the Board determines to be appropriate.

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DEPARTMENT OF AGRICULTURE REORGANIZATION

* * * * * * *

SEC. 281. CONFORMING AMENDMENTS RELATING TO NATIONAL APPEALS DIVISION.

(a) DECISIONS OF STATE, COUNTY, AND AREA COMMITTEES.—

(1) APPLICATION OF SUBSECTION.—[This subsection]

(A) IN GENERAL.—*Except as provided in subparagraph (B), this subsection* shall apply only with respect to functions of the Consolidated Farm Service Agency or the Commodity Credit Corporation that are under the jurisdiction of a State, county, or area committee established under section 8(b)(5) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)(5)) or an employee of such a committee.

(B) AGRICULTURAL CREDIT DECISIONS.—*This subsection shall not apply with respect to an agricultural credit decision made by such a State, county, or area committee, or employee of such a committee, under the Consolidated Farm and Rural Development Act (7 U.S.C 1921 et seq.).*

(2) FINALITY.—Each decision of a State, county, or area committee (or an employee of such a committee) covered by paragraph (1) that is made in good faith in the absence of misrepresentation, false statement, fraud, or willful misconduct shall be final not later than 90 days after the date of filing of the application for benefits, unless the decision is—

TITLE 6

* * * * * * *

CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

* * * * * * *

SEC. 306. (a)(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, Indian tribes on Federal and State reservations and other federally recognized Indian tribes, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage or waste disposal facilities, recreational developments, and essential community facilities including necessary related equipment, all primarily serving farmers, ranchers, farm tenants, farm laborers, rural businesses, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes. The Secretary may also make loans to any borrower to whom a loan has been made under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.), for the conservation, development, use, and control of water, and the installation of drainage or waste disposal facilities, primarily serving farmers, ranchers, farm tenants, farm laborers, rural businesses, and other rural residents. When any loan made for a purpose specified in this paragraph is sold out of the Agricultural Credit Insurance Fund as an insured loan, the interest or other income thereon paid to an insured holder shall be included in gross income for purposes of chapter 1 of the Internal Revenue Code of 1954. With respect to loans of less than $500,000 made or insured under this paragraph that are evidenced by notes and mortgages, as distinguished from bond issues, borrowers shall not be required to appoint bond counsel to review the legal validity of the loan whenever the Secretary has available legal counsel to perform such review.

[(2) The**]** ***(2)*** *WATER, WASTE DISPOSAL, AND WASTEWATER FACILITY GRANTS.—*

(A) AUTHORITY.—

(i) *IN GENERAL.*—The; Secretary is authorized to make grants aggregating not to exceed **[**$590,000,000**]** *$1,500,000,000* in any fiscal year to such associations to finance specific projects for works for the development, stor-

age, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas.

[The amount] *(ii) AMOUNT.—The amount of any grant made under the authority of this [paragraph] subparagraph* shall not exceed 75 per centum of the development cost of the project to serve the area which the association determines can be feasibly served by the facility and to adequately serve the reasonably foreseeable growth needs of the area.

[The Secretary shall] *(iii) GRANT RATE.—The Secretary shall* fix the grant rate for each project in conformity with regulations issued by the Secretary that shall provide for a graduated scale of grant rates establishing higher rates for projects in communities that have lower community population and income levels.

(B) REVOLVING FUNDS FOR FINANCING WATER AND WASTEWATER PROJECTS.—

(i) IN GENERAL.—The Secretary may make grants to qualified private, nonprofit entities to capitalize revolving funds for the purpose of providing loans to eligible borrowers for—

(I) predevelopment costs associated with proposed water and wastewater projects or with existing water and wastewater systems; and

(II) short-term costs incurred for replacement equipment, small-scale extension services, or other small capital projects that are not part of the regular operations and maintenance activities of existing water and wastewater systems.

(ii) ELIGIBLE BORROWERS.—To be eligible to obtain a loan from a revolving fund under clause (i), a borrower shall be eligible to obtain a loan, loan guarantee, or grant under paragraph (1) or this paragraph.

(iii) MAXIMUM AMOUNT OF LOANS.—The amount of a loan made to an eligible borrower under this subparagraph shall not exceed—

(I) $100,000 for costs described in clause (i) (I); and

(II) $100,000 for costs described in clause (i) (II).

(iv) TERM.—The term of a loan made to an eligible borrower under this subparagraph shall not exceed 10 years.

(v) ADMINISTRATION.—The Secretary shall limit the amount of grant funds that may be used by a grant recipient for administrative costs incurred under this subparagraph.

(vi) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subparagraph $30,000,000 for each of fiscal years 2002 through 2006.

(3) No grant shall be made under paragraph (2) of this subsection in connection with any project unless the Secretary determines that the project (i) will serve a rural area which, if such project is carried out, is not likely to decline in population below that for which the project was designed, (ii) is designed and constructed so that adequate capacity will or can be made available to serve the present population of the area to the extent feasible and to serve the reasonably foreseeable growth needs of the area, and

(iii) is necessary for an orderly community development consistent with a comprehensive community water, waste disposal, or other development plan of the rural area.

(4)(A) The term "development cost" means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

* * * * * * *

(6) The Secretary may make grants aggregating not to exceed $30,000,000 in any fiscal year to public bodies or such other agencies as the Secretary may determine having authority to prepare comprehensive plans for the development of water or waste disposal systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plan.

[(7)1 DEFINITION OF RURAL AND RURAL AREAS.—For the purpose of water and waste disposal grants and direct and guaranteed loans provided under paragraphs (1) and (2), the terms "rural" and "rural area" mean a city, town, or unincorporated area that has a population of no more than 10,000 inhabitants.**]**

(8) In each instance where the Secretary receives two or more applications for financial assistance for projects that would serve substantially the same group of residents within a single rural area, and one such application is submitted by a city, town, county or other unit of general local government, he shall, in the absence of substantial reasons to the contrary, provide such assistance to such city, town, county or other unit of general local government.

* * * * * * *

(C) COORDINATION.—The Secretary shall ensure, to the maximum extent practicable, that assistance provided under this paragraph is coordinated with and delivered in cooperation with similar services or assistance provided to rural residents by the Cooperative State Research, Education, and Extension Service or other Federal agencies.

(D) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this paragraph $7,500,000 for each of fiscal years 1996 through **[**2002**]** *2006*.

(12)(A) The Secretary shall, in cooperation with institutions eligible to receive funds under the Act of July 2, 1862 (12 Stat. 503, as amended; 7 U.S.C. 301, 307, and 308), or the Act of August 30, 1890 (26 Stat. 417, as amended; 7 U.S.C. 321 and 328), including the Tuskegee Institute and State, substate, and regional planning bodies, establish a system for the dissemination of information and technical assistance on federally sponsored or funded programs. The system shall be for the use of institutions eligible to receive funds under the Act of July 2, 1862 (12 Stat. 503

* * * * * * *

(B) FEDERAL SHARE.—

(i) IN GENERAL.—Except as provided in clauses (ii) and (iii), the Secretary shall, by regulation, establish the amount of the Federal share of the cost of the facility under this paragraph.

(ii) MAXIMUM AMOUNT.—The amount of a grant provided under this paragraph for a facility shall not exceed 75 percent of the cost of developing the facility.

(iii) GRADUATED SCALE.—The Secretary shall provide for a graduated scale for the amount of the Federal share provided under this paragraph, with higher Federal shares for facilities in communities that have lower community population and income levels, as determined by the Secretary.

(C) RESERVATION OF FUNDS FOR SENIOR FACILITIES.—

(i) IN GENERAL.—For each fiscal year, not less than 12.5 percent of the funds made available to carry out this paragraph shall be reserved for grants to pay the Federal share of the cost of developing and constructing senior facilities, or carrying out other projects that mainly benefit seniors, in rural areas.

(ii) RELEASE.—Funds reserved under clause (i) for a fiscal year shall be reserved only until April 1 of the fiscal year.

(D) RESERVATION OF FUNDS FOR CHILDREN'S DAY CARE FACILITIES.—

(i) IN GENERAL.—For each fiscal year, not less than 10 percent of the funds made available to carry out this paragraph shall be reserved for grants to pay the Federal share of the cost of developing and constructing day care facilities for children in rural areas.

(ii) RELEASE.—Funds reserved under clause (i) for a fiscal year shall be reserved only until April 1 of the fiscal year.

(20) COMMUNITY FACILITIES GRANT PROGRAM FOR RURAL COMMUNITIES WITH EXTREME UNEMPLOYMENT AND SEVERE ECONOMIC DEPRESSION.—

* * * * * * *

(C) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this paragraph $50,000,000 for fiscal year 2001 and such sums as are necessary for each subsequent fiscal year, of which not more than 5 percent of the amount made available for a fiscal year shall be available for community planning and implementation.

(22) RURAL WATER AND WASTEWATER CIRCUIT RIDER PROGRAM.—

(A) IN GENERAL.—The Secretary shall establish a national rural water and wastewater circuit rider program that is based on the rural water circuit rider program of the National Rural Water Association that (as of the date of enactment of this paragraph) receives funding from the Secretary, acting through the Rural Utilities Service.

(B) RELATIONSHIP TO EXISTING PROGRAM.—The program established under subparagraph (A) shall not affect the authority of the Secretary to carry out the circuit rider program for which funds are made available under the heading "Rural Community Advancement Program" of title III of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2002.

(C) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this paragraph $15,000,000 for each of fiscal years 2003 through 2006.

(23) MULTIJURISDICTIONAL REGIONAL PLANNING ORGANIZATIONS.—

(A) GRANTS.—The Secretary shall provide grants to multijurisdictional regional planning and development organizations to pay the Federal share of the cost of providing assistance to local governments to improve the infrastructure, services, and

business development capabilities of local governments and local economic development organizations.

(B) PRIORITY.—In determining which organizations will receive a grant under this paragraph, the Secretary shall provide a priority to an organization that—

(i) serves a rural area that, during the most recent 5-year period—

(I) had a net out-migration of inhabitants, or other population loss, from the rural area that equals or exceeds 5 percent of the population of the rural area; or

(II) had a median household income that is less than the nonmetropolitan median household income of the applicable State; and

(ii) has a history of providing substantive assistance to local governments and economic development organizations.

(C) FEDERAL SHARE.—A grant provided under this paragraph shall be for not more than 75 percent of the cost of providing assistance described in subparagraph (A).

(D) MAXIMUM AMOUNT OF GRANTS.—The amount of a grant provided to an organization under this paragraph shall not exceed $100,000.

(E) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this paragraph $30,000,000 for each of fiscal years 2003 through 2006.".

(24) CERTIFIED NONPROFIT ORGANIZATIONS SHARING EXPERTISE.—

(A) CERTIFIED ORGANIZATIONS.—

(i) IN GENERAL.—To be certified by the Secretary to provide technical assistance in 1 or more rural development fields, an organization shall—

(I) be a nonprofit organization (which may include an institution of higher education) with experience in providing technical assistance in the applicable rural development field;

(II) develop a plan, approved by the Secretary, describing the manner in which grant funds will be used and the source of non-Federal funds; and

(III) meet such other criteria as the Secretary may establish, based on the needs of eligible entities for the technical assistance.

(iii) LIST.—The Secretary shall make available to the public a list of certified organizations in each area that the Secretary determines have substantial experience in providing the assistance described in subparagraph (B).

(B) GRANTS.—The Secretary may provide grants to certified organizations to pay for costs of providing technical assistance to local governments and nonprofit entities to improve the infrastructure, services, and business development capabilities of local governments and local economic development organizations.

(C) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this paragraph $20,000,000 for each of fiscal years 2003 through 2006.

(25) LOAN GUARANTEES FOR WATER, WASTEWATER, AND ESSENTIAL COMMUNITY FACILITIES LOANS.—

(A) IN GENERAL.—The Secretary may guarantee under this title a loan made to finance a community facility or water or waste facility project, including a loan financed by the net proceeds of a bond described in section 144(a)(12)(B)(ii) of the Internal Revenue Code of 1986.

(B) REQUIREMENTS.—To be eligible for a loan guarantee under subparagraph (A), an individual or entity offering to purchase the loan must demonstrate to the Secretary that the person has—

(i) the capabilities and resources necessary to service the loan in a manner that ensures the continued performance of the loan, as determined by the Secretary; and

(ii) the ability to generate capital to provide borrowers of the loan with the additional credit necessary to properly service the loan

(26) RURAL FIREFIGHTERS AND EMERGENCY MEDICAL PERSONNEL GRANT PROGRAM.—

(A) IN GENERAL.—The Secretary may make grants to units of general local government and Indian tribes (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)) to pay the cost of training firefighters and emergency medical personnel in firefighting, emergency medical practices, and responding to hazardous materials and bioagents in rural areas.

(B) USE OF FUNDS.—

(i) SCHOLARSHIPS.—

(I) IN GENERAL.—Not less than 60 percent of the amounts made available for competitively awarded grants under this paragraph shall be used to provide grants to fund partial scholarships for training of individuals at training centers approved by the Secretary.

(II) PRIORITY.—In awarding grants under this clause, the Secretary shall give priority to grant applicants with relatively low transportation costs considering the location of the grant applicant and the proposed location of the training.

(ii) GRANTS FOR TRAINING CENTERS.—

(I) EXISTING CENTERS.—

(aa) IN GENERAL.—A grant under subparagraph (A) may be used to provide financial assistance to State and regional centers that provide training for firefighters and emergency medical personnel for improvements to the training facility, equipment, curricula, and personnel.

(bb) LIMITATION.—Not more than $2,000,000 shall be provided to any single training center for any fiscal year under this subclause.

(II) ESTABLISHMENT OF NEW CENTERS.—

(aa) IN GENERAL.—A grant under subparagraph (A) may be used to provide the Federal share of the costs of establishing a regional training center for firefighters and emergency medical personnel.

(bb) FEDERAL SHARE.—The amount of a grant under this subclause for a training center shall not exceed 50 percent of the cost of establishing the training center.

(C) FUNDING.—

(i) IN GENERAL.—Out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary of Agriculture to carry out this paragraph—

(I) not later than 30 days after the date of enactment of this Act, $10,000,000; and

(II) on October 1, 2002, and each October 1 thereafter through October 1, 2005, $30,000,000.

(ii) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under clause (i), without further appropriation.

(iii) AVAILABILITY OF FUNDS.—Funds transferred under clause (i) shall remain available until expended.

(b) The service provided or made available through any such association shall not be curtailed or limited by inclusion of the area served by such association within the boundaries of any municipal corporation or other public body, or by the granting of any private franchise for similar service within such area during the term of such loan; nor shall the happening of any such event be the basis of requiring such association to secure any franchise, license, or permit as a condition to continuing to serve the area served by the association at the time of the occurrence of such event.

* * * * * * *

SEC. 306A. EMERGENCY COMMUNITY WATER ASSISTANCE GRANT PROGRAM.

(a) IN GENERAL.—The Secretary shall provide grants in accordance with this section to assist the residents of rural areas and small communities to secure adequate quantities of safe water—

(1) after a significant decline in the quantity or quality of water available from the water supplies of such rural areas and small communities; or

(2) when repairs, partial replacement, or significant maintenance efforts on established water systems would remedy—

(A) an acute shortage of quality water; or

(B) a significant decline in the quantity or quality of water that is available.

(b) PRIORITY.—In carrying out subsection (a), the Secretary shall—

(1) give priority to projects described in subsection (a)(1); and

(2) provide at least 70 percent of all such grants to such projects.

(c) ELIGIBILITY.—To be eligible to obtain a grant under this section, an applicant shall—

(1) be a public or private nonprofit entity; and

(2) in the case of a grant made under subsection (a)(1), demonstrate to the Secretary that the decline referred to in such subsection occurred within 2 years of the date the application was filed for such grant.

(d) USES.—

(1) IN GENERAL.—Grants made under this section may be used for waterline extensions from existing systems, laying of new waterlines, repairs, significant maintenance, digging of new wells, equipment replacement, hook and tap fees, and any other appropriate purpose associated with developing sources of, or treating, storing, or distributing water, and to assist communities in complying with the requirements of the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.) or the Safe Drinking Water Act (42 U.S.C. 300f et seq.).

(2) JOINT PROPOSALS.—Nothing in this section shall preclude rural communities from submitting joint proposals for emergency water assistance, subject to the restrictions contained in subsection (e). Such restrictions should be considered in the aggregate, depending on the number of communities involved.

(e) RESTRICTIONS.—

(1) MAXIMUM POPULATION AND INCOME.—No grant provided under this section shall be used to assist any rural area or community that—

(A) includes any area in any city or town with a population in excess of 10,000 inhabitants according to the most recent decennial census of the United States; or

(B) has a median household income in excess of the State nonmetropolitan median household income according to the most recent decennial census of the United States.

(2) SET-ASIDE FOR SMALLER COMMUNITIES.—Not less than 50 percent of the funds allocated under this section shall be allocated to rural communities with populations that do not exceed 3,000 inhabitants.

(f) MAXIMUM GRANTS.—Grants made under this section may not exceed—

(1) in the case of each grant made under subsection (a)(1), $500,000; and

(2) in the case of each grant made under subsection (a)(2), $75,000.

(g) FULL FUNDING.—Subject to subsection (e), grants under this section shall be made in an amount equal to 100 percent of the costs of the projects conducted under this section.

(h) APPLICATION.—

(1) NATIONALLY COMPETITIVE APPLICATION PROCESS.—The Secretary shall develop a nationally competitive application process to award grants under this section. The process shall include criteria for evaluating applications, including population, median household income, and the severity of the decline in quantity or quality of water.

(2) TIMING.—The Secretary shall make every effort to review and act on applications within 60 days of the date that such applications are submitted.

(i) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $35,000,000 for each of fiscal years 1996 through [2002] *2006.*

SEC. 306C. WATER AND WASTE FACILITY LOANS AND GRANTS TO ALLEVIATE HEALTH RISKS.

(a) LOANS AND GRANTS TO PERSONS OTHER THAN INDIVIDUALS.—

(1) IN GENERAL.—The Secretary shall make or insure loans and make grants to rural water supply corporations, cooperatives, or similar entities, Indian tribes on Federal and State reservations and other federally recognized Indian tribes, and public agencies, to provide for the conservation, development, use, and control of water (including the extension or improvement of existing water supply systems), and the installation or improvement of drainage or waste disposal facilities and essential community facilities including necessary related equipment. Such loans and grants shall be available only to provide such water and waste facilities and services to communities whose residents face significant health risks, as determined by the Secretary, due to the fact that a significant proportion of the community's residents do not have access to, or are not served by, adequate affordable—

(A) water supply systems; or

(B) waste disposal facilities.

(2) CERTAIN AREAS TARGETED.—

(A) IN GENERAL.—Loans and grants under paragraph (1) shall be made only if the loan or grant funds will be used primarily to provide water or waste services, or both, to residents of a county—

(i) the per capita income of the residents of which is not more than 70 percent of the national average per capita income, as determined by the Department of Commerce; and

(ii) the unemployment rate of the residents of which is not less than 125 percent of the national average unemployment rate, as determined by the Bureau of Labor Statistics.

(B) EXCEPTION.—Notwithstanding subparagraph (A), loans and grants under paragraph (1) may also be made if the loan or grant funds will be used primarily to provide water or waste services, or both, to residents of a rural area that was recognized as a colonia as of October 1, 1989.

(b) LOANS AND GRANTS TO INDIVIDUALS.—

(1) IN GENERAL.—The Secretary shall make or insure loans and make grants to individuals who reside in a community described in subsection (a)(1) for the purpose of extending water supply and waste disposal systems, connecting the systems to the residences of the individuals, or installing plumbing and fixtures within the residences of the individuals to facilitate the use of the water supply and waste disposal systems. Such loans shall be at a rate of interest no greater than the Federal Financing Bank rate on loans of a similar term at the time such loans are made. The repayment of such loans shall be amortized over the expected life of the water supply or waste disposal system to which the residence of the borrower will be connected.

(2) MANNER IN WHICH LOANS AND GRANTS ARE TO BE MADE.—Loans and grants to individuals under paragraph (1) shall be made—

(A) directly to such individuals by the Secretary; or

(B) to such individuals through the rural water supply corporation, cooperative, or similar entity, or public agency, providing such water supply or waste disposal services, pursuant to regulations issued by the Secretary.

(c) PREFERENCE.—The Secretary shall give preference in the awarding of loans and grants—

(1) under subsection (a) to rural water supply corporations, cooperatives, or similar entities, or public agencies, that propose to provide water supply or waste disposal services to the residents of those rural subdivisions commonly referred to as colonias, that are characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities; and

(2) under subsection (b) to individuals who reside in a rural subdivision commonly referred to as a colonia, that is characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities.

(d) COOPERATIVE DEFINED.—For purposes of this section, the term "cooperative" means a cooperative formed specifically for the purpose of the installation, expansion, improvement, or operation of water supply or waste disposal facilities or systems.

[(e) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated—**]**

(e) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—Subject to paragraph (2), there is authorized to be appropriated—

(A) for grants under this section, $30,000,000 for each fiscal year;

(B) for loans under this section, $30,000,000 for each fiscal year; and

(C) for grants under this section to benefit Indian tribes (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)), $20,000,000 for each fiscal year.

(2) EXCEPTION.—An entity eligible to receive funding through a grant made under section 306D shall not be eligible for a grant from funds made available under subparagraph (1)(C).

(1) for grants under this section, $30,000,000 for each fiscal year; and

(2) for loans under this section, $30,000,000 for each fiscal year.

(f) REGULATIONS.—Not later than 30 days after the date of enactment of this subsection, the Secretary shall issue interim final regulations, with a request for public comments, implementing this section.

SEC. 306D. WATER SYSTEMS FOR RURAL AND NATIVE VILLAGES IN ALASKA.

(a) IN GENERAL.—The Secretary may make grants to the State of Alaska for the benefit of rural or Native villages in Alaska to provide for the development and construction of water and wastewater systems to improve the health and sanitation conditions in those villages.

(b) MATCHING FUNDS.—To be eligible to receive a grant under subsection (a), the State of Alaska shall provide 25 percent in matching funds from non-Federal sources.

(c) CONSULTATION WITH THE STATE OF ALASKA.—The Secretary shall consult with the State of Alaska on a method of prioritizing the allocation of grants under subsection (a) according to the needs of, and relative health and sanitation conditions in, each village.

(d) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There are authorized to be appropriated to carry out this section $30,000,000 for each of fiscal years 2001 and [2002] *2006*.

(2) TRAINING AND TECHNICAL ASSISTANCE.—Not more than 2 percent of the amount made available under paragraph (1) for a fiscal year may be used by the State of Alaska for training and technical assistance programs relating to the operation and management of water and waste disposal services in rural and Native villages.

* * * * * * *

SEC. 310B. (a) The Secretary may also make and insure loans to public, private, or cooperative organizations organized for profit or nonprofit, to Indian tribes on Federal and State reservations or other federally recognized Indian tribal groups, or to individuals for the purposes of (1) improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural communities, including pollution abatement and control, (2) the conservation, development, and use of water for aquaculture purposes in rural areas, (3) reducing the reliance on nonrenewable energy resources by encouraging the development and construction of solar energy systems, including the modification of existing systems, in rural areas, and (4) to facilitate economic opportunity for industries undergoing adjustment from terminated Federal agricultural price and income support programs or increased competition from foreign trade. For the purposes of this subsection, the term "solar energy" means energy derived from sources (other than fossil fuels) and technologies included in the Federal Nonnuclear Energy Research and Development Act of 1974, as amended. Such loans, when originated, held, and serviced by other lenders, may be guaranteed by the Secretary under this section without regard to paragraphs (1) and (4) of section 333. As used in this subsection, the term "aquaculture" means the culture or husbandry of aquatic animals or plants by private industry for commercial purposes including the culture and growing of fish by private industry for the purpose of creating or augmenting publicly owned and regulated stocks of fish. No loan may be made, insured, or guaranteed under this subsection that exceeds $25,000,000 in principal amount.

(b) SOLID WASTE MANAGEMENT GRANTS.—The Secretary may make grants to nonprofit organizations for the provision of regional technical assistance to local and regional governments and related agencies for the purpose of reducing or eliminating pollution of water resources and improving the planning and management of solid waste disposal facilities. Grants made under this paragraph for the provision of technical assistance shall be made for 100 percent of the cost of such assistance.

(c) RURAL BUSINESS ENTERPRISE GRANTS.—

(1) IN GENERAL.—The Secretary may also make grants, not to exceed $50,000,000 annually, to public bodies and private nonprofit corporations for measures designed to finance and fa-

cilitate development of small and emerging private business enterprises (including nonprofit entities) or the creation, expansion, and operation of rural distance learning networks or rural learning programs that provide educational instruction or job training instruction related to potential employment or job advancement to adult students, including the development, construction or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, refinancing, services and fees.

(2) PASSENGER TRANSPORTATION SERVICES OR FACILITIES.—The Secretary may award grants on a competitive basis to qualified nonprofit organizations for the provision of technical assistance and training to rural communities for the purpose of improving passenger transportation services or facilities. Assistance provided under this paragraph may include on-site technical assistance to local and regional governments, public transit agencies, and related nonprofit and for-profit organizations in rural areas, the development of training materials, and the provision of necessary training assistance to local officials and agencies in rural areas.

(3) GRANTS TO AID INDUSTRIES IN ADJUSTING TO TERMINATED FEDERAL AGRICULTURAL PROGRAMS OR INCREASED FOREIGN COMPETITION.—The Secretary may make grants under this section to facilitate economic opportunity for industries undergoing adjustment from terminated Federal agricultural price and income support programs or increased competition from foreign trade.

(d)(1) The Secretary may participate in joint financing to facilitate development of private business enterprises in rural areas with the Economic Development Administration, the Small Business Administration, and the Department of Housing and Urban Development and other Federal and State agencies and with private and quasi-public financial institutions, through joint loans to applicants eligible under subsection (a) for the purpose of improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural areas or through joint grants to applicants eligible under subsection (c) for such purposes, including in the case of loans or grants the development, construction, or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, refining, service and fees.

(2) No financial or other assistance shall be extended under any provision of this section, except for cases in which such assistance does not exceed $1,000,000 or for cases in which direct employment will not be increased by more than fifty employees, that is calculated to or is likely to result in the transfer from one area to another of any employment or business activity provided by operations of the applicant, but this limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity con-

ducts business operations unless there is reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(3) No financial or other assistance shall be extended under any provision of this section, except for cases in which such assistance does not exceed $1,000,000 or for cases in which direct employment will not be increased by more than fifty employees, which is calculated to or likely to result in an increase in the production of goods, materials, or commodities, or the availability of services or facilities in the area, when there is not sufficient demand for such goods, materials, commodities, services, or facilities, to employ the efficient capacity of existing competitive commercial or industrial enterprises, unless such financial or other assistance will not have an adverse effect upon existing competitive enterprises in the area.

(4) No financial or other assistance shall be extended under any provision of this section, except for cases in which such assistance does not exceed $1,000,000 or for cases in which direct employment will not be increased by more than fifty employees, if the Secretary of Labor certifies within 30 days after the matter has been submitted to him by the Secretary of Agriculture that the provisions of paragraphs (2) and (3) of this subsection have not been complied with. The Secretary of Labor shall, in cooperation with the Secretary of Agriculture, develop a system of certification which will insure the expeditious processing of requests for assistance under this section.

(5) No grant or loan authorized to be made under this title shall require or be subject to the prior approval of any officer, employee, or agency of any State.

(6) No loan commitment issued under this section shall be conditioned upon the applicant investing in excess of 10 per centum in the business or industrial enterprise for which purpose the loan is to be made unless the Secretary determines there are special circumstances which necessitate an equity investment by the applicant greater than 10 per centum.

(7) No provision of law shall prohibit issuance by the Secretary of certificates evidencing beneficial ownership in a block of notes insured or guaranteed under this title or Title V of the Housing Act of 1949; any sale by the Secretary of such certificates shall be treated as a sale of assets for the purposes of the Budget and Accounting Act of 1921. Any security representing beneficial ownership in a block of notes guaranteed or insured under this title or Title V of the Housing Act of 1949 issued by a private entity shall be exempt from laws administered by the Securities and Exchange Commission, except sections 17, 22, and 24 of the Securities Act of 1933, as amended; however, the Secretary shall require (i) that the issuer place such notes in the custody of an institution chartered by a Federal or State agency to act as trustee and (ii) that the issuer provide such periodic reports of sales as the Secretary deems necessary.

(e) RURAL COOPERATIVE DEVELOPMENT GRANTS.—

(1) DEFINITIONS.—In this subsection:

(A) NONPROFIT INSTITUTION.—The term "nonprofit institution" means any organization or institution, including an

accredited institution of higher education, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

(B) UNITED STATES.—The term "United States" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the other territories and possessions of the United States.

(2) GRANTS.—The Secretary shall make grants effective October 1, 1996, under this subsection to nonprofit institutions for the purpose of enabling the institutions to establish and operate centers for rural cooperative development.

(3) GOALS.—The goals of a center funded under this subsection shall be to facilitate the creation of jobs in rural areas through the development of new rural cooperatives, value added processing, and rural businesses.

(4) APPLICATION.—Any nonprofit institution seeking a grant under paragraph (2) shall submit to the Secretary an application containing a plan for the establishment and operation by the institution of a center or centers for cooperative development. The Secretary may approve the application if the plan contains the following:

(A) A provision that substantiates that the center will effectively serve rural areas in the United States.

(B) A provision that the primary objective of the center will be to improve the economic condition of rural areas through cooperative development.

(C) A description of the activities that the center will carry out to accomplish the objective. The activities may include the following:

(i) Programs for applied research and feasibility studies that may be useful to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(ii) Programs for the collection, interpretation, and dissemination of information that may be useful to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(iii) Programs providing training and instruction for individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(iv) Programs providing loans and grants to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(v) Programs providing technical assistance, research services, and advisory services to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(vi) Programs providing for the coordination of services and sharing of information among the center.

(D) A description of the contributions that the activities are likely to make to the improvement of the economic conditions of the rural areas for which the center will provide services.

(E) Provisions that the center, in carrying out the activities, will seek, where appropriate, the advice, participation, expertise, and assistance of representatives of business, industry, educational institutions, the Federal Government, and State and local governments.

(F) Provisions that the center will take all practicable steps to develop continuing sources of financial support for the center, particularly from sources in the private sector.

(G) PROVISIONS FOR—

(i) monitoring and evaluating the activities by the nonprofit institution operating the center; and

(ii) accounting for money received by the institution under this section.

(5) AWARDING GRANTS.—Grants made under paragraph (2) shall be made on a competitive basis. In making grants under paragraph (2), the Secretary shall give preference to grant applications providing for the establishment of centers for rural cooperative development that—

(A) demonstrate a proven track record in administering a nationally coordinated, regionally or State-wide operated project;

(B) demonstrate previous expertise in providing technical assistance in rural areas;

(C) demonstrate the ability to assist in the retention of businesses, facilitate the establishment of cooperatives and new cooperative approaches, and generate employment opportunities that will improve the economic conditions of rural areas;

(D) demonstrate the ability to create horizontal linkages among businesses within and among various sectors in rural areas of the United States and vertical linkages to domestic and international markets;

(E) commit to providing technical assistance and other services to underserved and economically distressed areas in rural areas of the United States; and

(F) commit to providing greater than a 25 percent matching contribution with private funds and in-kind contributions.

(6) 1-YEAR GRANTS; AUTHORITY TO APPROVE GRANT FOR 1 ADDITIONAL YEAR WITHOUT APPLICATION.—The Secretary shall make grants under this subsection for a period of 1 year. The Secretary shall evaluate programs receiving assistance under this subsection. If the Secretary determines it to be in the best interest of the program, the Secretary may award an additional grant to the program for the immediately succeeding year without application for the grant.

(7) TECHNICAL ASSISTANCE TO PREVENT EXCESSIVE UNEMPLOYMENT OR UNDEREMPLOYMENT.—In carrying out this subsection, the Secretary may provide technical assistance to alleviate or prevent conditions of excessive unemployment, underemployment, outmigration, or low employment growth in economically distressed rural areas that the Secretary determines have a substantial need for the assistance. The assistance may include planning and feasibility studies, management and operational assistance, and studies evaluating the

need for development potential of projects that increase employment and improve economic growth in the areas.

(8) GRANTS TO DEFRAY ADMINISTRATIVE COSTS.—The Secretary may make grants to defray not to exceed 75 percent of the costs incurred by organizations and public bodies to carry out projects for which grants or loans are made under this subsection. For purposes of determining the non-Federal share of the costs, the Secretary shall consider contributions in cash and in kind, fairly evaluated, including premises, equipment, and services.

(9) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subsection $50,000,000 for each of fiscal years 1996 through [2002] *2006.*

(f) GRANTS TO BROADCASTING SYSTEMS.—

(1) DEFINITION OF STATEWIDE.—In this subsection, the term "statewide" means having a coverage area of not less than 90 percent of the population of a State and not less than 80 percent of the rural land area of the State (as determined by the Secretary).

(2) GRANTS.—The Secretary may make grants to statewide private nonprofit public television systems, whose coverage area is predominately rural, for the purpose of demonstrating the effectiveness of such systems in providing information on agriculture and other issues of importance to farmers and other rural residents. Grants available under this paragraph may be used for capital equipment expenditures, start-up and program costs, and other costs necessary to the operation of such demonstrations.

(3) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection $5,000,000 for each of fiscal years 2002 through 2006.

[(g) LOAN GUARANTEES FOR THE PURCHASE OF COOPERATIVE STOCK.—

[(1) DEFINITION OF FARMER.—In this subsection, the term "farmer" means any farmer that the Secretary determines is a family farmer.

[(2) LOAN GUARANTEES.—The Secretary may guarantee loans under this section to individual farmers for the purpose of purchasing start-up capital stock of a farmer cooperative established for the purpose of processing an agricultural commodity.

[(3) ELIGIBILITY.—To be eligible for a loan guarantee under this subsection, a farmer must produce the agricultural commodity that will be processed by the cooperative.]

(g) BUSINESS AND INDUSTRY DIRECT AND GUARANTEED LOANS.—

(1) LOAN GUARANTEES FOR THE PURCHASE OF COOPERATIVE STOCK.—

(A) NEW AND EXPANDING COOPERATIVES.—

(i) IN GENERAL.—The Secretary may guarantee a loan under subsection (a) to farmers, ranchers, or cooperatives for the purpose of purchasing start-up capital stock for the expansion or creation of a cooperative venture that will process agricultural commodities or otherwise process value-added agricultural products.

(ii) FINANCIAL CONDITION.—In determining the appropriateness of a loan guarantee under this subparagraph, the Secretary—

(I) shall fully review the feasibility and other relevant aspects of the cooperative venture to be established;

(II) may not require a review of the financial condition or statements of any individual farmer or rancher involved in the cooperative, other than the applicant for a guarantee under this subparagraph; and

(III) shall base any guarantee, to the maximum extent practicable, on the merits of the cooperative venture to be established.

(iii) COLLATERAL.—As a condition of making a loan guarantee under this subparagraph, the Secretary may not require additional collateral by a farmer or rancher, other than stock purchased or issued pursuant to the loan and guarantee of the loan.

(iv) ELIGIBILITY.—To be eligible for a loan guarantee under this subparagraph, a farmer or rancher must produce the agricultural commodity that will be processed by the cooperative.

(v) PROCESSING CONTRACTS DURING INITIAL PERIOD.—The cooperative, for which a farmer or rancher receives a guarantee to purchase stock under this subparagraph, may contract for services to process agricultural commodities, or otherwise process value-added agricultural products, during the 5-year period beginning on the date of the startup of the cooperative in order to provide adequate time for the planning and construction of the processing facility of the cooperative.

(B) EXISTING COOPERATIVES.—The Secretary may guarantee a loan under subsection (a) to a farmer or rancher to join a cooperative in order to sell the agricultural commodities or products produced by the farmer or rancher.

(C) FINANCIAL INFORMATION.—Financial information required by the Secretary from a farmer or rancher as a condition of making a loan guarantee under this paragraph shall be provided in the manner generally required by commercial agricultural lenders in the area.

(2) LOANS TO COOPERATIVES.—

(A) IN GENERAL.—The Secretary may make or guarantee a loan under subsection (a) to a cooperative that is headquartered in a metropolitan area if the loan is used for a project or venture described in subsection (a) that is located in a rural area.

(B) REFINANCING.—A cooperative organization owned by farmers or ranchers that is eligible for a business and industry loan under made or guaranteed under subsection (a) shall be eligible to refinance an existing loan with a lender if—

(i) the cooperative organization—

(I) is current and performing with respect to the existing loan; and

(II) is not, and has not been, in default with respect to the existing loan; and

(ii) there is adequate security or full collateral for the refinanced loan.

(3) BUSINESS AND INDUSTRY LOAN APPRAISALS.—The Secretary may require that any appraisal made in connection with a business and industry loan made or guaranteed under subsection (a) be conducted by a specialized appraiser that uses standards that are similar to standards used for similar purposes in the private sector, as determined by the Secretary.

(4) FEES.—The Secretary may assess a 1-time fee for any loan guaranteed under subsection (a) in an amount that does not exceed 2 percent of the guaranteed principal portion of the loan.".

(h) LOAN GUARANTEE FOR CERTAIN LOANS.—The Secretary may guarantee loans made in subsection (a) to finance the issuance of bonds for the projects described in section 306(a)(25)

(i) VALUE-ADDED INTERMEDIARY RELENDING PROGRAM.—

(1) IN GENERAL.—In accordance with this subsection, the Secretary shall make loans under the terms and conditions of the intermediary relending program established under section 1323(b)(2)(C) of the Food Security Act of 1985 (7 U.S.C. 1932 note; Public Law 99–198).

(2) LOANS.—Using funds made available to carry out this subsection, the Secretary shall make loans to eligible intermediaries to make loans to ultimate recipients, under the terms and conditions of the intermediary relending program, for projects to establish, enlarge, and operate enterprises that add value to agricultural commodities and products of agricultural commodities.

(3) ELIGIBLE INTERMEDIARIES.—Intermediaries that are eligible to receive loans under paragraph (2) shall include State agencies.

(4) PREFERENCE FOR BIOENERGY PROJECTS.—In making loans using loan funds made available under paragraph (2), an eligible intermediary shall give preference to bioenergy projects in accordance with regulations promulgated by the Secretary.

(5) COMPOSITION OF CAPITAL.—The capital for a project carried out by an ultimate recipient and assisted with loan funds made available under paragraph (2) shall be comprised of—

(A) not more than 15 percent of the total cost of a project; and

(B) not less than 50 percent of the equity funds provided by agricultural producers.

(6) LOAN CONDITIONS.—

(A) TERMS OF LOANS.—A loan made to an intermediary using loan funds made available under paragraph (2) shall have a term of not to exceed 30 years.

(B) INTEREST.—The interest rate on such a loan shall be—

(i) in the case of each of the first 2 years of the loan period, 0 percent; and

(ii) in the case of each of the remaining years of the loan period, 2 percent.

(7) LIMITATIONS ON AMOUNT OF LOAN FUNDS PROVIDED.—

(A) IN GENERAL.—Except as provided in subparagraph (B), an intermediary or ultimate recipient shall be eligible to receive not more than $2,000,000 of the loan funds made available under paragraph (2).

(B) STATE AGENCIES.—Subparagraph (A) shall not apply in the case of a State agency with respect to loan funds provided to the State agency as an intermediary.

(8) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection $15,000,000 for each of fiscal years 2003 through 2006.".

* * * * * * *

SEC. 310G. USE OF RURAL DEVELOPMENT LOANS AND GRANTS FOR OTHER PURPOSES.

If, after making a loan or a grant described in section 381E(d), the Secretary determines that the circumstances under which the loan or grant was made have sufficiently changed to make the project or activity for which the loan or grant was made available no longer appropriate, the Secretary may allow the loan borrower or grant recipient to use property (real and personal) purchased or improved with the loan or grant funds, or proceeds from the sale of property (real and personal) purchased with such funds, for another project or activity that (as determined by the Secretary)—

(1) will be carried out in the same area as the original project or activity;

(2) meets the criteria for a loan or a grant described in section 381E(d); and

(3) satisfies such additional requirements as are established by the Secretary.

Subtitle B—Operating Loans

* * * * * * *

SEC. 333A. (a)(1) The Secretary shall approve or disapprove an application for a loan or loan guarantee made under this title, and notify the applicant of such action, not later than 60 days after the Secretary has received a complete application for such loan or loan guarantee.

(2)(A) If an application for a loan or loan guarantee under this title (other than under subtitle B) is incomplete, the Secretary shall inform the applicant of the reasons such application is incomplete not later than 20 days after the Secretary has received such application.

(B)(i) Not later than 10 calendar days after the Secretary receives an application for an operating loan or loan guarantee under subtitle B, the Secretary shall notify the applicant of any information required before a decision may be made on the application. On receipt of an application, the Secretary shall request from other parties such information as may be needed in connection with the application.

(ii) Not later than 15 calendar days after the date an agency of the Department of Agriculture receives a request for information made pursuant to clause (i), the agency shall provide the Secretary with the requested information.

(iii) If, not later than 20 calendar days after the date a request is made pursuant to clause (i) with respect to an application, the Secretary has not received the information requested, the Secretary shall notify the applicant and the district office of the Farmers Home Administration, in writing, of the outstanding information.

(iv) A county office shall notify the district office of the Farmers Home Administration of each application for an operating loan or loan guarantee under subtitle B that is pending more than 45 days after receipt, and the reasons the application is pending.

(v) A district office that receives a notice provided under clause (iv) with respect to an application shall immediately take steps to ensure that final action is taken on the application not later than 15 days after the date of the receipt of the notice.

(vi) The district office shall report to the State office of the Farmers Home Administration on each application for an operating loan or loan guarantee under subtitle B that is pending more than 45 days after receipt by the county committee, and the reasons the application is pending.

(vii) Each month, the Secretary shall notify the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, on a State-by-State basis, as to each application for an operating loan or loan guarantee under subtitle B on which final action had not been taken within 60 calendar days after receipt by the Secretary, and the reasons final action had not been taken.

(3) If an application for a loan or loan guarantee under this title is disapproved by the Secretary, the Secretary shall state the reasons for the disapproval in the notice required under paragraph (1).

(4)(A) Notwithstanding paragraph (1), each application for a loan or loan guarantee under section 310B(a), or for a loan under section 306(a), that is to be disapproved by the Secretary solely because the Secretary lacks the necessary amount of funds to make the loan or guarantee shall not be disapproved but shall be placed in pending status.

(B) The Secretary shall retain the pending application and reconsider the application beginning on the date that sufficient funds become available.

(C) Not later than 60 days after funds become available regarding each pending application, the Secretary shall notify the applicant of the approval or disapproval of funding for the application.

(b)(1) Except as provided in paragraph (2), if an application for an insured loan under this title is approved by the Secretary, the Secretary shall provide the loan proceeds to the applicant not later than 15 days (or such longer period as the applicant may approve) after the application for the loan is approved by the Secretary.

(2) If the Secretary is unable to provide the loan proceeds to the applicant within such 15-day period because sufficient funds are not available to the Secretary for such purpose, the Secretary shall provide the loan proceeds to the applicant as soon as practicable (but in no event later than 15 days unless the applicant agrees to a longer period) after sufficient funds for such purpose become available to the Secretary.

(c) If an application for a loan or loan guarantee under this title is disapproved by the Secretary, but such action is subsequently reversed or revised as the result of an appeal within the Department

of Agriculture or to the courts of the United States and the application is returned to the Secretary for further consideration, the Secretary shall act on the application and provide the applicant with notice of the action within 15 days after return of the application to the Secretary.

(d) In carrying out the approved lender program established by exhibit A to subpart B of part 1980 of title 7, Code of Federal Regulations, the Secretary shall ensure that each request of a lending institution for designation as an approved lender under such program is reviewed, and a decision made on the application, not later than 15 days after the Secretary has received a complete application for such designation.

(e)(1) As soon as practicable after the date of enactment of the Food Security Act of 1985, the Secretary shall take such steps as are necessary to make personnel, including the payment of overtime for such personnel, and other resources of the Department of Agriculture available to the Farmers Home Administration as are sufficient to enable the Farmers Home Administration to expeditiously process loan applications that are submitted by farmers and ranchers.

(2) In carrying out paragraph (1), the Secretary may use any authority of law provided to the Secretary, including—

(A) the Agricultural Credit Insurance Fund established under section 309; and

(B) the employment procedures used in connection with the emergency loan program established under subtitle C.

(f)(1) As used in this subsection:

(A) The term "approved lender" means a lender approved prior to the date of enactment of this subsection by the Secretary under the approved lender program established by exhibit A to subpart B of part 1980 of title 7, Code of Federal Regulations (as in effect on January 1, 1991), or a lender certified under section 1141.

(B) The term "seasoned direct loan borrower" means a borrower receiving a direct loan under this title who has been classified as "commercial" or "standard" under subpart W of part 2006 of the Instruction Manual (as in effect on January 1, 1991).

(2) The Secretary, or a contracting third party, shall annually review under section 360 the loans of each seasoned loan borrower. If, based on the review, it is determined that a borrower would be able to obtain a loan, guaranteed by the Secretary, from a commercial or cooperative lender at reasonable rates and terms for loans for similar purposes and periods of time, the Secretary shall assist the borrower in applying for the commercial or cooperative loan.

(3) In accordance with section 362, the Secretary shall prepare a prospectus on each seasoned direct loan borrower determined eligible to obtain a guaranteed loan. The prospectus shall contain a description of the amounts of loan guarantee and interest assistance that the Secretary will provide to the seasoned direct loan borrower to enable the seasoned direct loan borrower to carry out a financially viable farming plan if a guaranteed loan is made.

(4) VERIFICATION.—

(A) IN GENERAL.—The Secretary shall provide a prospectus of a seasoned direct loan borrower to each approved lender whose

lending area includes the location of the seasoned direct loan borrower.

(B) NOTIFICATION.—The Secretary shall notify each borrower of a loan that a prospectus has been provided to a lender under subparagraph (A).

(C) CREDIT EXTENDED.—If the Secretary receives an offer from an approved lender to extend credit to the seasoned direct loan borrower under terms and conditions contained in the prospectus, the seasoned direct loan borrower shall not be eligible for an insured loan from the Secretary under subtitle A or B, except as otherwise provided in this subsection.

(5) If the Secretary is unable to provide loan guarantees and, if necessary, interest assistance to the seasoned direct loan borrower under this subsection in amounts sufficient to enable the seasoned direct loan borrower to borrow from commercial sources the amount required to carry out a financially viable farming plan, or if the Secretary does not receive an offer from an approved lender to extend credit to a seasoned direct loan borrower under the terms and conditions contained in the prospectus, the Secretary shall make an insured loan to the seasoned direct loan borrower under subtitle A or B, whichever is applicable.

(6) To the extent necessary for the borrower to obtain a loan, guaranteed by the Secretary, from a commercial or cooperative lender, the Secretary shall provide interest rate reductions as provided for under section 351.

[(g)(1) The Secretary shall provide to lenders a short, simplified application form for guarantees under this title of loans the principal amount of which is $50,000 or less.

[(2) In developing the application, the Secretary shall—

[(A) consult with commercial and cooperative lenders; and

[(B) ensure that—

[(i) the form can be completed manually or electronically, at the option of the lender;

[(ii) the form minimizes the documentation required to accompany the form;

[(iii) the cost of completing and processing the form is minimal; and

[(iv) the form can be completed and processed in an expeditious manner.**]**

(g) SIMPLIFIED APPLICATION FORMS FOR LOAN GUARANTEES.—

(1) IN GENERAL.—The Secretary shall provide to lenders a short, simplified application form for guarantees under this title of—

(A) farmer program loans the principal amount of which is $100,000 or less; and

(B) business and industry guaranteed loans under section 310B(a)(1) the principal amount of which is—

(i) in the case of a loan guarantee made during fiscal year 2002 or 2003, $400,000 or less; and

(ii) in the case of a loan guarantee made during any subsequent fiscal year—

(I) $400,000 or less; or

(II) if the Secretary determines that there is not a significant increased risk of a default on the loan, $600,000 or less.

(2) WATER AND WASTE DISPOSAL GRANTS AND LOANS.—The Secretary shall develop an application process that accelerates, to the maximum extent practicable, the processing of applications for water and waste disposal grants or direct or guaranteed loans under paragraph (1) or (2) of section 306(a) the grant award amount or principal loan amount, respectively, of which is $300,000 or less.

(3) ADMINISTRATION.—In developing an application under this subsection, the Secretary shall—

(A) consult with commercial and cooperative lenders; and

(B) ensure that—

(i) the form can be completed manually or electronically, at the option of the lender;

(ii) the form minimizes the documentation required to accompany the form;

(iii) the cost of completing and processing the form is minimal; and

(iv) the form can be completed and processed in an expeditious manner.

SEC. 333B. Repealed by section 281(c) of Public Law 103–354.

SEC. 333C. PROVISION OF INFORMATION TO BORROWERS.

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SEC. 343. (a) As used in this title:

(1) The term "farmer" includes a person who is engaged in, or who, with assistance afforded under this title, intends to engage in, fish farming.

(2) The term "farming" shall be deemed to include fish farming.

(3) The term "owner-operator" shall include in the State of Hawaii the lessee-operator of real property in any case in which the Secretary determines that such real property cannot be acquired in fee simple by such lessee-operator, that adequate security is provided for the loan with respect to such real property for which such lessee-operator applies under this title, and that there is a reasonable probability of accomplishing the objectives and repayment of such loan.

(4) The word "insure" as used in this title includes guarantee, which means to guarantee the payment of a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary.

(5) The term "contract of insurance" includes a contract of guarantee.

(6) The terms "United States" and "State" shall include each of the several States, the Commonwealth of Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and, to the extent the Secretary determines it to be feasible and appropriate, the Trust Territory of the Pacific Islands.

(7) The term "joint operation" means a joint farming operation in which two or more farmers work together sharing equally or unequally land, labor, equipment, expenses, and income.

(8) The term "beginning farmer or rancher" means such term as defined by the Secretary.

(9) The term "direct loan" means a loan made or insured from funds in the account created by section 309.

(10) The term "farmer program loan" means a farm ownership loan (FO) under section 303, operating loan (OL) under section 312, soil and water loan (SW) under section 304, emergency loan (EM) under section 321, economic emergency loan (EE) under section 202 of the Emergency Agricultural Credit Adjustment Act (title II of Public Law 95–334), economic opportunity loan (EO) under the Economic Opportunity Act of 1961 (42 U.S.C. 2942), softwood timber loan (ST) under section 1254 of the Food Security Act of 1985, or rural housing loan for farm service buildings (RHF) under section 502 of the Housing Act of 1949.

(11) The term "qualified beginning farmer or rancher" means an applicant, regardless of whether the applicant is participating in a program under section 310E—

(A) who is eligible for assistance under this title;

(B) who has not operated a farm or ranch, or who has operated a farm or ranch for not more than 10 years;

(C) in the case of a cooperative, corporation, partnership, or joint operation, who has members, stockholders, partners, or joint operators who are all related to one another by blood or marriage;

(D)(i) in the case of an owner and operator of a farm or ranch, who—

(I) in the case of a loan made to an individual, individually or with the immediate family of the applicant—

(aa) materially and substantially participates in the operation of the farm or ranch; and

(bb) provides substantial day-to-day labor and management of the farm or ranch, consistent with the practices in the State or county in which the farm or ranch is located; or

(II)(aa) in the case of a loan made to a cooperative, corporation, partnership, or joint operation, has members, stockholders, partners, or joint operators, materially and substantially participate in the operation of the farm or ranch; and

(bb) in the case of a loan made to a corporation, has stockholders, all of whom are qualified beginning farmers or ranchers; and

(ii) in the case of an applicant seeking to own and operate a farm or ranch, who—

(I) in the case of a loan made to an individual, individually or with the immediate family of the applicant, will—

(aa) materially and substantially participate in the operation of the farm or ranch; and

(bb) provide substantial day-to-day labor and management of the farm or ranch, consistent with the practices in the State or county in which the farm or ranch is located; or

(II)(aa) in the case of a loan made to a cooperative, corporation, partnership, or joint operation, will have

members, stockholders, partners, or joint operators, materially and substantially participate in the operation of the farm or ranch; and

(bb) in the case of a loan made to a corporation, has stockholders, all of whom are qualified beginning farmers or ranchers;

(E) who agrees to participate in such loan assessment, borrower training, and financial management programs as the Secretary may require;

(F) who does not own land or who, directly or through interests in family farm corporations, owns land, the aggregate acreage of which does not exceed 25 percent of the median acreage of the farms or ranches, as the case may be, in the county in which the farm or ranch operations of the applicant are located, as reported in the most recent census of agriculture taken under section 142 of title 13, United States Code, except that this subparagraph shall not apply to a loan made or guaranteed under subtitle B; and

(G) who demonstrates that the available resources of the applicant and spouse (if any) of the applicant are not sufficient to enable the applicant to continue farming or ranching on a viable scale.

(12) DEBT FORGIVENESS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the term "debt forgiveness" means reducing or terminating a farmer program loan made or guaranteed under this title, in a manner that results in a loss to the Secretary, through—

(i) writing down or writing off a loan under section 353;

(ii) compromising, adjusting, reducing, or charging-off a debt or claim under section 331;

(iii) paying a loss on a guaranteed loan under section 357; or

(iv) discharging a debt as a result of bankruptcy.

(B) LOAN RESTRUCTURING.—The term "debt forgiveness" does not include consolidation, rescheduling, reamortization, or deferral.

(13) RURAL AND RURAL AREA.—

(A) IN GENERAL.—Except as otherwise provided in this paragraph, the terms "rural" and "rural area" mean a city, town, or unincorporated area that has a population of 50,000 inhabitants or less, other than an urbanized area immediately adjacent to a city, town, or unincorporated area that has a population in excess of 50,000 inhabitants.

(B) WATER AND WASTE DISPOSAL GRANTS AND DIRECT AND GUARANTEED LOANS.—For the purpose of water and waste disposal grants and direct and guaranteed loans provided under paragraphs (1) and (2) of section 306(a), the terms "rural" and "rural area" mean a city, town, or unincorporated area that has a population of no more than 10,000 inhabitants.

(C) COMMUNITY FACILITY LOANS AND GRANTS.—For the purpose of community facility direct and guaranteed loans

and grants under paragraphs (1), (19), (20), and (21) of section 306(a), the terms "rural" and "rural area" mean a city, town, or unincorporated area that has a population of no more than 50,000 inhabitants.

(D) BUSINESS AND INDUSTRY DIRECT AND GUARANTEED LOANS.—For the purpose of business and industry direct and guaranteed loans under section 310B(a)(1), the terms "rural" and "rural area" mean any area other than a city or town that has a population of greater than 50,000 inhabitants and the immediately adjacent urbanized area of such city or town.

(E) MULTIJURISDICTIONAL REGIONAL PLANNING ORGANIZATIONS; NATIONAL RURAL DEVELOPMENT PARTNERSHIP.—In sections 306(a)(23) and 377, the term "rural area" means—

(i) all the territory of a State that is not within the boundary of any standard metropolitan statistical area; and

(ii) all territory within any standard metropolitan statistical area within a census tract having a population density of less than 20 persons per square mile, as determined by the Secretary according to the most recent census of the United States as of any date.

(F) RURAL ENTREPRENEURS AND MICROENTERPRISE ASSISTANCE PROGRAM; NATIONAL RURAL COOPERATIVE AND BUSINESS EQUITY FUND.—In section 378 and subtitle G, the term "rural area" means an area that is located—

(i) outside a standard metropolitan statistical area; or

(ii) within a community that has a population of 50,000 inhabitants or less.

* * * * * * *

(b) As used in sections 307(e), 331D, 335 (e) and (f), 338(b), 352 (b) and (c), 353, and 357:

(1) The term "borrower" means any farm borrower who has outstanding obligations to the Secretary under any farmer program loan, without regard to whether the loan has been accelerated, but does not include any farm borrower all of whose loans and accounts have been foreclosed on or liquidated, voluntarily or otherwise.

* * * * * * *

SEC. 377. NATIONAL RURAL DEVELOPMENT PARTNERSHIP.

(a) DEFINITIONS.—In this section:

(1) AGENCY WITH RURAL RESPONSIBILITIES.—The term "agency with rural responsibilities" means any executive agency (as defined in section 105 of title 5, United States Code) that—

(A) implements Federal law targeted at rural areas, including—

(i) the Act of April 24, 1950 (commonly known as the "Granger-Thye Act") (64 Stat. 82, chapter 9);

(ii) the Intergovernmental Cooperation Act of 1968 (82 Stat. 1098);

(iii) section 41742 of title 49, United States Code;

(iv) the Rural Development Act of 1972 (86 Stat. 657);

(v) the Rural Development Policy Act of 1980 (94 Stat. 1171);

(vi) the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.);

(vii) amendments made to section 334 of the Public Health Service Act (42 U.S.C. 254g) by the Rural Health Clinics Act of 1983 (97 Stat. 1345); and

(viii) the Rural Housing Amendments of 1983 (97 Stat. 1240) and the amendments made by the Rural Housing Amendments of 1983 to title V of the Housing Act of 1949 (42 U.S.C. 1471 et seq.); or

(B) administers a program that has a significant impact on rural areas, including—

(i) the Appalachian Regional Commission;

(ii) the Department of Agriculture;

(iii) the Department of Commerce;

(iv) the Department of Defense;

(v) the Department of Education;

(vi) the Department of Energy;

(vii) the Department of Health and Human Services;

(viii) the Department of Housing and Urban Development;

(ix) the Department of the Interior;

(x) the Department of Justice;

(xi) the Department of Labor;

(xii) the Department of Transportation;

(xiii) the Department of the Treasury;

(xiv) the Department of Veterans Affairs;

(xv) the Environmental Protection Agency;

(xvi) the Federal Emergency Management Administration;

(xvii) the Small Business Administration;

(xviii) the Social Security Administration;

(xix) the Federal Reserve System;

(xx) the United States Postal Service;

(xxi) the Corporation for National Service;

(xxii) the National Endowment for the Arts and the National Endowment for the Humanities; and

(xxiii) other agencies, commissions, and corporations.

(2) COORDINATING COMMITTEE.—The term "Coordinating Committee" means the National Rural Development Coordinating Committee established by subsection (c).

(3) PARTNERSHIP.—The term "Partnership" means the National Rural Development Partnership continued by subsection (b).

(4) STATE RURAL DEVELOPMENT COUNCIL.—The term "State rural development council" means a State rural development council that meets the requirements of subsection (d).

(b) PARTNERSHIP.—

(1) IN GENERAL.—The Secretary shall continue the National Rural Development Partnership composed of—

(A) the Coordinating Committee; and

(B) State rural development councils.

(2) PURPOSES.—The purposes of the Partnership are—

(A) to empower and build the capacity of States and rural communities within States to design unique responses to their own special rural development needs, with local determinations of progress and selection of projects and activities;

(B) to encourage participants to be flexible and innovative in establishing new partnerships and trying fresh, new approaches to rural development issues, with responses to rural development that use different approaches to fit different situations; and

(C) to encourage all partners in the Partnership (Federal, State, local, and tribal governments, the private sector, and nonprofit organizations) to be fully engaged and share equally in decisions.

(3) GOVERNING PANEL.—

(A) IN GENERAL.—A panel consisting of representatives of the Coordinating Committee and State rural development councils shall be established to lead and coordinate the strategic operation, policies, and practices of the Partnership.

(B) ANNUAL REPORTS.—In conjunction with the Coordinating Committee and State rural development councils, the panel shall prepare and submit to Congress an annual report on the activities of the Partnership.

(4) ROLE OF FEDERAL GOVERNMENT.—The role of the Federal Government in the Partnership shall be that of a partner and facilitator, with Federal agencies authorized—

(A) to cooperate with States to implement the Partnership;

(B) to provide States with the technical and administrative support necessary to plan and implement tailored rural development strategies to meet local needs;

(C) to ensure that the head of each agency referred to in subsection (a)(1)(B) designates a senior-level agency official to represent the agency on the Coordinating Committee and directs appropriate field staff to participate fully with the State rural development council within the jurisdiction of the field staff; and

(D) to enter into cooperative agreements with, and to provide grants and other assistance to State rural development councils.

(5) ROLE OF PRIVATE AND NONPROFIT SECTOR ORGANIZATIONS.—Private and nonprofit sector organizations are encouraged—

(A) to act as full partners in the Partnership and State rural development councils; and

(B) to cooperate with participating government organizations in developing innovative approaches to the solution of rural development problems.

(c) NATIONAL RURAL DEVELOPMENT COORDINATING COMMITTEE.—

(1) ESTABLISHMENT.—The Secretary shall establish a National Rural Development Coordinating Committee.

(2) COMPOSITION.—The Coordinating Committee shall be composed of—

(A) 1 representative of each agency with rural responsibilities that elects to participate in the Coordinating Committee; and

(B) representatives, approved by the Secretary, of—

(i) national associations of State, regional, local, and tribal governments and intergovernmental and multijurisdictional agencies and organizations;

(ii) national public interest groups;

(iii) other national nonprofit organizations that elect to participate in the activities of the Coordinating Committee; and

(iv) the private sector.

(3) DUTIES.—The Coordinating Committee shall—

(A) provide support for the work of the State rural development councils;

(B) facilitate coordination among Federal programs and activities, and with State, local, tribal, and private programs and activities, affecting rural development;

(C) enhance the effectiveness, responsiveness, and delivery of Federal programs in rural areas;

(D) gather and provide to Federal authorities information and input for the development and implementation of Federal programs impacting rural economic and community development;

(E) notwithstanding any other provision of law, review and comment on policies, regulations, and proposed legislation that affect or would affect rural areas;

(F) provide technical assistance to State rural development councils for the implementation of Federal programs;

(G) notwithstanding any other provision of law, develop and facilitate strategies to reduce or eliminate administrative and regulatory impediments; and

(H) require each State receiving funds under this section to submit an annual report on the use of the funds by the State, including a description of strategic plans, goals, performance measures, and outcomes for the State rural development council of the State.

(4) ELECTION NOT TO PARTICIPATE.—An agency with rural responsibilities that elects not to participate in the Partnership and the Coordinating Committee shall submit to Congress a report that describes—

(A) how the programmatic responsibilities of the Federal agency that target or have an impact on rural areas are better achieved without participation by the agency in the Partnership; and

(B) a more effective means of partnership-building and collaboration to achieve the programmatic responsibilities of the agency.

(d) STATE RURAL DEVELOPMENT COUNCILS.—

(1) ESTABLISHMENT.—Notwithstanding chapter 63 of title 31, United States Code, each State may elect to participate in the Partnership by entering into an agreement with the Secretary to establish a State rural development council.

(2) STATE DIVERSITY.—Each State rural development council shall—

(A) have a nonpartisan membership that is broad and representative of the economic, social, and political diversity of the State; and

(B) carry out programs and activities in a manner that reflects the diversity of the State.

(3) DUTIES.—A State rural development council shall—

(A) facilitate collaboration among Federal, State, local, and tribal governments and the private and nonprofit sectors in the planning and implementation of programs and policies that target or have an impact on rural areas of the State;

(B) enhance the effectiveness, responsiveness, and delivery of Federal and State programs in rural areas of the State;

(C) gather and provide to the Coordinating Committee and other appropriate organizations information on the condition of rural areas in the State;

(D) monitor and report on policies and programs that address, or fail to address, the needs of the rural areas of the State;

(E) provide comments to the Coordinating Committee and other appropriate organizations on policies, regulations, and proposed legislation that affect or would affect the rural areas of the State;

(F) notwithstanding any other provision of law, in conjunction with the Coordinating Committee, facilitate the development of strategies to reduce or eliminate conflicting or duplicative administrative or regulatory requirements of Federal, State, local, and tribal governments;

(G) use grant or cooperative agreement funds provided by the Partnership under an agreement entered into under paragraph (1) to—

(i) retain an Executive Director and such support staff as are necessary to facilitate and implement the directives of the State rural development council; and

(ii) pay expenses associated with carrying out subparagraphs (A) through (F); and

(H)(i) provide to the Coordinating Committee an annual plan with goals and performance measures; and

(ii) submit to the Coordinating Committee an annual report on the progress of the State rural development council in meeting the goals and measures.

(4) AUTHORITIES.—A State rural development council may—

(A) solicit funds to supplement and match funds provided under paragraph (3)(G); and

(B) engage in activities, in addition to those specified in paragraph (3), appropriate to accomplish the purposes for which the State rural development council is established.

(5) COMMENTS OR RECOMMENDATIONS.—A State rural development council may provide comments and recommendations to an agency with rural responsibilities related to the activities of the State rural development council within the State.

(6) ACTIONS OF STATE RURAL DEVELOPMENT COUNCIL MEMBERS.—When carrying out a program or activity authorized by a State rural development council or this subtitle, a member of the council shall be regarded as a full-time employee of the Fed-

eral Government for purposes of chapter 171 of title 28, United States Code, and the Federal Advisory Committee Act (5 U.S.C. App.).

(7) FEDERAL PARTICIPATION IN STATE RURAL DEVELOPMENT COUNCILS.—

(A) IN GENERAL.—The State Director for Rural Development of a State, other employees of the Department of Agriculture, and employees of other Federal agencies that elect to participate in the Partnership shall fully participate in the governance and operations of State rural development councils on an equal basis with other members of the State rural development councils.

(B) CONFLICTS.—A Federal employee who participates in a State rural development council shall not participate in the making of any council decision if the agency represented by the Federal employee has any financial or other interest in the outcome of the decision.

(C) FEDERAL GUIDANCE.—The Office of Government Ethics, in consultation with the Attorney General, shall issue guidance to all Federal employees that participate in State rural development councils that describes specific decisions that—

(i) would constitute a conflict of interest for the Federal employee; and

(ii) from which the Federal employee must recuse himself or herself.

(e) ADMINISTRATIVE SUPPORT OF THE PARTNERSHIP.—

(1) DETAIL OF EMPLOYEES.—

(A) IN GENERAL.—In order to provide experience in intergovernmental collaboration, the head of an agency with rural responsibilities that elects to participate in the Partnership may, and is encouraged to, detail an employee of the agency with rural responsibilities to the Partnership without reimbursement for a period of up to 12 months.

(B) CIVIL SERVICE STATUS.—The detail shall be without interruption or loss of civil service status or privilege.

(2) ADDITIONAL SUPPORT.—The Secretary shall provide for any additional support staff to the Partnership as the Secretary determines to be necessary to carry out the duties of the Partnership.

(f) FUNDING.—

(1) Authorization of appropriations.—

(A) IN GENERAL.—There are authorized to be appropriated such sums as are necessary to carry out this section.

(B) AMOUNT OF FINANCIAL ASSISTANCE.—In providing financial assistance to State rural development councils, the Secretary and heads of other Federal agencies shall provide assistance that, to the maximum extent practicable, is—

(i) uniform in amount; and

(ii) targeted to newly created State rural development councils.

(C) FEDERAL SHARE.—The Secretary shall develop a plan to decrease, over time, the Federal share of the cost of the core operations of State rural development councils.

(2) FEDERAL AGENCIES.—

(A) IN GENERAL.—Notwithstanding any other provision of law limiting the ability of an agency to provide funds to the Partnership with other agencies, in order to carry out the purposes described in subsection (b)(2), the Partnership shall be eligible to receive grants, gifts, contributions, or technical assistance from, or enter into contracts with, any Federal agency.

(B) ASSISTANCE.—Federal agencies are encouraged to use funds made available for programs that target or have an impact on rural areas to provide assistance to, and enter into contracts with, the Partnership, as described in subparagraph (A).

(3) CONTRIBUTIONS.—The Partnership may accept private contributions.

(4) FEDERAL FINANCIAL SUPPORT FOR STATE RURAL DEVELOPMENT COUNCILS.—Notwithstanding any other provision of law, a Federal agency may use funds made available under paragraph (1) or (2) to enter into a cooperative agreement, contract, or other agreement with a State rural development council to support the core operations of the State rural development council, regardless of the legal form of organization of the State rural development council.

(g) MATCHING REQUIREMENTS FOR STATE RURAL DEVELOPMENT COUNCILS.—

(1) IN GENERAL.—Except as provided in paragraph (2), a State rural development council shall provide matching funds, or in-kind goods or services, to support the activities of the State rural development council in an amount that is not less than 33 percent of the amount of Federal funds received under an agreement under subsection (d)(1).

(2) EXCEPTIONS TO MATCHING REQUIREMENT FOR CERTAIN FEDERAL FUNDS.—Paragraph (1) shall not apply to funds, grants, funds provided under contracts or cooperative agreements, gifts, contributions, or technical assistance received by a State rural development council from a Federal agency that are used—

(A) to support 1 or more specific program or project activities; or

(B) to reimburse the State rural development council for services provided to the Federal agency providing the funds, grants, funds provided under contracts or cooperative agreements, gifts, contributions, or technical assistance.

(h) TERMINATION.—The authority provided under this section shall terminate on the date that is 5 years after the date of enactment of this section.

SEC. 378. RURAL ENTREPRENEURS AND MICROENTERPRISE ASSISTANCE PROGRAM.

(a) DEFINITIONS.—In this section:

(1) ECONOMICALLY DISADVANTAGED MICROENTREPRENEUR.—The term "economically disadvantaged microentrepreneur" means an owner, majority owner, or developer of a microenterprise that has the ability to compete in the private sector but has been impaired due to diminished capital and credit oppor-

tunities, as compared to other microentrepreneurs in the industry.

(2) INDIAN TRIBE.—The term "Indian tribe" has the meaning given the term in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

(3) INTERMEDIARY.—The term "intermediary" means a private, nonprofit entity that provides assistance—

(A) to a microenterprise development organization; or

(B) for a microenterprise development program.

(4) LOW-INCOME INDIVIDUAL.—The term "low-income individual" means an individual with an income (adjusted for family size) of not more than the greater of—

(A) 80 percent of median income of an area; or

(B) 80 percent of the statewide nonmetropolitan area median income.

(5) MICROCREDIT.—The term "microcredit" means a business loan or loan guarantee of not more than $35,000 provided to a rural entrepreneur.

(6) MICROENTERPRISE.—The term "microenterprise" means a sole proprietorship, joint enterprise, limited liability company, partnership, corporation, or cooperative that—

(A) has 5 or fewer employees; and

(B) is unable to obtain sufficient credit, equity, or banking services elsewhere, as determined by the Secretary.

(7) MICROENTERPRISE DEVELOPMENT ORGANIZATION.—

(A) IN GENERAL.—The term "microenterprise development organization" means a nonprofit entity that provides training and technical assistance to rural entrepreneurs and access to capital or another service described in subsection (c) to rural entrepreneurs.

(B) INCLUSIONS.—The term "microenterprise development organization" includes an organization described in subparagraph (A) with a demonstrated record of delivering services to economically disadvantaged microentrepreneurs.

(8) MICROENTERPRISE DEVELOPMENT PROGRAM.—The term "microenterprise development organization" means a program administered by an organization serving a rural area.

(9) MICROENTREPRENEUR.—The term "microentrepreneur" means the owner, operator, or developer of a microenterprise.

(10) PROGRAM.—The term "program" means the rural entrepreneur and microenterprise program established under subsection (b)(1).

(11) QUALIFIED ORGANIZATION.—The term "qualified organization" means—

(A) a microenterprise development organization or microenterprise development program that has a demonstrated record of delivering microenterprise services to rural entrepreneurs, as demonstrated by the development of an effective plan of action and the possession of necessary resources to deliver microenterprise services to rural entrepreneurs effectively, as determined by the Secretary;

(B) an intermediary that has a demonstrated record of delivery assistance to microenterprise development organizations or microenterprise development programs;

(C) a microenterprise development organization or microenterprise development program that—

(i) serves rural entrepreneurs; and

(ii) enters into an agreement with a local community, in conjunction with a State or local government or Indian tribe, to provide assistance described in subsection (c);

(D) an Indian tribe, the tribal government of which certifies to the Secretary that no microenterprise development organization or microenterprise development program exists under the jurisdiction of the Indian tribe; or

(E) a group of 2 or more organizations or Indian tribes described in subparagraph (A), (B), (C), or (D) that agree to act jointly as a qualified organization under this section.

(12) RURAL CAPACITY BUILDING SERVICE.—The term "rural capacity building service" means a service provided to an organization that—

(A) is, or is in the process of becoming, a microenterprise development organization or microenterprise development program; and

(B) serves rural areas for the purpose of enhancing the ability of the organization to provide training, technical assistance, and other related services to rural entrepreneurs.

(13) RURAL ENTREPRENEUR.—The term "rural entrepreneur" means a microentrepreneur, or prospective microentrepreneur—

(A) the principal place of business of which is in a rural area; and

(B) that is unable to obtain sufficient training, technical assistance, or microcredit elsewhere, as determined by the Secretary.

(14) SECRETARY.—The term "Secretary" means the Secretary of Agriculture, acting through the Rural Business-Cooperative Service.

(15) TRAINING AND TECHNICAL ASSISTANCE.—

(A) IN GENERAL.—The term "training and technical assistance" means assistance provided to rural entrepreneurs to develop the skills the rural entrepreneurs need to plan, market, and manage their own business.

(B) INCLUSIONS.—The term "training and technical assistance" includes assistance provided for the purpose of—

(i) enhancing business planning, marketing, management, or financial management skills; and

(ii) obtaining microcredit.

(16) TRIBAL GOVERNMENT.—The term "tribal government" means the governing body of an Indian tribe.

(b) ESTABLISHMENT.—

(1) IN GENERAL.—From amounts made available under subsection (h), the Secretary shall establish a rural entrepreneur and microenterprise program.

(2) PURPOSE.—The purpose of the program shall be to provide low and moderate income individuals with—

(A) the skills necessary to establish new small businesses in rural areas; and

(B) continuing technical assistance as the individuals begin operating the small businesses.

(c) ASSISTANCE.—

(1) IN GENERAL.—The Secretary may make a grant under this section to a qualified organization to—

(A) provide training, technical assistance, or microcredit to a rural entrepreneur;

(B) provide training, operational support, or a rural capacity building service to a qualified organization to assist the qualified organization in developing microenterprise training, technical assistance, and other related services;

(C) assist in researching and developing the best practices in delivering training, technical assistance, and microcredit to rural entrepreneurs; and

(D) to carry out such other projects and activities as the Secretary determines are consistent with the purposes of this section.

(2) ALLOCATION.—

(A) IN GENERAL.—Subject to subparagraphs (B) and (C), of the amount of funds made available for a fiscal year to make grants under this section, the Secretary shall ensure that—

(i) not less than 75 percent of funds are used to carry out activities described in paragraph (1)(A); and

(ii) not more than 25 percent of the funds are used to carry out activities described in subparagraphs (B) through (D) of paragraph (1).

(B) LIMITATION ON GRANT AMOUNT.—No single qualified organization may receive more than 10 percent of the total funds that are made available for a fiscal year to carry out this section.

(C) ADMINISTRATIVE EXPENSES.—Not more than 15 percent of assistance received by a qualified organization for a fiscal year under this section may be used for administrative expenses.

(d) SUBGRANTS.—Subject to such regulations as the Secretary may promulgate, a qualified organization that receives a grant under this section may use the grant to provide assistance to other qualified organizations, such as small or emerging qualified organizations.

(e) LOW-INCOME INDIVIDUALS.—The Secretary shall ensure that not less than 50 percent of the grants made under this section is used to benefit low-income individuals identified by the Secretary, including individuals residing on Indian reservations.

(f) DIVERSITY.—In making grants under this section, the Secretary shall ensure, to the maximum extent practicable, that grant recipients include qualified organizations—

(1) of varying sizes; and

(2) that serve racially and ethnically diverse populations.

(g) COST SHARING.—

(1) FEDERAL SHARE.—The Federal share of the cost of a project carried out using funds from a grant under this section shall be 75 percent.

(2) FORM OF NON-FEDERAL SHARE.—The non-Federal share of the cost of a project described in paragraph (1) may be provided—

(A) in cash (including through fees, grants (including community development block grants), and gifts); or

(B) in kind.

(h) FUNDING.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this Act, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary of Agriculture to carry out this section $10,000,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

SEC. 379. INTERAGENCY COORDINATING COMMITTEE FOR RURAL SENIORS.

(a) IN GENERAL.—The Secretary shall establish an interagency coordinating committee (referred to in this section as the "Committee") to examine the special problems of rural seniors.

(b) MEMBERSHIP.—The Committee shall be comprised of—

(1) the Undersecretary of Agriculture for Rural Development, who shall serve as chairperson of the Committee;

(2) 2 representatives of the Secretary of Health and Human Services, of whom—

(A) 1 shall have expertise in the field of health care; and

(B) 1 shall have expertise in the field of programs under the Older Americans Act of 1965 (42 U.S.C. 3001 et seq.);

(3) 1 representative of the Secretary of Housing and Urban Development;

(4) 1 representative of the Secretary of Transportation; and

(5) representatives of such other Federal agencies as the Secretary may designate.

(c) DUTIES.—The Committee shall—

(1) study health care, transportation, technology, housing, accessibility, and other areas of need of rural seniors;

(2) identify successful examples of senior care programs in rural communities that could serve as models for other rural communities; and

(3) not later than 1 year after the date of enactment of this section, submit to the Secretary, the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry of the Senate recommendations for legislative and administrative action.

(d) FUNDING.—Funds available to any Federal agency may be used to carry out interagency activities under this section.

SEC. 379A. GRANTS FOR PROGRAMS FOR RURAL SENIORS.

(a) IN GENERAL.—The Secretary shall make grants to nonprofit organizations (including cooperatives) to pay the Federal share of the cost of programs that—

(1) provide facilities, equipment, and technology for seniors in a rural area; and

(2) may be replicated in other rural areas.

(b) FEDERAL SHARE.—The Federal share of a grant under this section shall be not more than 20 percent of the cost of a program described in subsection (a).

(c) LEVERAGING.—In selecting programs to receive grants under section, the Secretary shall give priority to proposals that leverage resources to meet multiple rural community goals.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $25,000,000 for each of fiscal years 2003 through 2006.

SEC. 379B. RURAL TELEWORK.

(a) DEFINITIONS.—In this section:

(1) ELIGIBLE ORGANIZATION.—The term "eligible organization" means a nonprofit entity, an educational institution, an Indian tribe (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)), or any other organization that meets the requirements of this section and such other requirements as are established by the Secretary.

(2) INSTITUTE.—The term "institute" means a regional rural telework institute established using a grant under this subsection (b).

(3) TELEWORK.—The term "telework" means the use of telecommunications to perform work functions at a rural work center located outside the place of business of an employer.

(b) RURAL TELEWORK INSTITUTE.—

(1) IN GENERAL.—The Secretary shall make a grant to an eligible organization to pay the Federal share of the cost of establishing and operating a national rural telework institute to carry out projects described in paragraph (4).

(2) ELIGIBLE ORGANIZATIONS.—The Secretary shall establish criteria that an organization shall meet to be eligible to receive a grant under this subsection.

(3) DEADLINE FOR INITIAL GRANT.—Not later than 1 year after the date on which funds are first made available to carry out this subsection, the Secretary shall make the initial grant under this subsection.

(4) PROJECTS.—The institute shall use grant funds obtained under this subsection to carry out a 5-year project—

(A) to serve as a clearinghouse for telework research and development;

(B) to conduct outreach to rural communities and rural workers;

(C) to develop and share best practices in rural telework throughout the United States;

(D) to develop innovative, market-driven telework projects and joint ventures with the private sector that employ workers in rural areas in jobs that promote economic self-sufficiency;

(E) to share information about the design and implementation of telework arrangements;

(F) to support private sector businesses that are transitioning to telework;

(G) to support and assist telework projects and individuals at the State and local level; and

(H) to perform such other functions as the Secretary considers appropriate.

(5) NON-FEDERAL SHARE.—

(A) IN GENERAL.—As a condition of receiving a grant under this subsection, an eligible organization shall agree to obtain, after the application of the eligible organization has been approved and notice of award has been issued, contributions from non-Federal sources that are equal to—

(i) during each of the first, second, and third years of a project, 50 percent of the amount of the grant; and

(ii) during each of the fourth and fifth years of the project, 100 percent of the amount of the grant.

(B) INDIAN TRIBES.—Notwithstanding subparagraph (A), an Indian tribe may use Federal funds made available to the tribe for self-governance to pay the non-Federal contributions required under subparagraph (A).

(C) FORM.—The non-Federal contributions required under subparagraph (A) may be in the form of in-kind contributions, including office equipment, office space, and services.

(c) TELEWORK GRANTS.—

(1) IN GENERAL.—Subject to paragraphs (2) through (5), the Secretary shall make grants to eligible entities to pay the Federal share of the cost of—

(A) obtaining equipment and facilities to establish or expand telework locations in rural areas; and

(B) operating telework locations in rural areas.

(2) ELIGIBLE ORGANIZATIONS.—To be eligible to receive a grant under this subsection, an eligible entity shall—

(A) be a nonprofit organization or educational institution in a rural area; and

(B) submit to, and receive the approval of, the Secretary of an application for the grant that demonstrates that the eligible entity has adequate resources and capabilities to establish or expand a telework location in a rural area.

(3) NON-FEDERAL SHARE.—

(A) IN GENERAL.—As a condition of receiving a grant under this subsection, an eligible organization shall agree to obtain, after the application of the eligible organization has been approved and notice of award has been issued, contributions from non-Federal sources that are equal to 50 percent of the amount of the grant.

(B) INDIAN TRIBES.—Notwithstanding subparagraph (A), an Indian tribe may use Federal funds made available to the tribe for self-governance to pay the non-Federal contributions required under subparagraph (A).

(C) SOURCES.—The non-Federal contributions required under subparagraph (A)—

(i) may be in the form of in-kind contributions, including office equipment, office space, and services; and

(ii) may not be made from funds made available for community development block grants under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.).

(4) DURATION.—The Secretary may not provide a grant under this subsection to establish, expand, or operate a telework location in a rural area after the date that is 2 years after the establishment of the telework location.

(5) MAXIMUM AMOUNT OF GRANT.—The amount of a grant provided to an eligible entity under this subsection shall not exceed $500,000.

(d) APPLICABILITY OF CERTAIN FEDERAL LAW.—An entity that receives funds under this section shall be subject to the provisions of Federal law (including regulations), administered by the Secretary of Labor or the Equal Employment Opportunity Commission, that govern the responsibilities of employers to employees.

(e) REGULATIONS.—Not later than 180 days after the date of enactment of this section, the Secretary shall promulgate regulations to carry out this section.

(f) AUTHORIZATION OF APPROPRIATION.—There is authorized to be appropriated to carry out this section $30,000,000 for each of fiscal years 2002 through 2006, of which $5,000,000 shall be provided to establish an institute under subsection (b).

SEC. 379C. HISTORIC BARN PRESERVATION.

(a) DEFINITIONS.—In this section:

(1) BARN.—The term "barn" means a building (other than a dwelling) on a farm, ranch, or other agricultural operation for—

(A) housing animals;

(B) storing or processing crops;

(C) storing and maintaining agricultural equipment; or

(D) serving an essential or useful purpose related to agriculture on the adjacent land.

(2) ELIGIBLE APPLICANT.—The term "eligible applicant" means—

(A) a State department of agriculture (or a designee);

(B) a national or State nonprofit organization that—

(i) is exempt from tax under section 501(c)(3) of the Internal Revenue Code of 1986; and

(ii) has experience or expertise, as determined by the Secretary, in the identification, evaluation, rehabilitation, preservation, or protection of historic barns; and

(C) a State historic preservation office.

(3) HISTORIC BARN.—The term "historic barn" means a barn that—

(A) is at least 50 years old;

(B) retains sufficient integrity of design, materials, and construction to clearly identify the barn as an agricultural building; and

(C) meets the criteria for listing on National, State, or local registers or inventories of historic structures.

(4) SECRETARY.—The term "Secretary" means the Secretary, acting through the Undersecretary of Rural Development.

(b) PROGRAM.—The Secretary shall establish a historic barn preservation program—

(1) to assist States in developing a listing of historic barns;

(2) to collect and disseminate information on historic barns;

(3) to foster educational programs relating to the history, construction techniques, rehabilitation, and contribution to society of historic barns; and

(4) to sponsor and conduct research on—

(A) the history of barns; and

(B) best practices to protect and rehabilitate historic barns from the effects of decay, fire, arson, and natural disasters.

(c) GRANTS.—

(1) IN GENERAL.—The Secretary may make grants to, or enter into contracts or cooperative agreements with, eligible applicants to carry out an eligible project under paragraph (2).

(2) ELIGIBLE PROJECTS.—A grant under this subsection may be made to an eligible entity for a project—

(A) to rehabilitate or repair a historic barn;

(B) to preserve a historic barn through—

(i) the installation of a fire protection system, including fireproofing or fire detection system and sprinklers; and

(ii) the installation of a system to prevent vandalism; and

(C) to identify, document, and conduct research on a historic barn to develop and evaluate appropriate techniques or best practices for protecting historic barns.

(3) REQUIREMENTS.—An eligible applicant that receives a grant for a project under this subsection shall comply with any standards established by the Secretary of the Interior for historic preservation projects.

(d) FUNDING.—There is authorized to be appropriated to carry out this section, $25,000,000 for the period of fiscal years 2002 through 2006, to remain available until expended.

SEC. 379D. GRANTS FOR EMERGENCY WEATHER RADIO TRANSMITTERS.

(a) IN GENERAL.—The Secretary, acting through the Administrator of the Rural Utilities Service, may make grants to public and nonprofit entities for the Federal share of the cost of acquiring radio transmitters to increase coverage of rural areas by the emergency weather radio broadcast system of the National Oceanic and Atmospheric Administration.

(b) ELIGIBILITY.—To be eligible for a grant under this section, an applicant shall provide to the Secretary—

(1) a binding commitment from a tower owner to place the transmitter on a tower; and

(2) a description of how the tower placement will increase coverage of a rural area by the emergency weather radio broadcast system of the National Oceanic and Atmospheric Administration.

(c) FEDERAL SHARE.—A grant provided under this section shall be not more than 75 percent of the cost of acquiring a radio transmitter described in subsection (a).

(d) AUTHORIZATION.—There is authorized to be appropriated to carry out this section $2,000,000 for each of fiscal years 2002 through 2006.

SEC. 379E. BIOENERGY AND BIOCHEMICAL PROJECTS.

In carrying out rural development loan, loan guarantee, and grant programs under this title, the Secretary shall provide a priority for bioenergy and biochemical projects.".

Subtitle E—Rural Community Advancement Program

SEC. 381A. DEFINITIONS.

In this subtitle:

[(1) Rural and rural area.—The terms "rural" and "rural area" mean, subject to section 306(a)(7), a city, town, or unincorporated area that has a population of 50,000 inhabitants or less, other than an urbanized area immediately adjacent to a city, town, or unincorporated area that has a population in excess of 50,000 inhabitants.]

[(2)] *(1)* STATE.—The term "State" means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and the Federated States of Micronesia.

[(3)] *(2)* STATE DIRECTOR.—The term "State director" means, with respect to a State, the Director of the Rural Economic and Community Development State Office.

SEC. 381B. ESTABLISHMENT.

The Secretary shall establish a rural community advancement program to provide grants, loans, loan guarantees, and other assistance to meet the rural development needs of local communities in States and federally recognized Indian tribes.

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SEC. 382M. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—There is authorized to be appropriated to the Authority to carry out this subtitle $30,000,000 for each of fiscal years 2001 through [2002] *2006*, to remain available until expended.

(b) ADMINISTRATIVE EXPENSES.—Not more than 5 percent of the amount appropriated under subsection (a) for a fiscal year shall be used for administrative expenses of the Authority.

SEC. 382N. TERMINATION OF AUTHORITY.

This subtitle and the authority provided under this subtitle expire on October 1, [2002] *2006.*

Subtitle G—National Rural Cooperative and Business Equity Fund

SEC. 383A. SHORT TITLE.

This subtitle may be cited as the 'National Rural Cooperative and Business Equity Fund Act'.

SEC. 383B. PURPOSE.

The purpose of this subtitle is to revitalize rural communities and enhance farm income through sustainable rural business develop-

ment by providing Federal funds and credit enhancements to a private equity fund in order to encourage investments by institutional and noninstitutional investors for the benefit of rural America.

SEC. 383C. DEFINITIONS.

In this subtitle:

(1) AUTHORIZED PRIVATE INVESTOR.—The term "authorized private investor" means an individual, legal entity, or affiliate or subsidiary of an individual or legal entity that—

(A) is eligible to receive a loan guarantee under this title;

(B) is eligible to receive a loan guarantee under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.);

(C) is created under the National Consumer Cooperative Bank Act (12 U.S.C. 3011 et seq.);

(D) is an insured depository institution subject to section 383E(b)(2);

(E) is a Farm Credit System institution described in section 1.2(a) of the Farm Credit Act of 1971 (12 U.S.C. 2002(a)); or

(F) is determined by the Board to be an appropriate investor in the Fund.

(2) BOARD.—The term "Board" means the board of directors of the Fund established under section 383G.

(3) FUND.—The term "Fund" means the National Rural Cooperative and Business Equity Fund established under section 383D.

(4) GROUP OF SIMILAR AUTHORIZED PRIVATE INVESTORS.—The term "group of similar investors" means any 1 of the following:

(A) Insured depository institutions with total assets of more than $250,000,000.

(B) Insured depository institutions with total assets equal to or less than $250,000,000.

(C) Farm Credit System institutions described in section 1.2(a) of the Farm Credit Act of 1971 (12 U.S.C. 2002(a)).

(D) Cooperative financial institutions (other than Farm Credit System institutions).

(E) Private investors, other than those described in subparagraphs (A) through (D), authorized by the Secretary.

(F) Other nonprofit organizations, including credit unions.

(5) INSURED DEPOSITORY INSTITUTION.—The term "insured depository institution" means any bank or savings association the deposits of which are insured under the Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.).

(6) RURAL BUSINESS.—The term "rural business" means a rural cooperative, a value-added agricultural enterprise, or any other business located or locating in a rural area.

SEC. 383D. ESTABLISHMENT.

(a) AUTHORITY.—

(1) IN GENERAL.—On certification by the Secretary that, to the maximum extent practicable, the parties proposing to establish a fund provide a broad representation of all of the groups of similar authorized private investors described in subparagraphs (A) through (F) of section 383C(4), the parties may establish a non-Federal entity under State law to purchase shares

of, and manage a fund to be known as the "National Rural Cooperative and Business Equity Fund" to generate and provide equity capital to rural businesses.

(2) OWNERSHIP.—

(A) IN GENERAL.—To the maximum extent practicable, equity ownership of the Fund shall be distributed among authorized private investors representing all of the groups of similar authorized private investors described in subparagraphs (A) through (F) of section 383C(4).

(B) EXCLUSION OF GROUPS.—No group of authorized private investors shall be excluded from equity ownership of the Fund during any period during which the Fund is in existence if an authorized private investor representative of the group is able and willing to invest in the Fund.

(b) PURPOSES.—The purposes of the Fund shall be—

(1) to strengthen the economy of rural areas;

(2) to further sustainable rural business development;

(3) to encourage—

(A) start-up rural businesses;

(B) increased opportunities for small and minority-owned rural businesses; and

(C) the formation of new rural businesses;

(4) to enhance rural employment opportunities;

(5) to provide equity capital to rural businesses, many of which have difficulty obtaining equity capital; and

(6) to leverage non-Federal funds for rural businesses.

(c) ARTICLES OF INCORPORATION AND BYLAWS.—The articles of incorporation and bylaws of the Fund shall set forth purposes of the Fund that are consistent with the purposes described in subsection (b).

SEC. 383E. INVESTMENT IN THE FUND.

(a) IN GENERAL.—Of the funds made available under section 383H, the Secretary shall—

(1) subject to subsection (b)(1), make available to the Fund $150,000,000;

(2) subject to subsection (c), guarantee 50 percent of each investment made by an authorized private investor in the Fund; and

(3) subject to subsection (d), guarantee the repayment of principal of, and accrued interest on, debentures issued by the Fund to authorized private investors.

(b) PRIVATE INVESTMENT.—

(1) MATCHING REQUIREMENT.—Under subsection (a)(1), the Secretary shall make an amount available to the Fund only after an equal amount has been invested in the Fund by authorized private investors in accordance with this subtitle and the terms and conditions set forth in the bylaws of the Fund.

(2) INSURED DEPOSITORY INSTITUTIONS.—

(A) IN GENERAL.—Subject to subparagraphs (B) and (C)—

(i) an insured depository institution may be an authorized private investor in the Fund; and

(ii) an investment in the Fund may be considered to be part of the record of an institution in meeting the

credit needs of the community in which the institution is located under any applicable Federal law.

(B) INVESTMENT LIMIT.—The total investment in the Fund of an insured depository institution shall not exceed 5 percent of the capital and surplus of the institution.

(C) REGULATORY AUTHORITY.—An appropriate Federal banking agency may, by regulation or order, impose on any insured depository institution investing in the Fund, any safeguard, limitation, or condition (including an investment limit that is lower than the investment limit under subparagraph (B)) that the Federal banking agency considers to be appropriate to ensure that the institution operates—

(i) in a financially sound manner; and

(ii) in compliance with all applicable law.

(c) GUARANTEE OF PRIVATE INVESTMENTS.—

(1) IN GENERAL.—The Secretary shall guarantee, under terms and conditions determined by the Secretary, 50 percent of any loss of the principal of an investment made in the Fund by an authorized private investor.

(2) MAXIMUM TOTAL GUARANTEE.—The aggregate potential liability of the Secretary with respect to all guarantees under paragraph (1) shall not apply to more than $300,000,000 in private investments in the Fund.

(3) REDEMPTION OF GUARANTEE.—

(A) DATE.—An authorized private investor in the Fund may redeem a guarantee under paragraph (1), with respect to the total investments in the Fund and the total losses of the authorized private investor as of the date of redemption—

(i) on the date that is 5 years after the date of the initial investment by the authorized private investor; or

(ii) annually thereafter.

(B) EFFECT OF REDEMPTION.—On redemption of a guarantee under subparagraph (A)—

(i) the shares in the Fund of the authorized private investor shall be redeemed; and

(ii) the authorized private investor shall be prohibited from making any future investment in the Fund.

(d) DEBT SECURITIES.—

(1) IN GENERAL.—The Fund may, at the discretion of the Board, generate additional capital through—

(A) the issuance of debt securities; and

(B) other means determined to be appropriate by the Board.

(2) GUARANTEE OF DEBT BY SECRETARY.—

(A) IN GENERAL.—The Secretary shall guarantee 100 percent of the principal of, and accrued interest on, debentures issued by the Fund that are approved by the Secretary.

(B) MAXIMUM DEBT GUARANTEED BY SECRETARY.—The outstanding value of debentures issued by the Fund and guaranteed by the Secretary shall not exceed the lesser of—

(i) the amount equal to twice the value of the assets held by the Fund; or

(ii) $500,000,000.

(C) RECAPTURE OF GUARANTEE PAYMENTS.—If the Secretary makes a payment on a debt security issued by the Fund as a result of a guarantee of the Secretary under this paragraph, the Secretary shall have priority over other creditors for repayment of the debt security.

(3) AUTHORIZED PRIVATE INVESTORS.—An authorized private investor may purchase debt securities issued by the Fund.

SEC. 383F. INVESTMENTS AND OTHER ACTIVITIES OF THE FUND.

(a) INVESTMENTS.—

(1) IN GENERAL.—

(A) TYPES.—Subject to subparagraphs (B) and (C), the Fund may—

(i) make equity investments in a rural business that meets—

(I) the requirements of paragraph (6); and

(II) such other requirements as the Board may establish; and

(ii) extend credit to the rural business in—

(I) the form of mezzanine debt or subordinated debt; or

(II) any other form of quasi-equity.

(B) LIMITATIONS ON INVESTMENTS.—

(i) TOTAL INVESTMENTS BY A SINGLE RURAL BUSINESS.—Subject to clause (ii), investment by the Fund in a single rural business shall not exceed the greater of—

(I) an amount equal to 7 percent of the capital of the Fund; or

(II) $2,000,000.

(ii) WAIVER.—The Secretary may waive the limitation in clause (i) in any case in which an investment exceeding the limits specified in clause (i) is necessary to preserve prior investments in the rural business.

(iii) TOTAL NONEQUITY INVESTMENTS.—Except in the case of a project to assist a rural cooperative, the total amount of nonequity investments described in subparagraph (A)(ii) that may be provided by the Fund shall not exceed 20 percent of the total investments of the Fund in the project.

(C) LIMITATION.—Notwithstanding subparagraph (B), the amount of any investment by the Fund in a rural business shall not exceed the aggregate amount invested in like securities by other private entities in that rural business.

(2) PROCEDURES.—The Fund shall implement procedures to ensure that—

(A) the financing arrangements of the Fund meet the Fund's primary focus of providing equity capital; and

(B) the Fund does not compete with conventional sources of credit.

(3) DIVERSITY OF PROJECTS.—The Fund—

(A) shall seek to make equity investments in a variety of viable projects, with a significant share of investments—

(i) in smaller enterprises (as defined in section 384A) in rural communities of diverse sizes; and

(ii) in cooperative and noncooperative enterprises; and

(B) shall be managed in a manner that diversifies the risks to the Fund among a variety of projects.

(4) LIMITATION ON RURAL BUSINESSES ASSISTED.—The Fund shall not invest in any rural business that is primarily retail in nature (as determined by the Board), other than a purchasing cooperative.

(5) INTEREST RATE LIMITATIONS.—Returns on investments in and by the Fund and returns on the extension of credit by participants in projects assisted by the Fund, shall not be subject to any State or Federal law establishing a maximum allowable interest rate.

(6) REQUIREMENTS FOR RECIPIENTS.—

(A) OTHER INVESTMENTS.—Any recipient of amounts from the Fund shall make or obtain a significant investment from a source of capital other than the Fund.

(B) SPONSORSHIP.—To be considered for an equity investment from the Fund, a rural business investment project shall be sponsored by a regional, State, or local sponsoring or endorsing organization such as—

(i) a financial institution;

(ii) a development organization; or

(iii) any other established entity engaging or assisting in rural business development, including a rural cooperative.

(b) TECHNICAL ASSISTANCE.—The Fund, under terms and conditions established by the Board, shall use not less than 2 percent of capital provided by the Federal Government to provide technical assistance to rural businesses seeking an equity investment from the Fund.

(c) ANNUAL AUDIT.—

(1) IN GENERAL.—The Board shall authorize an annual audit of the financial statements of the Fund by a nationally recognized auditing firm using generally accepted accounting principles.

(2) AVAILABILITY OF AUDIT RESULTS.—The results of the audit required by paragraph (1) shall be made available to investors in the Fund.

(d) ANNUAL REPORT.—The Board shall prepare and make available to the public an annual report that—

(1) describes the projects funded with amounts from the Fund;

(2) specifies the recipients of amounts from the Fund;

(3) specifies the coinvestors in all projects that receive amounts from the Fund; and

(4) meets the reporting requirements, if any, of the State under the law of which the Fund is established.

(e) OTHER AUTHORITIES.—

(1) IN GENERAL.—The Board may exercise such other authorities as are necessary to carry out this subtitle.

(2) OVERSIGHT.—The Secretary shall enter in to a contract with the Administrator of the Small Business Administration under which the Administrator of the Small Business Adminis-

tration shall be responsible for routine duties of the Secretary in regard to the Fund.

SEC. 383G. GOVERNANCE OF THE FUND.

(a) IN GENERAL.—The Fund shall be governed by a board of directors that represents all of the authorized private investors in the Fund and the Federal Government and that consists of—

(1) a designee of the Secretary;

(2) 2 members who are appointed by the Secretary and are not Federal employees, including—

(A) 1 member with expertise in venture capital investment; and

(B) 1 member with expertise in cooperative development;

(3) 8 members who are elected by the authorized private investors with investments in the Fund; and

(4) 1 member who is appointed by the Board and who is a community banker from an insured depository institution that has—

(A) total assets equal to or less than $250,000,000; and

(B) an investment in the Fund.

(b) LIMITATION ON VOTING CONTROL.—No individual investor or group of authorized investors may control more than 25 percent of the votes on the Board.

SEC. 383H. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated such sums as are necessary to carry out this subtitle.

Subtitle H—Rural Business Investment Program

SEC. 384A. DEFINITIONS.

In this subtitle:

(1) ARTICLES.—The term "articles" means articles of incorporation for an incorporated body or the functional equivalent or other similar documents specified by the Secretary for other business entities.

(2) DEVELOPMENTAL VENTURE CAPITAL.—The term "developmental venture capital" means capital in the form of equity capital investments in Rural Business Investment Companies with an objective of fostering economic development in rural areas.

(3) EMPLOYEE WELFARE BENEFIT PLAN; PENSION PLAN.—

(A) IN GENERAL.—The terms "employee welfare benefit plan" and "pension plan" have the meanings given the terms in section 3 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002).

(B) INCLUSIONS.—The terms "employee welfare benefit plan" and "pension plan" include—

(i) public and private pension or retirement plans subject to this subtitle; and

(ii) similar plans not covered by this subtitle that have been established and that are maintained by the Federal Government or any State (including by a political subdivision, agency, or instrumentality of the Federal Government or a State) for the benefit of employees.

(4) EQUITY CAPITAL.—The term "equity capital" means common or preferred stock or a similar instrument, including subordinated debt with equity features.

(5) LEVERAGE.—The term "leverage" includes—

(A) debentures purchased or guaranteed by the Secretary;

(B) participating securities purchased or guaranteed by the Secretary; and

(C) preferred securities outstanding as of the date of enactment of this subtitle.

(6) LICENSE.—The term "license" means a license issued by the Secretary as provided in section 384D(c).

(7) LIMITED LIABILITY COMPANY.—The term "limited liability company" means a business entity that is organized and operating in accordance with a State limited liability company law approved by the Secretary.

(8) MEMBER.—The term "member" means, with respect to a Rural Business Investment Company that is a limited liability company, a holder of an ownership interest or a person otherwise admitted to membership in the limited liability company.

(9) OPERATIONAL ASSISTANCE.—The term "operational assistance" means management, marketing, and other technical assistance that assists a rural business concern with business development.

(10) PARTICIPATION AGREEMENT.—The term "participation agreement" means an agreement, between the Secretary and a Rural Business Investment Company granted final approval under section 384D(d), that requires the Rural Business Investment Company to make investments in smaller enterprises in rural areas.

(11) PRIVATE CAPITAL.—

(A) IN GENERAL.—The term "private capital" means the total of—

(i) the paid-in capital and paid-in surplus of a corporate Rural Business Investment Company, the contributed capital of the partners of a partnership Rural Business Investment Company, or the equity investment of the members of a limited liability company Rural Business Investment Company; and

(ii) unfunded binding commitments, from investors that meet criteria established by the Secretary to contribute capital to the Rural Business Investment Company, except that unfunded commitments may be counted as private capital for purposes of approval by the Secretary of any request for leverage, but leverage shall not be funded based on the commitments.

(B) EXCLUSIONS.—The term "private capital" does not include—

(i) any funds borrowed by a Rural Business Investment Company from any source;

(ii) any funds obtained through the issuance of leverage; or

(iii) any funds obtained directly or indirectly from the Federal Government or any State (including by a political subdivision, agency, or instrumentality of the Federal Government or a State), except for—

(I) 50 percent of funds from the National Rural Cooperative and Business Equity Fund;

(II) funds obtained from the business revenues (excluding any governmental appropriation) of any federally chartered or government-sponsored enterprise established prior to the date of enactment of this subtitle;

(III) funds invested by an employee welfare benefit plan or pension plan; and

(IV) any qualified nonprivate funds (if the investors of the qualified nonprivate funds do not control, directly or indirectly, the management, board of directors, general partners, or members of the Rural Business Investment Company).

(12) QUALIFIED NONPRIVATE FUNDS.—The term "qualified nonprivate funds" means any—

(A) funds directly or indirectly invested in any applicant or Rural Business Investment Company on or before the date of enactment of this subtitle, by any Federal agency, other than the Department of Agriculture, under a provision of law explicitly mandating the inclusion of those funds in the definition of the term "private capital"; and

(B) funds invested in any applicant or Rural Business Investment Company by 1 or more entities of any State (including by a political subdivision, agency, or instrumentality of the State and including any guarantee extended by those entities) in an aggregate amount that does not exceed 33 percent of the private capital of the applicant or Rural Business Investment Company.

(13) RURAL BUSINESS CONCERN.—The term "rural business concern" means—

(A) a public, private, or cooperative for-profit or nonprofit organization;

(B) a for-profit or nonprofit business controlled by an Indian tribe on a Federal or State reservation or other federally recognized Indian tribal group; or

(C) any other person or entity;

that primarily operates in a rural area, as determined by the Secretary.

(14) RURAL BUSINESS INVESTMENT COMPANY.—The term "Rural Business Investment Company" means a company that—

(A) has been granted final approval by the Secretary under section 384D(d); and

(B) has entered into a participation agreement with the Secretary.

(15) SMALLER ENTERPRISE.—The term "smaller enterprise" means any rural business concern that, together with its affiliates—

(A) has—

(i) a net financial worth of not more than $6,000,000, as of the date on which assistance is provided under this subtitle to the rural business concern; and

(ii) an average net income for the 2-year period preceding the date on which assistance is provided under

this subtitle to the rural business concern, of not more than $2,000,000, after Federal income taxes (excluding any carryover losses) except that, for purposes of this clause, if the rural business concern is not required by law to pay Federal income taxes at the enterprise level, but is required to pass income through to the shareholders, partners, beneficiaries, or other equitable owners of the business concern, the net income of the business concern shall be determined by allowing a deduction in an amount equal to the total of—

(I) if the rural business concern is not required by law to pay State (and local, if any) income taxes at the enterprise level, the net income (determined without regard to this clause), multiplied by the marginal State income tax rate (or by the combined State and local income tax rates, as applicable) that would have applied if the business concern were a corporation; and

(II) the net income (so determined) less any deduction for State (and local) income taxes calculated under subclause (I), multiplied by the marginal Federal income tax rate that would have applied if the rural business concern were a corporation; or

(B) satisfies the standard industrial classification size standards established by the Administrator of the Small Business Administration for the industry in which the rural business concern is primarily engaged.

SEC. 384B. PURPOSES.

The purposes of the Rural Business Investment Program established under this subtitle are—

(1) to promote economic development and the creation of wealth and job opportunities in rural areas and among individuals living in those areas by encouraging developmental venture capital investments in smaller enterprises primarily located in rural areas; and

(2) to establish a developmental venture capital program, with the mission of addressing the unmet equity investment needs of small enterprises located in rural areas, by authorizing the Secretary—

(A) to enter into participation agreements with Rural Business Investment Companies;

(B) to guarantee debentures of Rural Business Investment Companies to enable each Rural Business Investment Company to make developmental venture capital investments in smaller enterprises in rural areas; and

(C) to make grants to Rural Business Investment Companies, and to other entities, for the purpose of providing operational assistance to smaller enterprises financed, or expected to be financed, by Rural Business Investment Companies.

SEC. 384C. ESTABLISHMENT.

In accordance with this subtitle, the Secretary shall establish a Rural Business Investment Program, under which the Secretary may—

(1) enter into participation agreements with companies granted final approval under section 384D(d) for the purposes set forth in section 384B;

(2) guarantee the debentures issued by Rural Business Investment Companies as provided in section 384E; and

(3) make grants to Rural Business Investment Companies, and to other entities, under section 384H.

SEC. 384D. SELECTION OF RURAL BUSINESS INVESTMENT COMPANIES.

(a) ELIGIBILITY.—A company shall be eligible to apply to participate, as a Rural Business Investment Company, in the program established under this subtitle if—

(1) the company is a newly formed for-profit entity or a newly formed for-profit subsidiary of such an entity;

(2) the company has a management team with experience in community development financing or relevant venture capital financing; and

(3) the company will invest in enterprises that will create wealth and job opportunities in rural areas, with an emphasis on smaller businesses.

(b) APPLICATION.—To participate, as a Rural Business Investment Company, in the program established under this subtitle, a company meeting the eligibility requirements of subsection (a) shall submit an application to the Secretary that includes—

(1) a business plan describing how the company intends to make successful developmental venture capital investments in identified rural areas;

(2) information regarding the community development finance or relevant venture capital qualifications and general reputation of the management of the company;

(3) a description of how the company intends to work with community organizations and to seek to address the unmet capital needs of the communities served;

(4) a proposal describing how the company intends to use the grant funds provided under this subtitle to provide operational assistance to smaller enterprises financed by the company, including information regarding whether the company intends to use licensed professionals, when necessary, on the staff of the company or from an outside entity;

(5) with respect to binding commitments to be made to the company under this subtitle, an estimate of the ratio of cash to in-kind contributions;

(6) a description of the criteria to be used to evaluate whether and to what extent the company meets the purposes of the program established under this subtitle;

(7) information regarding the management and financial strength of any parent firm, affiliated firm, or any other firm essential to the success of the business plan of the company; and

(8) such other information as the Secretary may require.

(c) ISSUANCE OF LICENSE.—

(1) SUBMISSION OF APPLICATION.—Each applicant for a license to operate as a Rural Business Investment Company

under this subtitle shall submit to the Secretary an application, in a form and including such documentation as may be prescribed by the Secretary.

(2) PROCEDURES.—

(A) STATUS.—Not later than 90 days after the initial receipt by the Secretary of an application under this subsection, the Secretary shall provide the applicant with a written report describing the status of the application and any requirements remaining for completion of the application.

(B) APPROVAL OR DISAPPROVAL.—Within a reasonable time after receiving a completed application submitted in accordance with this subsection and in accordance with such requirements as the Secretary may prescribe by regulation, the Secretary shall—

(i) approve the application and issue a license for the operation to the applicant, if the requirements of this section are satisfied; or

(ii) disapprove the application and notify the applicant in writing of the disapproval.

(3) MATTERS CONSIDERED.—In reviewing and processing any application under this subsection, the Secretary—

(A) shall determine whether—

(i) the applicant meets the requirements of subsection (d); and

(ii) the management of the applicant is qualified and has the knowledge, experience, and capability necessary to comply with this subtitle;

(B) shall take into consideration—

(i) the need for and availability of financing for rural business concerns in the geographic area in which the applicant is to commence business;

(ii) the general business reputation of the owners and management of the applicant; and

(iii) the probability of successful operations of the applicant, including adequate profitability and financial soundness; and

(C) shall not take into consideration any projected shortage or unavailability of grant funds or leverage.

(d) APPROVAL; DESIGNATION.—The Secretary may approve an applicant to operate as a Rural Business Investment Company under this subtitle and designate the applicant as a Rural Business Investment Company, if—

(1) the Secretary determines that the application satisfies the requirements of subsection (b);

(2) the area in which the Rural Business Investment Company is to conduct its operations, and establishment of branch offices or agencies (if authorized by the articles), are approved by the Secretary; and

(3) the applicant enters into a participation agreement with the Secretary.

SEC. 384E. DEBENTURES.

(a) IN GENERAL.—The Secretary may guarantee the timely payment of principal and interest, as scheduled, on debentures issued by any Rural Business Investment Company.

(b) TERMS AND CONDITIONS.—The Secretary may make guarantees under this section on such terms and conditions as the Secretary considers appropriate, except that the term of any debenture guaranteed under this section shall not exceed 15 years.

(c) FULL FAITH AND CREDIT OF THE UNITED STATES.—Section 381H(i) shall apply to any guarantee under this section.

(d) MAXIMUM GUARANTEE.—Under this section, the Secretary may—

(1) guarantee the debentures issued by a Rural Business Investment Company only to the extent that the total face amount of outstanding guaranteed debentures of the Rural Business Investment Company does not exceed 300 percent of the private capital of the Rural Business Investment Company, as determined by the Secretary; and

(2) provide for the use of discounted debentures.

SEC. 384F. ISSUANCE AND GUARANTEE OF TRUST CERTIFICATES.

(a) ISSUANCE.—The Secretary may issue trust certificates representing ownership of all or a fractional part of debentures issued by a Rural Business Investment Company and guaranteed by the Secretary under this subtitle, if the certificates are based on and backed by a trust or pool approved by the Secretary and composed solely of guaranteed debentures.

(b) GUARANTEE.—

(1) IN GENERAL.—The Secretary may, under such terms and conditions as the Secretary considers appropriate, guarantee the timely payment of the principal of and interest on trust certificates issued by the Secretary or agents of the Secretary for purposes of this section.

(2) LIMITATION.—Each guarantee under this subsection shall be limited to the extent of principal and interest on the guaranteed debentures that compose the trust or pool.

(3) PREPAYMENT OR DEFAULT.—

(A) IN GENERAL.—In the event a debenture in a trust or pool is prepaid, or in the event of default of such a debenture, the guarantee of timely payment of principal and interest on the trust certificates shall be reduced in proportion to the amount of principal and interest the prepaid debenture represents in the trust or pool.

(B) INTEREST.—Interest on prepaid or defaulted debentures shall accrue and be guaranteed by the Secretary only through the date of payment of the guarantee.

(C) REDEMPTION.—At any time during its term, a trust certificate may be called for redemption due to prepayment or default of all debentures.

(c) FULL FAITH AND CREDIT OF THE UNITED STATES.—Section 381H(i) shall apply to any guarantee of a trust certificate issued by the Secretary under this section.

(d) SUBROGATION AND OWNERSHIP RIGHTS.—

(1) SUBROGATION.—If the Secretary pays a claim under a guarantee issued under this section, the claim shall be subrogated fully to the rights satisfied by the payment.

(2) OWNERSHIP RIGHTS.—No Federal, State, or local law shall preclude or limit the exercise by the Secretary of the ownership rights of the Secretary in a debenture residing in a trust or pool

against which 1 or more trust certificates are issued under this section.

(e) MANAGEMENT AND ADMINISTRATION.—

(1) REGISTRATION.—The Secretary shall provide for a central registration of all trust certificates issued under this section.

(2) CREATION OF POOLS.—The Secretary may—

(A) maintain such commercial bank accounts or investments in obligations of the United States as may be necessary to facilitate the creation of trusts or pools backed by debentures guaranteed under this subtitle; and

(B) issue trust certificates to facilitate the creation of those trusts or pools.

(3) FIDELITY BOND OR INSURANCE REQUIREMENT.—Any agent performing functions on behalf of the Secretary under this paragraph shall provide a fidelity bond or insurance in such amount as the Secretary considers to be necessary to fully protect the interests of the United States.

(4) REGULATION OF BROKERS AND DEALERS.—The Secretary may regulate brokers and dealers in trust certificates issued under this section.

(5) ELECTRONIC REGISTRATION.—Nothing in this subsection prohibits the use of a book-entry or other electronic form of registration for trust certificates issued under this section.

SEC. 384G. FEES.

(a) IN GENERAL.—The Secretary may charge such fees as the Secretary considers appropriate with respect to any guarantee or grant issued under this subtitle.

(b) TRUST CERTIFICATE.—Notwithstanding subsection (a), the Secretary shall not collect a fee for any guarantee of a trust certificate under section 384F, except that any agent of the Secretary may collect a fee approved by the Secretary for the functions described in section 384F(e)(2).

(c) LICENSE.—

(1) IN GENERAL.—The Secretary may prescribe fees to be paid by each applicant for a license to operate as a Rural Business Investment Company under this subtitle.

(2) USE OF AMOUNTS.—Fees collected under this subsection—

(A) shall be deposited in the account for salaries and expenses of the Secretary; and (B) are authorized to be appropriated solely to cover the costs of licensing examinations.

SEC. 384H. OPERATIONAL ASSISTANCE GRANTS.

(a) IN GENERAL.—

(1) AUTHORITY.—In accordance with this section, the Secretary may make grants to Rural Business Investment Companies and to other entities, as authorized by this subtitle, to provide operational assistance to smaller enterprises financed, or expected to be financed, by the entities.

(2) TERMS.—Grants made under this subsection shall be made over a multiyear period (not to exceed 10 years) under such other terms as the Secretary may require.

(3) USE OF FUNDS.—The proceeds of a grant made under this paragraph may be used by the Rural Business Investment Company receiving the grant only to—

(A) provide operational assistance in connection with an equity investment (made with capital raised after the effective date of this subtitle) in a business located in a rural area; or

(B) pay operational expenses of the Rural Business Investment Company.

(4) SUBMISSION OF PLANS.—A Rural Business Investment Company shall be eligible for a grant under this section only if the Rural Business Investment Company submits to the Secretary, in such form and manner as the Secretary may require, a plan for use of the grant.

(5) GRANT AMOUNT.—

(A) RURAL BUSINESS INVESTMENT COMPANIES.—The amount of a grant made under this subsection to a Rural Business Investment Company shall be equal to the lesser of—

(i) 50 percent of the amount of resources (in cash or in kind) raised by the Rural Business Investment Company; or

(ii) $1,000,000.

(B) OTHER ENTITIES.—The amount of a grant made under this subsection to any entity other than a Rural Business Investment Company shall be equal to the resources (in cash or in kind) raised by the entity in accordance with the requirements applicable to Rural Business Investment Companies under this subtitle.

(b) SUPPLEMENTAL GRANTS.—

(1) IN GENERAL.—The Secretary may make supplemental grants to Rural Business Investment Companies and to other entities, as authorized by this subtitle under such terms as the Secretary may require, to provide additional operational assistance to smaller enterprises financed, or expected to be financed, by the Rural Business Investment Companies and other entities.

(2) MATCHING REQUIREMENT.—The Secretary may require, as a condition of any supplemental grant made under this subsection, that the Rural Business Investment Company or entity receiving the grant provide from resources (in cash or in kind), other than resources provided by the Secretary, a matching contribution equal to the amount of the supplemental grant.

SEC. 384I. RURAL BUSINESS INVESTMENT COMPANIES.

(a) ORGANIZATION.—For the purpose of this subtitle, a Rural Business Investment Company shall—

(1) be an incorporated body, a limited liability company, or a limited partnership organized and chartered or otherwise existing under State law solely for the purpose of performing the functions and conducting the activities authorized by this subtitle;

(2)(A) if incorporated, have succession for a period of not less than 30 years unless earlier dissolved by the shareholders of the Rural Business Investment Company; and

(B) if a limited partnership or a limited liability company, have succession for a period of not less than 10 years; and

(3) possess the powers reasonably necessary to perform the functions and conduct the activities.

(b) ARTICLES.—The articles of any Rural Business Investment Company—

(1) shall specify in general terms—

(A) the purposes for which the Rural Business Investment Company is formed;

(B) the name of the Rural Business Investment Company;

(C) the area or areas in which the operations of the Rural Business Investment Company are to be carried out;

(D) the place where the principal office of the Rural Business Investment Company is to be located; and

(E) the amount and classes of the shares of capital stock of the Rural Business Investment Company;

(2) may contain any other provisions consistent with this subtitle that the Rural Business Investment Company may determine appropriate to adopt for the regulation of the business of the Rural Business Investment Company and the conduct of the affairs of the Rural Business Investment Company; and

(3) shall be subject to the approval of the Secretary.

(c) Capital Requirements.—

(1) IN GENERAL.—Except as provided in paragraph (2), the private capital of each Rural Business Investment Company shall be not less than—

(A) $5,000,000; or

(B) $10,000,000, with respect to each Rural Business Investment Company authorized or seeking authority to issue participating securities to be purchased or guaranteed by the Secretary under this subtitle.

(2) EXCEPTION.—The Secretary may, in the discretion of the Secretary and based on a showing of special circumstances and good cause, permit the private capital of a Rural Business Investment Company described in paragraph (1)(B) to be less than $10,000,000, but not less than $5,000,000, if the Secretary determines that the action would not create or otherwise contribute to an unreasonable risk of default or loss to the Federal Government.

(3) Adequacy.—In addition to the requirements of paragraph (1), the Secretary shall—

(A) determine whether the private capital of each Rural Business Investment Company is adequate to ensure a reasonable prospect that the Rural Business Investment Company will be operated soundly and profitably, and managed actively and prudently in accordance with the articles of the Rural Business Investment Company;

(B) determine that the Rural Business Investment Company will be able to comply with the requirements of this subtitle; and

(C) require that at least 75 percent of the capital of each Rural Business Investment Company is invested in rural business concerns.

(d) DIVERSIFICATION OF OWNERSHIP.—The Secretary shall ensure that the management of each Rural Business Investment Company licensed after the date of enactment of this subtitle is sufficiently diversified from and unaffiliated with the ownership of the Rural Business Investment Company so as to ensure independence and ob-

jectivity in the financial management and oversight of the investments and operations of the Rural Business Investment Company.

SEC. 384J. FINANCIAL INSTITUTION INVESTMENTS.

(a) IN GENERAL.—Except as otherwise provided in this section and notwithstanding any other provision of law, the following banks, associations, and institutions may invest in any Rural Business Investment Company or in any entity established to invest solely in Rural Business Investment Companies:

(1) Any national bank.

(2) Any member bank of the Federal Reserve System.

(3) Any Federal savings association.

(4) Any Farm Credit System institution described in section 1.2(a) of the Farm Credit Act of 1971 (12 U.S.C. 2002(a)).

(5) Any insured bank that is not a member of the Federal Reserve System, to the extent permitted under applicable State law.

(b) LIMITATION.—No bank, association, or institution described in subsection (a) may make investments described in subsection (a) that are greater than 5 percent of the capital and surplus of the bank, association, or institution.

(c) LIMITATION ON RURAL BUSINESS INVESTMENT COMPANIES CONTROLLED BY FARM CREDIT SYSTEM INSTITUTIONS.—If a Farm Credit System institution described in section 1.2(a) of the Farm Credit Act of 1971 (12 U.S.C. 2002(a)) holds more than 30 percent of the voting shares of a Rural Business Investment Company, either alone or in conjunction with other System institutions (or affiliates), the Rural Business Investment Company shall not provide equity investments in, or provide other financial assistance to, entities that are not otherwise eligible to receive financing from the Farm Credit System under that Act (12 U.S.C. 2001 et seq.).

SEC. 384K. REPORTING REQUIREMENT.

Each Rural Business Investment Company that participates in the program established under this subtitle shall provide to the Secretary such information as the Secretary may require, including—

(1) information relating to the measurement criteria that the Rural Business Investment Company proposed in the program application of the Rural Business Investment Company; and

(2) in each case in which the Rural Business Investment Company under this subtitle makes an investment in, or a loan or grant to, a business that is not located in a rural area, a report on the number and percentage of employees of the business who reside in those areas.

SEC. 384L. EXAMINATIONS.

(a) IN GENERAL.—Each Rural Business Investment Company that participates in the program established under this subtitle shall be subject to examinations made at the direction of the Secretary in accordance with this section.

(b) ASSISTANCE OF PRIVATE SECTOR ENTITIES.—An examination under this section may be conducted with the assistance of a private sector entity that has the qualifications and the expertise necessary to conduct such an examination.

(c) COSTS.—

(1) IN GENERAL.—The Secretary may assess the cost of an examination under this section, including compensation of the ex-

aminers, against the Rural Business Investment Company examined.

(2) PAYMENT.—Any Rural Business Investment Company against which the Secretary assesses costs under this paragraph shall pay the costs.

(d) DEPOSIT OF FUNDS.—Funds collected under this section shall—

(1) be deposited in the account that incurred the costs for carrying out this section;

(2) be made available to the Secretary to carry out this section, without further appropriation; and

(3) remain available until expended.

SEC. 384M. INJUNCTIONS AND OTHER ORDERS.

(a) IN GENERAL.—

(1) APPLICATION BY SECRETARY.—Whenever, in the judgment of the Secretary, a Rural Business Investment Company or any other person has engaged or is about to engage in any act or practice that constitutes or will constitute a violation of a provision of this subtitle (including any rule, regulation, order, or participation agreement under this subtitle), the Secretary may apply to the appropriate district court of the United States for an order enjoining the act or practice, or for an order enforcing compliance with the provision, rule, regulation, order, or participation agreement.

(2) JURISDICTION; RELIEF.—The court shall have jurisdiction over the action and, on a showing by the Secretary that the Rural Business Investment Company or other person has engaged or is about to engage in an act or practice described in paragraph (1), a permanent or temporary injunction, restraining order, or other order, shall be granted without bond.

(b) JURISDICTION.—

(1) IN GENERAL.—In any proceeding under subsection (a), the court as a court of equity may, to such extent as the court considers necessary, take exclusive jurisdiction over the Rural Business Investment Company and the assets of the Rural Business Investment Company, wherever located.

(2) TRUSTEE OR RECEIVER.—The court shall have jurisdiction in any proceeding described in paragraph (1) to appoint a trustee or receiver to hold or administer the assets.

(c) SECRETARY AS TRUSTEE OR RECEIVER.—

(1) AUTHORITY.—The Secretary may act as trustee or receiver of a Rural Business Investment Company.

(2) APPOINTMENT.—On the request of the Secretary, the court shall appoint the Secretary to act as a trustee or receiver of a Rural Business Investment Company unless the court considers the appointment inequitable or otherwise inappropriate by reason of any special circumstances involved.

SEC. 384N. ADDITIONAL PENALTIES FOR NONCOMPLIANCE.

(a) IN GENERAL.—With respect to any Rural Business Investment Company that violates or fails to comply with this subtitle (including any rule, regulation, order, or participation agreement under this subtitle), the Secretary may, in accordance with this section—

(1) void the participation agreement between the Secretary and the Rural Business Investment Company; and

(2) cause the Rural Business Investment Company to forfeit all of the rights and privileges derived by the Rural Business Investment Company under this subtitle.

(b) ADJUDICATION OF NONCOMPLIANCE.—

(1) IN GENERAL.—Before the Secretary may cause a Rural Business Investment Company to forfeit rights or privileges under subsection (a), a court of the United States of competent jurisdiction must find that the Rural Business Investment Company committed a violation, or failed to comply, in a cause of action brought for that purpose in the district, territory, or other place subject to the jurisdiction of the United States, in which the principal office of the Rural Business Investment Company is located.

(2) PARTIES AUTHORIZED TO FILE CAUSES OF ACTION.—Each cause of action brought by the United States under this subsection shall be brought by the Secretary or by the Attorney General.

SEC. 384O. UNLAWFUL ACTS AND OMISSIONS; BREACH OF FIDUCIARY DUTY.

(a) PARTIES DEEMED TO COMMIT A VIOLATION.—Whenever any Rural Business Investment Company violates this subtitle (including any rule, regulation, order, or participation agreement under this subtitle), by reason of the failure of the Rural Business Investment Company to comply with this subtitle or by reason of its engaging in any act or practice that constitutes or will constitute a violation of this subtitle, the violation shall also be deemed to be a violation and an unlawful act committed by any person that, directly or indirectly, authorizes, orders, participates in, causes, brings about, counsels, aids, or abets in the commission of any acts, practices, or transactions that constitute or will constitute, in whole or in part, the violation.

(b) FIDUCIARY DUTIES.—It shall be unlawful for any officer, director, employee, agent, or other participant in the management or conduct of the affairs of a Rural Business Investment Company to engage in any act or practice, or to omit any act or practice, in breach of the fiduciary duty of the officer, director, employee, agent, or participant if, as a result of the act or practice, the Rural Business Investment Company suffers or is in imminent danger of suffering financial loss or other damage.

(c) UNLAWFUL ACTS.—Except with the written consent of the Secretary, it shall be unlawful—

(1) for any person to take office as an officer, director, or employee of any Rural Business Investment Company, or to become an agent or participant in the conduct of the affairs or management of a Rural Business Investment Company, if the person—

(A) has been convicted of a felony, or any other criminal offense involving dishonesty or breach of trust; or

(B) has been found civilly liable in damages, or has been permanently or temporarily enjoined by an order, judgment, or decree of a court of competent jurisdiction, by reason of any act or practice involving fraud, or breach of trust; and

(2) for any person to continue to serve in any of the capacities described in paragraph (1), if—

(A) the person is convicted of a felony, or any other criminal offense involving dishonesty or breach of trust; or

(B) the person is found civilly liable in damages, or is permanently or temporarily enjoined by an order, judgment, or decree of a court of competent jurisdiction, by reason of any act or practice involving fraud or breach of trust.

SEC. 384P. REMOVAL OR SUSPENSION OF DIRECTORS OR OFFICERS.

Using the procedures established by the Secretary for removing or suspending a director or an officer of a Rural Business Investment Company, the Secretary may remove or suspend any director or officer of any Rural Business Investment Company.

SEC. 384Q. CONTRACTING OF FUNCTIONS.

Notwithstanding any other provision of law, the Secretary shall enter into an interagency agreement with the Administrator of the Small Business Administration to carry out, on behalf of the Secretary, the day-to-day management and operation of the program authorized by this subtitle.

SEC. 384R. REGULATIONS.

The Secretary may promulgate such regulations as the Secretary considers necessary to carry out this subtitle.

SEC. 384S. FUNDING.

(a) IN GENERAL.—Not later than 30 days after the date of enactment of this Act, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary of Agriculture—

(1) such sums as may be necessary for the cost of guaranteeing $350,000,000 of debentures under this subtitle; and

(2) $50,000,000 to make grants under this subtitle.

(b) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under subsection (a), without further appropriation.

(c) AVAILABILITY OF FUNDS.—Funds transferred under subsection (a) shall remain available until expended.

Subtitle I—Rural Endowment Program

SEC. 385A. PURPOSE.

The purpose of this subtitle is to provide rural communities with technical and financial assistance to implement comprehensive community development strategies to reduce the economic and social distress resulting from poverty, high unemployment, outmigration, plant closings, agricultural downturn, declines in the natural resource-based economy, or environmental degradation.

SEC. 385B. DEFINITIONS.

In this subtitle:

(1) COMPREHENSIVE COMMUNITY DEVELOPMENT STRATEGY.—The term "comprehensive community development strategy" means a community development strategy described in section 385C(e).

(2) ELIGIBLE RURAL AREA.—

(A) IN GENERAL.—The term "eligible rural area" means an area with a population of 25,000 inhabitants or less, as determined by the Secretary using the most recent decennial census.

(B) EXCLUSIONS.—The term "eligible rural area" does not include—

(i) any area designated by the Secretary as a rural empowerment zone or rural enterprise community; or

(ii) an urbanized area immediately adjacent to an incorporated city or town with a population of more than 25,000 inhabitants.

(3) ENDOWMENT FUND.—The term "endowment fund" means a long-term fund that an approved program entity is required to establish under section 385C(f)(3).

(4) PERFORMANCE-BASED BENCHMARKS.—The term "performance-based benchmarks" means a set of annualized goals and tasks established by a recipient of a grant under the Program, in collaboration with the Secretary, for the purpose of measuring performance in meeting the comprehensive community development strategy of the recipient.

(5) PROGRAM.—The term "Program" means the Rural Endowment Program established under section 385C(a).

(6) PROGRAM ENTITY.—The term "program entity" means—

(A) a private nonprofit community-based development organization;

(B) a unit of local government (including a multijurisdictional unit of local government);

(C) an Indian tribe (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b));

(D) a consortium comprised of an organization described in subparagraph (A) and a unit of local government; or

(E) a consortium of entities specified in subparagraphs (A) through (D);

that serves an eligible rural area.

(7) PROGRAM-RELATED INVESTMENT.—The term "program-related investment" means—

(A) a loan, loan guarantee, grant, payment of a technical fee, or other expenditure provided for an affordable housing, community facility, small business, environmental improvement, or other community development project that is part of a comprehensive community development strategy; and

(B) support services relating to a project described in subparagraph (A).

SEC. 385C. RURAL ENDOWMENT PROGRAM.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—The Secretary may establish a program, to be known as the "Rural Endowment Program", to provide approved program entities with assistance in developing and implementing comprehensive community development strategies for eligible rural areas.

(2) PURPOSES.—The purposes of the Program are—

(A) to enhance the ability of an eligible rural area to engage in comprehensive community development;

(B) to leverage private and public resources for the benefit of community development efforts in eligible rural areas;

(C) to make available staff of Federal agencies to directly assist the community development efforts of an approved program entity or eligible rural area; and

(D) to strengthen the asset base of an eligible rural area to further long-term, ongoing community development.

(b) APPLICATIONS.—

(1) IN GENERAL.—To receive an endowment grant under the Program, the eligible entity shall submit an application at such time, in such form, and containing such information as the Secretary may require.

(2) REGIONAL APPLICATIONS.—

(A) IN GENERAL.—Where appropriate, the Secretary shall encourage regional applications from program entities serving more than 1 eligible rural area.

(B) CRITERIA FOR APPLICATIONS.—To be eligible for an endowment grant for a regional application the program entities that submit the application shall demonstrate that—

(i) a comprehensive community development strategy for the eligible rural areas is best accomplished through a regional approach; and

(ii) the combined population of the eligible rural areas covered by the comprehensive community development strategy is 75,000 inhabitants or less.

(C) AMOUNT OF ENDOWMENT GRANTS.—For the purpose of subsection (f)(2), 2 or more program entities that submit a regional application shall be considered to be a single program entity.

(3) PREFERENCE.—The Secretary shall give preference to a joint application submitted by a private, nonprofit community development corporation and a unit of local government.

(c) ENTITY APPROVAL.—The Secretary shall approve a program entity to receive grants under the Program, if the program entity meets criteria established by the Secretary, including the following:

(1) DISTRESSED RURAL AREA.—The program entity shall serve a rural area that suffers from economic or social distress resulting from poverty, high unemployment, outmigration, plant closings, agricultural downturn, declines in the natural resource-based economy, or environmental degradation.

(2) CAPACITY TO IMPLEMENT STRATEGY.—The program entity shall demonstrate the capacity to implement a comprehensive community development strategy.

(3) GOALS.—The goals described in the application submitted under subsection (b) shall be consistent with this section.

(4) PARTICIPATION PROCESS.—The program entity shall demonstrate the ability to convene and maintain a multi-stakeholder, community-based participation process.

(d) PLANNING GRANTS TO CONDITIONALLY APPROVED PROGRAM ENTITIES.—

(1) IN GENERAL.—The Secretary may award supplemental grants to approved program entities to assist the approved pro-

gram entities in the development of a comprehensive community development strategy under subsection (e) November 23, 2001.

(2) ELIGIBILITY FOR SUPPLEMENTAL GRANTS.—In determining whether to award a supplemental grant to an approved program entity, the Secretary shall consider the economic need of the approved program entity.

(3) LIMITATIONS ON AMOUNT OF GRANTS.—Under this subsection, an approved program entity may receive a supplemental grant in an amount of not more than $100,000.

(e) ENDOWMENT GRANT AWARD.—

(1) IN GENERAL.—To be eligible for an endowment grant under the Program, an approved program entity shall develop and obtain the approval of the Secretary for a comprehensive community development strategy that—

(A) is designed to reduce economic or social distress resulting from poverty, high unemployment, outmigration, plant closings, agricultural downturn, declines in the natural resource-based economy, or environmental degradation;

(B) addresses a broad range of the development needs of a community, including economic, social, and environmental needs, for a period of not less than 10 years;

(C) is developed with input from a broad array of local governments and business, civic, and community organizations;

(D) specifies measurable performance-based outcomes for all activities; and

(E) includes a financial plan for achieving the outcomes and activities of the comprehensive community development strategy that identifies sources for, or a plan to meet, the requirement for a non-Federal share under subsection (f)(4)(B).

(2) FINAL APPROVAL.—

(A) IN GENERAL.—An approved program entity shall receive final approval if the Secretary determines that—

(i) the comprehensive community development strategy of the approved program entity meets the requirements of this section;

(ii) the management and organizational structure of the approved program entity is sufficient to oversee fund and development activities;

(iii) the approved program entity has established an endowment fund; and

(iv) the approved program entity will be able to provide the non-Federal share required under subsection (f)(4)(B).

(B) CONDITIONS.—As part of the final approval, the approved program entity shall agree to—

(i) achieve, to the maximum extent practicable, performance-based benchmarks; and

(ii) comply with the terms of the comprehensive community development strategy for a period of not less than 10 years.

(f) ENDOWMENT GRANTS.—

(1) IN GENERAL.—Under the Program, the Secretary may make endowment grants to approved program entities with final approval to implement an approved comprehensive community development strategy.

(2) AMOUNT OF GRANTS.—An endowment grant to an approved program entity shall be in an amount of not more than $6,000,000, as determined by the Secretary based on—

(A) the size of the population of the eligible rural area for which the endowment grant is to be used;

(B) the size of the eligible rural area for which the endowment grant is to be used;

(C) the extent of the comprehensive community development strategy to be implemented using the endowment grant award; and

(D) the extent to which the community suffers from economic or social distress resulting from—

(i) poverty;

(ii) high unemployment;

(iii) outmigration;

(iv) plant closings;

(v) agricultural downturn;

(vi) declines in the natural resource-based economy; or

(vii) environmental degradation.

(3) ENDOWMENT FUNDS.—

(A) ESTABLISHMENT.—On notification from the Secretary that the program entity has been approved under subsection (c), the approved program entity shall establish an endowment fund.

(B) FUNDING OF ENDOWMENT.—Federal funds provided in the form of an endowment grant under the Program shall—

(i) be deposited in the endowment fund;

(ii) be the sole property of the approved program entity;

(iii) be used in a manner consistent with this subtitle; and

(iv) be subject to oversight by the Secretary for a period of not more than 10 years.

(C) INTEREST.—Interest earned on Federal funds in the endowment fund shall be—

(i) retained by the grantee; and

(ii) treated as Federal funds are treated under subparagraph (B).

(D) LIMITATION.—The Secretary shall promulgate regulations on matching funds and returns on program-related investments only to the extent that such funds or proceeds are used in a manner consistent with this subtitle.

(4) CONDITIONS.—

(A) DISBURSEMENT.—

(i) IN GENERAL.—Each endowment grant award shall be disbursed during a period not to exceed 5 years beginning during the fiscal year containing the date of final approval of the approved program entity under subsection (e)(3).

(ii) MANNER OF DISBURSEMENT.—Subject to subparagraph (B), the Secretary may disburse a grant award in 1 lump sum or in incremental disbursements made each fiscal year.

(iii) INCREMENTAL DISBURSEMENTS.—If the Secretary elects to make incremental disbursements, for each fiscal year after the initial disbursement, the Secretary shall make a disbursement under clause (i) only if the approved program entity—

(I) has met the performance-based benchmarks of the approved program entity for the preceding fiscal year; and

(II) has provided the non-Federal share required for the preceding fiscal year under subparagraph (B).

(iv) ADVANCE DISBURSEMENTS.—The Secretary may make disbursements under this paragraph notwithstanding any provision of law limiting grant disbursements to amounts necessary to cover expected expenses on a term basis.

(B) NON-FEDERAL SHARE.—

(i) IN GENERAL.—Except as provided in clause (ii), for each disbursement under subparagraph (A), the Secretary shall require the approved program entity to provide a non-Federal share in an amount equal to 50 percent of the amount of funds received by the approved program entity under the disbursement.

(ii) LOWER NON-FEDERAL SHARE.—In the case of an approved program entity that serves a small, poor rural area (as determined by the Secretary), the Secretary may—

(I) reduce the non-Federal share to not less than 20 percent; and

(II) allow the non-Federal share to be provided in the form of in-kind contributions.

(iii) BINDING COMMITMENTS; PLAN.—For the purpose of meeting the non-Federal share requirement with respect to the first disbursement of an endowment grant award to the approved program entity under the Program, an approved program entity shall—

(I) have, at a minimum, binding commitments to provide the non-Federal share required with respect to the first disbursement of the endowment grant award; and

(II) if the Secretary is making incremental disbursements of a grant, develop a viable plan for providing the remaining amount of the required non-Federal share.

(C) LIMITATIONS.—

(i) IN GENERAL.—Subject to clause (ii), of each disbursement, an approved program entity shall use—

(I) not more than 10 percent for administrative costs of carrying out program-related investments;

(II) not more than 20 percent for the purpose of maintaining a loss reserve account; and

(III) the remainder for program-related investments contained in the comprehensive community development strategy.

(ii) LOSS RESERVE ACCOUNT.—If all disbursed funds available under a grant are expended in accordance with clause (i) and the grant recipient has no expected losses to cover for a fiscal year, the recipient may use funds in the loss reserve account described in clause (i)(II) for program-related investments described in clause (i)(III) for which no reserve for losses is required.

(g) FEDERAL AGENCY ASSISTANCE.—Under the Program, the Secretary shall provide and coordinate technical assistance for grant recipients by designated field staff of Federal agencies.

(h) PRIVATE TECHNICAL ASSISTANCE.—

(1) IN GENERAL.—Under the Program, the Secretary may make grants to qualified intermediaries to provide technical assistance and capacity building to approved program entities under the Program.

(2) DUTIES.—A qualified intermediary that receives a grant under this subsection shall—

(A) provide assistance to approved program entities in developing, coordinating, and overseeing investment strategy;

(B) provide technical assistance in all aspects of planning, developing, and managing the Program; and

(C) facilitate Federal and private sector involvement in rural community development.

(3) ELIGIBILITY.—To be considered a qualified intermediary under this subsection, an intermediary shall—

(A) be a private, nonprofit community development organization;

(B) have expertise in Federal or private rural community development policy or programs; and

(C) have experience in providing technical assistance, planning, and capacity building assistance to rural communities and nonprofit entities in eligible rural areas.

(4) MAXIMUM AMOUNT OF GRANTS.—A qualified intermediary may receive a grant under this subsection of not more than $100,000.

(5) FUNDING.—Of the amounts made available under section 385D, the Secretary may use to carry out this subsection not more than $2,000,000 for each of not more than 2 fiscal years.

SEC. 385D. FUNDING.

(a) FISCAL YEARS 2002 AND 2003.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this subtitle, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary of Agriculture to carry out this subtitle $82,000,000 for the period of fiscal years 2002 and 2003, to remain available until expended.

(2) SCHEDULE FOR OBLIGATIONS.—Of the amounts made available under paragraph (1)—

(A) not more than $5,000,000 shall be obligated to carry out section 385C(d);

(B) not less than $75,000,000 shall be obligated to carry out section 385C(f); and

(C) not less than $2,000,000 shall be obligated to carry out section 385C(h).

(3) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this subtitle the funds transferred under paragraph (1), without further appropriation.

(b) FISCAL YEARS 2004 THROUGH 2006.—There are authorized to be appropriated such sums as are necessary to carry out this subtitle for each of fiscal years 2004 through 2006.

Subtitle J—SEARCH Grants for Small Communities

SEC. 386A. DEFINITIONS.

In this subtitle:

(1) COUNCIL.—The term "council" means an independent citizens' council established by section 386B(d).

(2) ENVIRONMENTAL PROJECT.—

(A) IN GENERAL.—The term "environmental project" means a project that—

(i) improves environmental quality; and

(ii) is necessary to comply with an environmental law (including a regulation).

(B) INCLUSION.—The term "environmental project" includes an initial feasibility study of a project.

(3) REGION.—The term "region" means a geographic area of a State, as determined by the Governor of the State.

(4) SEARCH GRANT.—The term "SEARCH grant" means a grant for special environmental assistance for the regulation of communities and habitat awarded under section 386B(e)(3).

(5) SMALL COMMUNITY.—The term "small community" means an incorporated or unincorporated rural community with a population of 2,500 inhabitants or less.

(6) STATE.—The term "State" has the meaning given the term in section 381A(1).

SEC. 386B. SEARCH GRANT PROGRAM.

(a) IN GENERAL.—There is established the SEARCH Grant Program.

(b) APPLICATION.—

(1) IN GENERAL.—Not later than October 1 of each fiscal year, a State may submit to the Secretary an application to receive a grant under subsection (c) for the fiscal year.

(2) REQUIREMENTS.—An application under paragraph (1) shall contain—

(A) a certification by the State that the State has appointed members to the council of the State under subsection (c)(2)(C); and

(B) such information as the Secretary may reasonably require.

(c) GRANTS TO STATES.—

(1) IN GENERAL.—Not later than 60 days after the date on which the Office of Management and Budget apportions any

amounts made available under this subtitle, for each fiscal year after the date of enactment of this subtitle, the Secretary shall, on request by a State—

(A) determine whether any application submitted by the State under subsection (b) meets the requirements of subsection (b)(2); and

(B) subject to paragraph (2), subsection (e)(4)(B)(ii), and section 386D(b), if the Secretary determines that the application meets the requirements of subsection (b)(2), award a grant of not to exceed $1,000,000 to the State, to be used by the council of the State to award SEARCH grants under subsection (e).

(2) GRANTS TO CERTAIN STATES.—The aggregate amount of grants awarded to States other than Alaska, Hawaii, or 1 of the 48 contiguous States, under this subsection shall not exceed $1,000,000 for any fiscal year.

(d) INDEPENDENT CITIZENS' COUNCIL.—

(1) ESTABLISHMENT.—There is established in each State an independent citizens' council to carry out the duties described in this section.

(2) COMPOSITION.—

(A) IN GENERAL.—Each council shall be composed of 9 members, appointed by the Governor of the State.

(B) REPRESENTATION; RESIDENCE.—Each member of a council shall—

(i) represent an individual region of the State, as determined by the Governor of the State in which the council is established;

(ii) reside in a small community of the State; and

(iii) be representative of the populations of the State.

(C) APPOINTMENT.—Before a State receives funds under this subtitle, the State shall appoint members to the council for the fiscal year, except that not more than 1 member shall be an agent, employee, or official of the State government.

(D) CHAIRPERSON.—Each council shall select a chairperson from among the members of the council, except that a member who is an agent, employee, or official of the State government shall not serve as chairperson.

(E) FEDERAL REPRESENTATION.—

(i) IN GENERAL.—An officer, employee, or agent of the Federal Government may participate in the activities of the council—

(I) in an advisory capacity; and

(II) at the invitation of the council.

(ii) RURAL DEVELOPMENT STATE DIRECTORS.—On the request of the council of a State, the State Director for Rural Development of the State shall provide advice and consultation to the council.

(3) SEARCH GRANTS.—

(A) IN GENERAL.—Each council shall review applications for, and recommend awards of, SEARCH grants to small communities that meet the eligibility criteria under subsection (c).

(B) RECOMMENDATIONS.—In awarding a SEARCH grant, a State—

(i) shall follow the recommendations of the council of the State;

(ii) shall award the funds for any recommended environmental project in a timely and expeditious manner; and

(iii) shall not award a SEARCH grant to a grantee or project in violation of any law of the State (including a regulation).

(C) NO MATCHING REQUIREMENT.—A small community that receives a SEARCH grant under this section shall not be required to provide matching funds.

(e) SEARCH GRANTS FOR SMALL COMMUNITIES.—

(1) ELIGIBILITY.—A SEARCH grant shall be awarded under this section only to a small community for 1 or more environmental projects for which the small community—

(A) needs funds to carry out initial feasibility or environmental studies before applying to traditional funding sources; or

(B) demonstrates, to the satisfaction of the council, that the small community has been unable to obtain sufficient funding from traditional funding sources.

(2) APPLICATION.—

(A) DATE.—The council shall establish such deadline by which small communities shall submit applications for grants under this section as will permit the council adequate time to review and make recommendations relating to the applications.

(B) LOCATION OF APPLICATION.—A small community shall submit an application described in subparagraph (A) to the council in the State in which the small community is located.

(C) CONTENT OF APPLICATION.—An application described in subparagraph (A) shall include—

(i) a description of the proposed environmental project (including an explanation of how the project would assist the small community in complying with an environmental law (including a regulation));

(ii) an explanation of why the project is important to the small community;

(iii) a description of all actions taken with respect to the project, including a description of any attempt to secure funding and a description of demonstrated need for funding for the project, as of the date of the application; and

(iv) a SEARCH grant application form provided by the council, completed and with all required supporting documentation.

(3) REVIEW AND RECOMMENDATION.—

(A) IN GENERAL.—Except as provided in subparagraph (B), not later than March 5 of each fiscal year, each council shall—

(i) review all applications received under paragraph (2); and

(ii) recommend for award SEARCH grants to small communities based on—

(I) an evaluation of the eligibility criteria under paragraph (1); and

(II) the content of the application.

(B) EXTENSION OF DEADLINE.—The State may extend the deadline described in subparagraph (A) by not more than 10 days in a case in which the receipt of recommendations from a council under subparagraph (A)(ii) is delayed because of circumstances beyond the control of the council, as determined by the State.

(4) UNEXPENDED FUNDS.—

(A) IN GENERAL.—If, for any fiscal year, any unexpended funds remain after SEARCH grants are awarded under subsection (d)(3)(B), the council may repeat the application and review process so that any remaining funds may be recommended for award, and awarded, not later than July 30 of the fiscal year.

(B) RETENTION OF FUNDS.—

(i) IN GENERAL.—Any unexpended funds that are not awarded under subsection (d)(3)(B) or subparagraph (A) shall be retained by the State for award during the following fiscal year.

(ii) LIMITATION.—A State that accumulates a balance of unexpended funds described in clause (i) of more than $3,000,000 shall be ineligible to apply for additional funds for SEARCH grants until such time as the State expends the portion of the balance that exceeds $3,000,000.

SEC. 386C. REPORT.

Not later than September 1 of the first fiscal year for which a SEARCH grant is awarded by a council, and annually thereafter, the council shall submit to the Secretary a report that—

(1) describes the number of SEARCH grants awarded during the fiscal year;

(2) identifies each small community that received a SEARCH grant during the fiscal year;

(3) describes the project or purpose for which each SEARCH grant was awarded, including a statement of the benefit to public health or the environment of the environmental project receiving the grant funds; and

(4) describes the status of each project or portion of a project for which a SEARCH grant was awarded, including a project or portion of a project for which a SEARCH grant was awarded for any fiscal year before the fiscal year in which the report is submitted.

SEC. 386D. FUNDING.

(a) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out section 386B(c) $51,000,000, of which not to exceed $1,000,000 shall be used to make grants under section 386B(c)(2).

(b) ACTUAL APPROPRIATION.—If funds to carry out section 386B(c) are made available for a fiscal year in an amount that is less than

the amount authorized under subsection (a) for the fiscal year, the appropriated funds shall be divided equally among the 50 States.

(c) UNUSED FUNDS.—If, for any fiscal year, a State does not apply, or does not qualify, to receive funds under section 386B(b), the funds that would have been made available to the State under section 386B(c) on submission by the State of a successful application under section 386B(b) shall be redistributed for award under this subtitle among States, the councils of which awarded 1 or more SEARCH grants during the preceding fiscal year.

(d) OTHER EXPENSES.—There are authorized to be appropriated such sums as are necessary to carry out the provisions of this subtitle (other than section 386B(c)).

Subtitle K—Northern Great Plains Regional Authority

SEC. 387A. DEFINITIONS.

In this subtitle:

(1) AUTHORITY.—The term "Authority" means the Northern Great Plains Regional Authority established by section 387B.

(2) FEDERAL GRANT PROGRAM.—The term "Federal grant program" means a Federal grant program to provide assistance in—

(A) acquiring or developing land;

(B) constructing or equipping a highway, road, bridge, or facility; or

(C) carrying out other economic development activities.

(3) REGION.—The term "region" means the States of Iowa, Minnesota, Nebraska, North Dakota, and South Dakota.

SEC. 387B. NORTHERN GREAT PLAINS REGIONAL AUTHORITY.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—There is established the Northern Great Plains Regional Authority.

(2) COMPOSITION.—The Authority shall be composed of—

(A) a Federal member, to be appointed by the President, with the advice and consent of the Senate; and

(B) the Governor (or a designee of the Governor) of each State in the region that elects to participate in the Authority.

(3) COCHAIRPERSONS.—The Authority shall be headed by—

(A) the Federal member, who shall serve—

(i) as the Federal cochairperson; and

(ii) as a liaison between the Federal Government and the Authority; and

(B) a State cochairperson, who—

(i) shall be a Governor of a participating State in the region; and

(ii) shall be elected by the State members for a term of not less than 1 year.

(b) ALTERNATE MEMBERS.—

(1) STATE ALTERNATES.—The State member of a participating State may have a single alternate, who shall be—

(A) a resident of that State; and

(B) appointed by the Governor of the State.

(2) ALTERNATE FEDERAL COCHAIRPERSON.—The President shall appoint an alternate Federal cochairperson.

(3) QUORUM.—A State alternate shall not be counted toward the establishment of a quorum of the Authority in any instance in which a quorum of the State members is required to be present.

(4) DELEGATION OF POWER.—No power or responsibility of the Authority specified in paragraphs (2) and (3) of subsection (c), and no voting right of any Authority member, shall be delegated to any person—

(A) who is not an Authority member; or

(B) who is not entitled to vote in Authority meetings.

(c) VOTING.—

(1) IN GENERAL.—A decision by the Authority shall require a majority vote of the Authority (not including any member representing a State that is delinquent under subsection (g)(2)(C)) to be effective.

(2) QUORUM.—A quorum of State members shall be required to be present for the Authority to make any policy decision, including—

(A) a modification or revision of an Authority policy decision;

(B) approval of a State or regional development plan; and

(C) any allocation of funds among the States.

(3) PROJECT AND GRANT PROPOSALS.—The approval of project and grant proposals shall be—

(A) a responsibility of the Authority; and

(B) conducted in accordance with section 387I.

(4) VOTING BY ALTERNATE MEMBERS.—An alternate member shall vote in the case of the absence, death, disability, removal, or resignation of the Federal or State representative for which the alternate member is an alternate.

(d) DUTIES.—The Authority shall—

(1) develop, on a continuing basis, comprehensive and coordinated plans and programs to establish priorities and approve grants for the economic development of the region, giving due consideration to other Federal, State, and local planning and development activities in the region;

(2) not later than 220 days after the date of enactment of this subtitle, establish priorities in a development plan for the region (including 5-year regional outcome targets);

(3) assess the needs and assets of the region based on available research, demonstrations, investigations, assessments, and evaluations of the region prepared by Federal, State, and local agencies, universities, local development districts, and other nonprofit groups;

(4) formulate and recommend to the Governors and legislatures of States that participate in the Authority forms of interstate cooperation;

(5) work with State and local agencies in developing appropriate model legislation;

(6)(A) enhance the capacity of, and provide support for, local development districts in the region; or

(B) if no local development district exists in an area in a participating State in the region, foster the creation of a local development district;

(7) encourage private investment in industrial, commercial, and other economic development projects in the region; and

(8) cooperate with and assist State governments with economic development programs of participating States.

(e) ADMINISTRATION.—In carrying out subsection (d), the Authority may—

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute a description of the proceedings and reports on actions by the Authority as the Authority considers appropriate;

(2) authorize, through the Federal or State cochairperson or any other member of the Authority designated by the Authority, the administration of oaths if the Authority determines that testimony should be taken or evidence received under oath;

(3) request from any Federal, State, or local department or agency such information as may be available to or procurable by the department or agency that may be of use to the Authority in carrying out duties of the Authority;

(4) adopt, amend, and repeal bylaws and rules governing the conduct of Authority business and the performance of Authority duties;

(5) request the head of any Federal department or agency to detail to the Authority such personnel as the Authority requires to carry out duties of the Authority, each such detail to be without loss of seniority, pay, or other employee status;

(6) request the head of any State department or agency or local government to detail to the Authority such personnel as the Authority requires to carry out duties of the Authority, each such detail to be without loss of seniority, pay, or other employee status;

(7) provide for coverage of Authority employees in a suitable retirement and employee benefit system by—

(A) making arrangements or entering into contracts with any participating State government; or

(B) otherwise providing retirement and other employee benefit coverage;

(8) accept, use, and dispose of gifts or donations of services or real, personal, tangible, or intangible property;

(9) enter into and perform such contracts, leases, cooperative agreements, or other transactions as are necessary to carry out Authority duties, including any contracts, leases, or cooperative agreements with—

(A) any department, agency, or instrumentality of the United States;

(B) any State (including a political subdivision, agency, or instrumentality of the State); or

(C) any person, firm, association, or corporation; and

(10) establish and maintain a central office and field offices at such locations as the Authority may select.

(f) FEDERAL AGENCY COOPERATION.—A Federal agency shall—

(1) cooperate with the Authority; and

(2) provide, on request of the Federal cochairperson, appropriate assistance in carrying out this subtitle, in accordance with applicable Federal laws (including regulations).

(g) ADMINISTRATIVE EXPENSES.—

(1) IN GENERAL.—Administrative expenses of the Authority (except for the expenses of the Federal cochairperson, including expenses of the alternate and staff of the Federal cochairperson, which shall be paid solely by the Federal Government) shall be paid—

(A) by the Federal Government, in an amount equal to 50 percent of the administrative expenses; and

(B) by the States in the region participating in the Authority, in an amount equal to 50 percent of the administrative expenses.

(2) STATE SHARE.—

(A) IN GENERAL.—The share of administrative expenses of the Authority to be paid by each State shall be determined by the Authority.

(B) NO FEDERAL PARTICIPATION.—The Federal cochairperson shall not participate or vote in any decision under subparagraph (A).

(C) DELINQUENT STATES.—If a State is delinquent in payment of the State's share of administrative expenses of the Authority under this subsection—

(i) no assistance under this subtitle shall be furnished to the State (including assistance to a political subdivision or a resident of the State); and

(ii) no member of the Authority from the State shall participate or vote in any action by the Authority.

(h) COMPENSATION.—

(1) FEDERAL COCHAIRPERSON.—The Federal cochairperson shall be compensated by the Federal Government at level III of the Executive Schedule in subchapter II of chapter 53 of title 5, United States Code.

(2) ALTERNATE FEDERAL COCHAIRPERSON.—The alternate Federal cochairperson—

(A) shall be compensated by the Federal Government at level V of the Executive Schedule described in paragraph (1); and

(B) when not actively serving as an alternate for the Federal cochairperson, shall perform such functions and duties as are delegated by the Federal cochairperson.

(3) STATE MEMBERS AND ALTERNATES.—

(A) IN GENERAL.—A State shall compensate each member and alternate representing the State on the Authority at the rate established by law of the State.

(B) NO ADDITIONAL COMPENSATION.—No State member or alternate member shall receive any salary, or any contribution to or supplementation of salary from any source other than the State for services provided by the member or alternate to the Authority.

(4) DETAILED EMPLOYEES.—

(A) IN GENERAL.—No person detailed to serve the Authority under subsection (e)(6) shall receive any salary or any

contribution to or supplementation of salary for services provided to the Authority from—

(i) any source other than the State, local, or intergovernmental department or agency from which the person was detailed; or

(ii) the Authority.

(B) VIOLATION.—Any person that violates this paragraph shall be fined not more than $5,000, imprisoned not more than 1 year, or both.

(C) APPLICABLE LAW.—The Federal cochairperson, the alternate Federal cochairperson, and any Federal officer or employee detailed to duty on the Authority under subsection (e)(5) shall not be subject to subparagraph (A), but shall remain subject to sections 202 through 209 of title 18, United States Code.

(5) ADDITIONAL PERSONNEL.—

(A) COMPENSATION.—

(i) IN GENERAL.—The Authority may appoint and fix the compensation of an executive director and such other personnel as are necessary to enable the Authority to carry out the duties of the Authority.

(ii) EXCEPTION.—Compensation under clause (i) shall not exceed the maximum rate for the Senior Executive Service under section 5382 of title 5, United States Code, including any applicable locality-based comparability payment that may be authorized under section 5304(h)(2)(C) of that title.

(B) EXECUTIVE DIRECTOR.—The executive director shall be responsible for—

(i) the carrying out of the administrative duties of the Authority;

(ii) direction of the Authority staff; and

(iii) such other duties as the Authority may assign.

(C) NO FEDERAL EMPLOYEE STATUS.—No member, alternate, officer, or employee of the Authority (except the Federal cochairperson of the Authority, the alternate and staff for the Federal cochairperson, and any Federal employee detailed to the Authority under subsection (e)(5)) shall be considered to be a Federal employee for any purpose.

(i) CONFLICTS OF INTEREST.—

(1) IN GENERAL.—Except as provided under paragraph (2), no State member, alternate, officer, or employee of the Authority shall participate personally and substantially as a member, alternate, officer, or employee of the Authority, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in any proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other matter in which, to knowledge of the member, alternate, officer, or employee—

(A) the member, alternate, officer, or employee;

(B) the spouse, minor child, partner, or organization (other than a State or political subdivision of the State) of the member, alternate, officer, or employee, in which the member, alternate, officer, or employee is serving as officer, director, trustee, partner, or employee; or

(C) any person or organization with whom the member, alternate, officer, or employee is negotiating or has any arrangement concerning prospective employment;

has a financial interest.

(2) DISCLOSURE.—Paragraph (1) shall not apply if the State member, alternate, officer, or employee—

(A) immediately advises the Authority of the nature and circumstances of the proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter presenting a potential conflict of interest;

(B) makes full disclosure of the financial interest; and

(C) before the proceeding concerning the matter presenting the conflict of interest, receives a written determination by the Authority that the interest is not so substantial as to be likely to affect the integrity of the services that the Authority may expect from the State member, alternate, officer, or employee.

(3) VIOLATION.—Any person that violates this subsection shall be fined not more than $10,000, imprisoned not more than 2 years, or both.

(j) VALIDITY OF CONTRACTS, LOANS, AND GRANTS.—The Authority may declare void any contract, loan, or grant of or by the Authority in relation to which the Authority determines that there has been a violation of any provision under subsection (h)(4), subsection (i), or sections 202 through 209 of title 18, United States Code.

SEC. 387C. ECONOMIC AND COMMUNITY DEVELOPMENT GRANTS.

(a) IN GENERAL.—The Authority may approve grants to States, local governments, and public and nonprofit organizations for projects, approved in accordance with section 387I—

(1) to develop the transportation and telecommunication infrastructure of the region for the purpose of facilitating economic development in the region (except that grants for this purpose may only be made to States, local governments, and nonprofit organizations);

(2) to assist the region in obtaining the job training, employment-related education, and business development (with an emphasis on entrepreneurship) that are needed to build and maintain strong local economies;

(3) to provide assistance to severely distressed and underdeveloped areas that lack financial resources for improving basic public services;

(4) to provide assistance to severely distressed and underdeveloped areas that lack financial resources for equipping industrial parks and related facilities; and

(5) to otherwise achieve the purposes of this subtitle.

(b) FUNDING.—

(1) IN GENERAL.—Funds for grants under subsection (a) may be provided—

(A) entirely from appropriations to carry out this section;

(B) in combination with funds available under another Federal or Federal grant program; or

(C) from any other source.

(2) PRIORITY OF FUNDING.—To best build the foundations for long-term economic development and to complement other Fed-

eral and State resources in the region, Federal funds available under this subtitle shall be focused on the activities in the following order or priority:

(A) Basic public infrastructure in distressed counties and isolated areas of distress.

(B) Transportation and telecommunication infrastructure for the purpose of facilitating economic development in the region.

(C) Business development, with emphasis on entrepreneurship.

(D) Job training or employment-related education, with emphasis on use of existing public educational institutions located in the region.

(3) FEDERAL SHARE IN GRANT PROGRAMS.—Notwithstanding any provision of law limiting the Federal share in any grant program, funds appropriated to carry out this section may be used to increase a Federal share in a grant program, as the Authority determines appropriate.

SEC. 387D. SUPPLEMENTS TO FEDERAL GRANT PROGRAMS.

(a) FINDING.—Congress finds that certain States and local communities of the region, including local development districts, may be unable to take maximum advantage of Federal grant programs for which the States and communities are eligible because—

(1) they lack the economic resources to meet the required matching share; or

(2) there are insufficient funds available under the applicable Federal grant law authorizing the program to meet pressing needs of the region.

(b) FEDERAL GRANT PROGRAM FUNDING.—In accordance with subsection (c), the Federal cochairperson may use amounts made available to carry out this subtitle, without regard to any limitations on areas eligible for assistance or authorizations for appropriation under any other Act, to fund all or any portion of the basic Federal contribution to a project or activity under a Federal grant program in the region in an amount that is above the fixed maximum portion of the cost of the project otherwise authorized by applicable law, but not to exceed 90 percent of the costs of the project (except as provided in section 387F(b)).

(c) CERTIFICATION.—

(1) IN GENERAL.—In the case of any program or project for which all or any portion of the basic Federal contribution to the project under a Federal grant program is proposed to be made under this section, no Federal contribution shall be made until the Federal official administering the Federal law authorizing the contribution certifies that the program or project—

(A) meets the applicable requirements of the applicable Federal grant law; and

(B) could be approved for Federal contribution under the law if funds were available under the law for the program or project.

(2) CERTIFICATION BY AUTHORITY.—

(A) IN GENERAL.—The certifications and determinations required to be made by the Authority for approval of projects under this subtitle in accordance with section 387I—

(i) shall be controlling; and

(ii) shall be accepted by the Federal agencies.

(B) ACCEPTANCE BY FEDERAL COCHAIRPERSON.—Any finding, report, certification, or documentation required to be submitted to the head of the department, agency, or instrumentality of the Federal Government responsible for the administration of any Federal grant program shall be accepted by the Federal cochairperson with respect to a supplemental grant for any project under the program.

SEC. 387E. LOCAL DEVELOPMENT DISTRICTS; CERTIFICATION AND ADMINISTRATIVE EXPENSES.

(a) DEFINITION OF LOCAL DEVELOPMENT DISTRICT.—In this section, the term "local development district" means an entity that—

(1) is—

(A) a planning district in existence on the date of enactment of this subtitle that is recognized by the Economic Development Administration of the Department of Commerce; or

(B) where an entity described in subparagraph (A) does not exist—

(i) organized and operated in a manner that ensures broad-based community participation and an effective opportunity for other nonprofit groups to contribute to the development and implementation of programs in the region;

(ii) governed by a policy board with at least a simple majority of members consisting of elected officials or employees of a general purpose unit of local government who have been appointed to represent the government;

(iii) certified to the Authority as having a charter or authority that includes the economic development of counties or parts of counties or other political subdivisions within the region—

(I) by the Governor of each State in which the entity is located; or

(II) by the State officer designated by the appropriate State law to make the certification; and

(iv)(I) a nonprofit incorporated body organized or chartered under the law of the State in which the entity is located;

(II) a nonprofit agency or instrumentality of a State or local government;

(III) a public organization established before the date of enactment of this subtitle under State law for creation of multi-jurisdictional, area-wide planning organizations; or

(IV) a nonprofit association or combination of bodies, agencies, and instrumentalities described in subclauses (I) through (III); and

(2) has not, as certified by the Federal cochairperson—

(A) inappropriately used Federal grant funds from any Federal source; or

(B) appointed an officer who, during the period in which another entity inappropriately used Federal grant funds from any Federal source, was an officer of the other entity.

(b) GRANTS TO LOCAL DEVELOPMENT DISTRICTS.—

(1) IN GENERAL.—The Authority may make grants for administrative expenses under this section.

(2) CONDITIONS FOR GRANTS.—

(A) MAXIMUM AMOUNT.—The amount of any grant awarded under paragraph (1) shall not exceed 80 percent of the administrative expenses of the local development district receiving the grant.

(B) MAXIMUM PERIOD.—No grant described in paragraph (1) shall be awarded to a State agency certified as a local development district for a period greater than 3 years.

(C) LOCAL SHARE.—The contributions of a local development district for administrative expenses may be in cash or in kind, fairly evaluated, including space, equipment, and services.

(c) DUTIES OF LOCAL DEVELOPMENT DISTRICTS.—A local development district shall—

(1) operate as a lead organization serving multicounty areas in the region at the local level; and

(2) serve as a liaison between State and local governments, nonprofit organizations (including community-based groups and educational institutions), the business community, and citizens that—

(A) are involved in multijurisdictional planning;

(B) provide technical assistance to local jurisdictions and potential grantees; and

(C) provide leadership and civic development assistance.

SEC. 387F. DISTRESSED COUNTIES AND AREAS AND NONDISTRESSED COUNTIES.

(a) DESIGNATIONS.—Not later than 90 days after the date of enactment of this subtitle, and annually thereafter, the Authority, in accordance with such criteria as the Authority may establish, shall designate—

(1) as distressed counties, counties in the region that are the most severely and persistently distressed and underdeveloped and have high rates of poverty, unemployment, or outmigration;

(2) as nondistressed counties, counties in the region that are not designated as distressed counties under paragraph (1); and

(3) as isolated areas of distress, areas located in nondistressed counties (as designated under paragraph (2)) that have high rates of poverty, unemployment, or outmigration.

(b) DISTRESSED COUNTIES.—

(1) IN GENERAL.—The Authority shall allocate at least 75 percent of the appropriations made available under section 387M for programs and projects designed to serve the needs of distressed counties and isolated areas of distress in the region.

(2) FUNDING LIMITATIONS.—The funding limitations under section 387D(b) shall not apply to a project providing transportation or telecommunication or basic public services to residents of 1 or more distressed counties or isolated areas of distress in the region.

(c) NONDISTRESSED COUNTIES.—

(1) IN GENERAL.—Except as provided in this subsection, no funds shall be provided under this subtitle for a project located in a county designated as a nondistressed county under subsection (a)(2).

(2) EXCEPTIONS.—

(A) IN GENERAL.—The funding prohibition under paragraph (1) shall not apply to grants to fund the administrative expenses of local development districts under section 387E(b).

(B) MULTICOUNTY PROJECTS.—The Authority may waive the application of the funding prohibition under paragraph (1) to—

(i) a multicounty project that includes participation by a nondistressed county; or

(ii) any other type of project;

if the Authority determines that the project could bring significant benefits to areas of the region outside a nondistressed county.

(C) ISOLATED AREAS OF DISTRESS.—For a designation of an isolated area of distress for assistance to be effective, the designation shall be supported—

(i) by the most recent Federal data available; or

(ii) if no recent Federal data are available, by the most recent data available through the government of the State in which the isolated area of distress is located.

(d) TRANSPORTATION, TELECOMMUNICATION, AND BASIC PUBLIC INFRASTRUCTURE.—The Authority shall allocate at least 50 percent of any funds made available under section 387M for transportation, telecommunication, and basic public infrastructure projects authorized under paragraphs (1) and (3) of section 387C(a).

SEC. 387G. DEVELOPMENT PLANNING PROCESS.

(a) STATE DEVELOPMENT PLAN.—In accordance with policies established by the Authority, each State member shall submit a development plan for the area of the region represented by the State member.

(b) CONTENT OF PLAN.—A State development plan submitted under subsection (a) shall reflect the goals, objectives, and priorities identified in the regional development plan developed under section 387B(d)(2).

(c) CONSULTATION WITH INTERESTED LOCAL PARTIES.—In carrying out the development planning process (including the selection of programs and projects for assistance), a State may—

(1) consult with—

(A) local development districts; and

(B) local units of government; and

(2) take into consideration the goals, objectives, priorities, and recommendations of the entities described in paragraph (1).

(d) PUBLIC PARTICIPATION.—

(1) IN GENERAL.—The Authority and applicable State and local development districts shall encourage and assist, to the maximum extent practicable, public participation in the development, revision, and implementation of all plans and programs under this subtitle.

(2) REGULATIONS.—The Authority shall develop guidelines for providing public participation described in paragraph (1), including public hearings.

SEC. 387H. PROGRAM DEVELOPMENT CRITERIA.

(a) IN GENERAL.—In considering programs and projects to be provided assistance under this subtitle, and in establishing a priority ranking of the requests for assistance provided by the Authority, the Authority shall follow procedures that ensure, to the maximum extent practicable, consideration of—

(1) the relationship of the project or class of projects to overall regional development;

(2) the per capita income and poverty and unemployment and outmigration rates in an area;

(3) the financial resources available to the applicants for assistance seeking to carry out the project, with emphasis on ensuring that projects are adequately financed to maximize the probability of successful economic development;

(4) the importance of the project or class of projects in relation to other projects or classes of projects that may be in competition for the same funds;

(5) the prospects that the project for which assistance is sought will improve, on a continuing rather than a temporary basis, the opportunities for employment, the average level of income, or the economic development of the area served by the project; and

(6) the extent to which the project design provides for detailed outcome measurements by which grant expenditures and the results of the expenditures may be evaluated.

(b) NO RELOCATION ASSISTANCE.—No financial assistance authorized by this subtitle shall be used to assist a person or entity in relocating from one area to another, except that financial assistance may be used as otherwise authorized by this title to attract businesses from outside the region to the region.

(c) REDUCTION OF FUNDS.—Funds may be provided for a program or project in a State under this subtitle only if the Authority determines that the level of Federal or State financial assistance provided under a law other than this subtitle, for the same type of program or project in the same area of the State within the region, will not be reduced as a result of funds made available by this subtitle.

SEC. 387I. APPROVAL OF DEVELOPMENT PLANS AND PROJECTS.

(a) IN GENERAL.—A State or regional development plan or any multistate subregional plan that is proposed for development under this subtitle shall be reviewed by the Authority.

(b) EVALUATION BY STATE MEMBER.—An application for a grant or any other assistance for a project under this subtitle shall be made through and evaluated for approval by the State member of the Authority representing the applicant.

(c) CERTIFICATION.—An application for a grant or other assistance for a project shall be approved only on certification by the State member that the application for the project—

(1) describes ways in which the project complies with any applicable State development plan;

(2) meets applicable criteria under section 387H;

(3) provides adequate assurance that the proposed project will be properly administered, operated, and maintained; and

(4) otherwise meets the requirements of this subtitle.

(d) VOTES FOR DECISIONS.—On certification by a State member of the Authority of an application for a grant or other assistance for a specific project under this section, an affirmative vote of the Authority under section 387B(c) shall be required for approval of the application.

SEC. 387J. CONSENT OF STATES.

Nothing in this subtitle requires any State to engage in or accept any program under this subtitle without the consent of the State.

SEC. 387K. RECORDS.

(a) RECORDS OF THE AUTHORITY.—

(1) IN GENERAL.—The Authority shall maintain accurate and complete records of all transactions and activities of the Authority.

(2) AVAILABILITY.—All records of the Authority shall be available for audit and examination by the Comptroller General of the United States and the Inspector General of the Department of Agriculture (including authorized representatives of the Comptroller General and the Inspector General of the Department of Agriculture).

(b) RECORDS OF RECIPIENTS OF FEDERAL ASSISTANCE.—

(1) IN GENERAL.—A recipient of Federal funds under this subtitle shall, as required by the Authority, maintain accurate and complete records of transactions and activities financed with Federal funds and report on the transactions and activities to the Authority.

(2) AVAILABILITY.—All records required under paragraph (1) shall be available for audit by the Comptroller General of the United States, the Inspector General of the Department of Agriculture, and the Authority (including authorized representatives of the Comptroller General, the Inspector General of the Department of Agriculture, and the Authority).

(c) ANNUAL AUDIT.—The Inspector General of the Department of Agriculture shall audit the activities, transactions, and records of the Authority on an annual basis.

SEC. 387L. ANNUAL REPORT.

Not later than 180 days after the end of each fiscal year, the Authority shall submit to the President and to Congress a report describing the activities carried out under this subtitle.

SEC. 387M. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—There is authorized to be appropriated to the Authority to carry out this subtitle $30,000,000 for each of fiscal years 2002 through 2006, to remain available until expended.

(b) ADMINISTRATIVE EXPENSES.—Not more than 5 percent of the amount appropriated under subsection (a) for a fiscal year shall be used for administrative expenses of the Authority.

(c) MINIMUM STATE SHARE OF GRANTS.—Notwithstanding any other provision of this subtitle, for any fiscal year, the aggregate amount of grants received by a State and all persons or entities in the State under this subtitle shall be not less than 1/3 of the product obtained by multiplying—

(1) the aggregate amount of grants under this subtitle for the fiscal year; and

(2) the ratio that—

(A) the population of the State (as determined by the Secretary of Commerce based on the most recent decennial census for which data are available); bears to

(B) the population of the region (as so determined).

SEC. 387N. TERMINATION OF AUTHORITY.

This subtitle and the authority provided under this subtitle expire on October 1, 2006.".

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RURAL ECONOMIC DEVELOPMENT ACT OF 1990

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CHAPTER 5—EFFECTIVE DATE

SEC. 2368. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in subsection (b), this subtitle and the amendments made by this subtitle shall take effect on the date of enactment of this Act.

(b) TECHNICAL AMENDMENTS.—The amendments made by section 2367 shall take effect as if such amendments had been included in chapter 2 of subtitle D of title I of the Omnibus Budget Reconciliation Act of 1987 on the date of enactment of such chapter.

[Subtitle G—Rural Revitalization Through Forestry

[CHAPTER 1—FORESTRY RURAL REVITALIZATION

[SEC. 2371. FORESTRY RURAL REVITALIZATION.

[(a) ESTABLISHMENT OF ECONOMIC DEVELOPMENT AND GLOBAL MARKETING PROGRAM.—The Secretary of Agriculture, acting through the Extension Service and the Cooperative Extension System, and in consultation with the Forest Service, shall establish and implement educational programs and provide technical assistance to assist businesses, industries, and policymakers to create jobs, raise incomes, and increase public revenues in manners consistent with environmental concerns.

[(b) ACTIVITIES.—Each program established under subsection (a) shall—

[(1) transfer technologies to natural resource-based industries in the United States to make such industries more efficient, productive, and competitive;

[(2) assist businesses to identify global marketing opportunities, conduct business on an international basis, and market themselves more effectively; and

[(3) train local leaders in strategic community economic development.

[(c) TYPES OF PROGRAMS.—The Secretary of Agriculture shall establish specific programs under subsection (a) to—

[(1) deliver educational services focused on community economic analysis, economic diversification, economic impact analysis, retention and expansion of existing commodity and noncommodity industries, amenity resource and tourism development, and entrepreneurship focusing on forest lands and rural communities;

[(2) use Cooperative Extension System databases and analytical tools to help communities diversify their economic bases, add value locally to raw forest product materials, and retain revenues by helping to develop local businesses and industries to supply forest products locally; and

[(3) use the full resources of the Cooperative Extension Service, including land-grant universities and county offices, to promote economic development that is sustainable and environmentally sound.

[CHAPTER 2—NATIONAL FOREST-DEPENDENT RURAL COMMUNITIES

[SEC. 2372. SHORT TITLE.

[This chapter may be cited as the "National Forest-Dependent Rural Communities Economic Diversification Act of 1990".

[SEC. 2373. FINDINGS AND PURPOSES.

[(a) FINDINGS.—The Congress finds that—

[(1) the economic well-being of rural America is vital to our national growth and prosperity;

[(2) the economic well-being of many rural communities depends upon the goods and services that are derived from national forests;

[(3) the economies of many of these communities suffer from a lack of industrial and business diversity;

[(4) this lack of diversity is particularly serious in communities whose economies are predominantly dependent on timber and recreation resources and where management decisions made on the national forests by Federal and private organizations may disrupt the supply of those resources;

[(5) the Forest Service has expertise and resources that could be directed to promote modernization and economic diversification of existing industries and services based on forest resources;

[(6) the Forest Service has the technical expertise to provide leadership, in cooperation with other governmental agencies and the private sector, to assist rural communities dependent upon national forest resources to upgrade existing industries and diversify by developing new economic activity in non-forest-related industries; and

[(7) technical assistance, training, education, and other assistance provided by the Department of Agriculture can be targeted to provide immediate help to those rural communities in greatest need.

[(b) PURPOSES.—The purposes of this chapter are—

[(1) to provide assistance to rural communities that are located in or near national forests and that are economically dependent upon forest resources or are likely to be economically

disadvantaged by Federal or private sector land management practices;

[(2) to aid in diversifying such communities' economic bases; and

[(3) to improve the economic, social, and environmental well-being of rural America.

[SEC. 2374. DEFINITIONS.

[As used in this chapter:

[(1) The term "action team" means a rural forestry and economic diversification action team established by the Secretary pursuant to section 2375(b).

[(2) The term "economically disadvantaged" means economic hardship due to the loss of jobs or income (labor or proprietor) derived from forestry, the wood products industry, or related commercial enterprises such as recreation and tourism in the national forest.

[(3) The term "rural community" means—

[(A) any town, township, municipality, or other similar unit of general purpose local government having a population of not more than 10,000 individuals (according to the latest decennial census) that is located in a county where at least 15 percent of the total primary and secondary labor and proprietor income is derived from forestry, wood products, and forest-related industries such as recreation and tourism; or

[(B) any county or similar unit of general purpose local government having a population of not more than 22,550 individuals (according to the latest decennial census) in which at least 15 percent of the total primary and secondary labor and proprietor income is derived from forestry, wood products, and forest-related industries such as recreation and tourism,

that is located within the boundary, or within 100 miles of the boundary, of a national forest.

[(4) The term "Secretary" means the Secretary of Agriculture.

[SEC. 2375. RURAL FORESTRY AND ECONOMIC DIVERSIFICATION ACTION TEAMS.

[(a) REQUESTS FOR ASSISTANCE.—Economically disadvantaged rural communities may request assistance from the Secretary in identifying opportunities that will promote economic improvement and diversification and revitalization.

[(b) ESTABLISHMENT.—Upon request, the Secretary may establish rural forestry and economic diversification action teams to prepare an action plan to provide technical assistance to economically disadvantaged communities. The action plan shall identify opportunities to promote economic diversification and enhance local economies now dependent upon national forest resources. The action team may also identify opportunities to use value-added products and services derived from national forest resources.

[(c) ORGANIZATION.—The Secretary shall design and organize any action team established pursuant to subsection (b) to meet the unique needs of the requesting rural community. Each action team shall be directed by an employee of the Forest Service and may in-

clude personnel from other agencies within the Department of Agriculture, from other Federal and State departments and agencies, and from the private sector.

[(d) COOPERATION.—In preparing action plans, the Secretary may cooperate with State and local governments, universities, private companies, individuals, and nonprofit organizations for procurement of services determined necessary or desirable.

[(e) ELIGIBILITY.—The Secretary shall ensure that no substantially similar geographical or defined local area in a State receives a grant for technical assistance to an economically disadvantaged community under this chapter and a grant for assistance under a designated rural development program, as defined in section 365(b)(2) of the Consolidated Farm and Rural Development Act, during any continuous five-year period.

[(f) APPROVAL.—After reviewing requests under this section for financial and economic feasibility and viability, the Secretary shall approve and implement in accordance with section 2376 those action plans that will achieve the purposes of this chapter.

[SEC. 2376. ACTION PLAN IMPLEMENTATION.

[(a) IN GENERAL.—Action plans shall be implemented, insofar as practicable, to upgrade existing industries to use forest resources more efficiently and to expand the economic base of rural communities so as to alleviate or reduce their dependence on national forest resources.

[(b) ASSISTANCE.—To implement action plans, the Secretary may make grants and enter into cooperative agreements and contracts to provide necessary technical and related assistance. Such grants, cooperative agreements, and contracts may be with the affected rural community, State and local governments, universities, corporations, and other persons.

[(c) LIMITATION.—The Federal contribution to the overall implementation of an action plan shall not exceed 80 percent of the total cost of the plan, including administrative and other costs. In calculating the Federal contribution, the Secretary shall take into account the fair market value of equipment, personnel, and services provided.

[(d) AVAILABLE AUTHORITY.—The Secretary may use the Secretary's authority under the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101 et seq.) and other Federal, State, and local governmental authorities in implementing action plans.

[(e) CONSISTENCY WITH FOREST PLANS.—The implementation of action plans shall be consistent with land and resource management plans.

[SEC. 2377. TRAINING AND EDUCATION.

[(a) PROGRAMS.—In furtherance of an action plan, the Secretary may use the Extension Service and other appropriate agencies of the Department of Agriculture to develop and conduct education programs that assist businesses, elected or appointed officials, and individuals in rural communities to deal with the effects of a transition from being economically disadvantaged to economic diversification. These programs may include—

[(1) community economic analysis and strategic planning;

[(2) methods for improving and retooling enterprises now dependent on national forest resources;

[(3) methods for expanding enterprises and creating new economic opportunities by emphasizing economic opportunities in other industries or services not dependent on national forest resources; and

[(4) assistance in the evaluation, counseling, and enhancement of vocational skills, training in basic and remedial literacy skills, assistance in job seeking skills, and training in starting or operating a business enterprise.

[(b) EXISTING EDUCATIONAL AND TRAINING PROGRAMS.—Insofar as practicable, the Secretary shall use existing Federal, State, and private education resources in carrying out these programs.

[SEC. 2378. LOANS TO ECONOMICALLY DISADVANTAGED RURAL COMMUNITIES.

[(a) IN GENERAL.—The Secretary, under such terms and conditions as the Secretary shall establish, may make loans to economically disadvantaged rural communities for the purposes of securing technical assistance and services to aid in the development and implementation of action plans, including planning for—

[(1) improving existing facilities in the community that may generate employment or revenue;

[(2) expanding existing infrastructure, facilities, and services to capitalize on opportunities to diversify economies now dependent on national forest resources; and

[(3) supporting the development of new industries or commercial ventures unrelated to national forest resources.

[(b) INTEREST RATES.—The interest rates on a loan made pursuant to this section shall be as determined by the Secretary, but not in excess of the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the maturity of such loan, plus not to exceed 1 percent, as determined by the Secretary, and rounded to the nearest one-eighth of 1 percent.

[SEC. 2379. AUTHORIZATION OF APPROPRIATIONS AND SPENDING AUTHORITY.

[(a) AUTHORIZATION OF APPROPRIATIONS.—Except as provided in subsection (b), there are authorized to be appropriated—

[(1) an amount not to exceed 5 percent of the sum of—

[(A) the sums received by the Secretary from sales of timber and other products of the forests; and

[(B) user fees paid in connection with the use of forest lands; and

[(2) such additional sums as may be necessary to carry out the purposes of this chapter.

[(b) LIMITATION ON AUTHORIZATION.—Subsection (a) shall not in any way affect payments to the States pursuant to chapter 192 of the Act of May 23, 1908 (16 U.S.C. 500).

[(c) SPENDING AUTHORITY.—Any spending authority (as defined in section 401 of the Congressional Budget Act of 1974) provided in this chapter shall be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.]

Subtitle H—Miscellaneous Provisions

[SEC. 2381. NATIONAL RURAL INFORMATION CENTER CLEARINGHOUSE.

[(a) ESTABLISHMENT.—The Secretary shall establish, within the National Agricultural Library, in coordination with the Extension Service, a National Rural Information Center Clearinghouse (in this section referred to as the "Clearinghouse") to perform the functions specified in subsection (b).

[(b) FUNCTIONS.—The Clearinghouse shall provide and distribute information and data to any industry, organization, or Federal, State, or local government entity, on request, about programs and services provided by Federal, State, and local agencies and private nonprofit organizations and institutions under which individuals residing in, or organizations and State and local government entities operating in, a rural area may be eligible for any kind of assistance, including job training, education, health care, and economic development assistance, and emotional and financial counseling. To the extent possible, the National Agricultural Library shall use telecommunications technology to disseminate information to rural areas.

[(c) FEDERAL AGENCIES.—On request of the Secretary, the head of a Federal agency shall provide to the Clearinghouse such information as the Secretary may request to enable the Clearinghouse to carry out subsection (b).

[(d) STATE AND LOCAL AGENCIES AND NONPROFIT ORGANIZATIONS.—The Secretary shall request State and local governments and private nonprofit organizations and institutions to provide to the Clearinghouse such information as such agencies and organizations may have about any program or service of such agencies, organizations, and institutions under which individuals residing in a rural area may be eligible for any kind of assistance, including job training, educational, health care, and economic development assistance, and emotional and financial counseling.

[(e) Limitation on Authorization of Appropriations.—To carry out this section, there are authorized to be appropriated $500,000 for each of the fiscal years 1991 through 1995.]

SEC. 2381. NATIONAL RURAL DEVELOPMENT INFORMATION CLEARINGHOUSE.

(a) ESTABLISHMENT.—The Secretary shall establish and maintain, within the rural development mission area of the Department of Agriculture, a National Rural Development Information Clearinghouse (referred to in this section as the "Clearinghouse") to perform the functions specified in subsection (b).

(b) FUNCTIONS.—The Clearinghouse shall collect information and data from, and disseminate information and data to, any person or public or private entity about programs and services provided by Federal, State, local, and tribal agencies, institutions of higher education, and private, for-profit and nonprofit organizations and institutions under which a person or public or private entity residing or operating in a rural area may be eligible for any kind of financial, technical, or other assistance, including business, venture capital, economic, credit and community development assistance, health care, job training, education, and emotional and financial counseling.

(c) MODES OF COLLECTION AND DISSEMINATION OF INFORMATION.—In addition to other modes for the collection and dissemination of the types of information and data specified under subsection (b), the Secretary shall ensure that the Clearinghouse maintains an Internet website that provides for dissemination and collection, through voluntary submission or posting, of the information and data.

(d) FEDERAL AGENCIES.—On request of the Secretary and to the extent permitted by law, the head of a Federal agency shall provide to the Clearinghouse such information as the Secretary may request to enable the Clearinghouse to carry out this section.

(e) STATE, LOCAL, AND TRIBAL AGENCIES, INSTITUTIONS OF HIGHER EDUCATION, AND NONPROFIT AND FOR-PROFIT ORGANIZATIONS.—The Secretary shall request State, local, and tribal agencies, institutions of higher education, and private, for-profit, and nonprofit organizations and institutions to provide to the Clearinghouse information concerning applicable programs or services described in subsection (b).

(f) PROMOTION OF CLEARINGHOUSE.—The Secretary prominently shall promote the existence and availability of the Clearinghouse in all activities of the Department of Agriculture relating to rural areas of the United States.

(g) FUNDING.—

(1) IN GENERAL.—Subject to paragraph (2), the Secretary shall use to operate and maintain the Clearinghouse not more than $600,000 of the funds available to the Rural Housing Service, the Rural Utilities Service, and the Rural Business-Cooperative Service for each fiscal year.

(2) LIMITATION.—Funds available to the Rural Housing Service, the Rural Utilities Service, and the Rural Business-Cooperative Service for the payment of loan costs (as defined in section 502 of Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) shall not be used to operate and maintain the Clearinghouse.

SEC. 2382. MONITORING THE ECONOMIC PROGRESS OF RURAL AMERICA.

(a) BUREAU OF THE CENSUS.—The Director of the Bureau of the Census shall expand the data collection efforts of the Bureau to enable the Bureau to collect statistically significant data concerning the changing economic condition of rural counties and communities in the United States, including data on rural employment, poverty, income, and other information concerning the rural labor force.

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RURAL ELECTRIFICATION ACT OF 1936

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(2) LIMITATION ON PLANNING AND ADMINISTRATIVE EXPENSES.—Not more than 4 percent of the amounts made available under paragraph (1) may be used for planning and administrative expenses.

SEC. 20. BIOENERGY AND BIOCHEMICAL PROJECTS.

"In carrying out rural electric loan, loan guarantee, and grant programs under this Act, the Secretary shall provide a priority for bioenergy and biochemical projects.

SEC. 20. FINANCIAL AND TECHNICAL ASSISTANCE FOR RENEWABLE ENERGY SYSTEMS.

(a) DEFINITION OF RENEWABLE ENERGY.—In this section, the term "renewable energy" means energy derived from a wind, solar, biomass, geothermal, or hydrogen source.

(b) LOANS, LOAN GUARANTEES, AND GRANTS.—The Secretary shall make loans, loan guarantees, and grants to rural electric cooperatives and other rural electric utilities to promote the development of economically and environmentally sustainable renewable energy projects to serve the needs of rural communities or for rural economic development.

(c) INTEREST RATE.—A loan made or guaranteed under subsection (b) shall bear interest at a rate not exceeding 4 percent.

(d) USE OF FUNDS.—

(1) GRANTS.—A recipient of a grant under subsection (a) may use the grant funds to pay up to 75 percent of the cost of an economic feasibility study or technical assistance for a renewable energy project.

(2) LOANS.—If a renewable energy project is determined to be economically feasible, a recipient of a loan or loan guarantee under subsection (a) may use the loan funds to pay a percentage of the cost of the project determined by the Secretary.

(e) FUNDING.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this section, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary to carry out this section $9,000,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

(3) APPLICABILITY OF OTHER LAWS.—For the purposes of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a et seq.), this subsection shall be treated as if enacted in an Act of appropriation.

(4) LOAN AND INTEREST SUBSIDIES.—In the case of a loan or loan guarantee under subsection (a), the Secretary shall use funds under paragraph (1) to pay the cost of loan and interest subsidies necessary to carry out this section.

* * * * * * *

(D) PROCEEDS.—All proceeds from the repayment of such loans shall be returned to the subaccount.

(E) NUMBER OF GRANTS.—Such loans and grants shall be made during each fiscal year to the full extent of the amounts held by the rural economic development subaccount, subject only to limitations as may be from time to time imposed by law.

SEC. 313A. GUARANTEES FOR BONDS AND NOTES ISSUED FOR ELECTRIFICATION OR TELEPHONE PURPOSES.

(a) IN GENERAL.—Subject to subsection (b), the Secretary shall guarantee payments on bonds or notes issued by cooperative or other lenders organized on a not-for-profit basis if the proceeds of the bonds or notes are used for electrification or telephone projects eligi-

ble for assistance under this Act, including the refinancing of bonds or notes issued for such projects.

(b) LIMITATIONS.—

(1) OUTSTANDING LOANS.—A lender shall not receive a guarantee under this section for a bond or note if, at the time of the guarantee, the total principal amount of such guaranteed bonds or notes outstanding of the lender would exceed the principal amount of outstanding loans of the lender for electrification or telephone purposes that have been made concurrently with loans approved for such purposes under this Act.

(2) GENERATION OF ELECTRICITY.—The Secretary shall not guarantee payment on a bond or note issued by a lender, the proceeds of which are used for the generation of electricity.

(3) QUALIFICATIONS.—The Secretary may deny the request of a lender for the guarantee of a bond or note under this section if the Secretary determines that—

(A) the lender does not have appropriate expertise or experience or is otherwise not qualified to make loans for electrification or telephone purposes;

(B) the bond or note issued by the lender is not of reasonable and sufficient quality; or

(C) the lender has not provided sufficient evidence that the proceeds of the bond or note are used for eligible projects described in subsection (a).

(4) INTEREST RATE REDUCTION.—

(A) IN GENERAL.—Except as provided in subparagraph (B), a lender may not use any amount obtained from the reduction in funding costs as a result of the guarantee of a bond or note under this section to reduce the interest rate on a new or outstanding loan.

(B) CONCURRENT LOANS.—A lender may use any amount described in subparagraph (A) to reduce the interest rate on a loan if the loan is—

(i) made by the lender for electrification or telephone projects that are eligible for assistance under this Act; and

(ii) made concurrently with a loan approved by the Secretary under this Act for such a project, as provided in section 307.

(c) FEES.—

(1) IN GENERAL.—A lender that receives a guarantee issued under this section on a bond or note shall pay a fee to the Secretary.

(2) AMOUNT.—The amount of an annual fee paid for the guarantee of a bond or note under this section shall be equal to 30 basis points of the amount of the unpaid principal of the bond or note guaranteed under this section.

(3) PAYMENT.—A lender shall pay the fees required under this subsection on a semiannual basis.

(4) RURAL ECONOMIC DEVELOPMENT SUBACCOUNT.—Subject to subsection (e)(2), fees collected under this subsection shall be—

(A) deposited into the rural economic development subaccount maintained under section 313(b)(2)(A), to remain available until expended; and

(B) used for the purposes described in section 313(b)(2)(B).

(d) GUARANTEES.—

(1) IN GENERAL.—A guarantee issued under this section shall—

(A) be for the full amount of a bond or note, including the amount of principal, interest, and call premiums;

(B) be fully assignable and transferable; and

(C) represent the full faith and credit of the United States.

(2) LIMITATION.—To ensure that the Secretary has the resources necessary to properly examine the proposed guarantees, the Secretary may limit the number of guarantees issued under this section if the number of such guarantees exceeds 5 per year.

(3) DEPARTMENT OPINION.—On the timely request of an eligible lender, the General Counsel of the Department of Agriculture shall provide the Secretary with an opinion regarding the validity and authority of a guarantee issued to the lender under this section.

(e) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There are authorized to be appropriated such sums as are necessary to carry out this section.

(2) FEES.—To the extent that the amount of funds appropriated for a fiscal year under paragraph (1) are not sufficient to carry out this section, the Secretary may use up to 1/3 of the fees collected under subsection (c) for the cost of providing guarantees of bonds and notes under this section before depositing the remainder of the fees into the rural economic development subaccount maintained under section 313(b)(2)(A).

(f) TERMINATION.—The authority provided under this section shall terminate on September 30, 2006.

SEC. 314. LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.

* * * * * * *

(c) FUNDING LEVELS.—The Secretary shall make insured loans under this title for the purposes, in the amounts, and for the periods of time specified in subsection (b), as provided in advance in appropriations Acts.

(d) AVAILABILITY OF FUNDS FOR INSURED LOANS.—Amounts made available for loans under section 305 are authorized to remain available until expended.

SEC. 315. EXPANSION OF 911 ACCESS.

(a) IN GENERAL.—Subject to such terms and conditions as the Secretary may prescribe, the Secretary may make telephone loans under this title to State or local governments, Indian tribes (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)), or other public entities for facilities and equipment to expand 911 access in underserved rural areas.

(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section.

TITLE IV

SEC. 401. ESTABLISHMENT, GENERAL PURPOSES, AND STATUS OF THE TELEPHONE BANK.—(a) There is hereby established a body corporate to be known as the Rural Telephone Bank (hereinafter called the telephone bank).

* * * * * * *

(5) provide information to electric and telephone borrowers under this Act concerning the eligibility of such borrowers to apply for financial assistance, loans, or grants from other Federal agencies and non-Federal sources to enable such borrowers to expand their rural development efforts; and

(6) promote local partnerships and other coordination between borrowers under this Act and community organizations, States, counties, or other entities, to improve rural development.

TITLE VI—RURAL BROADBAND ACCESS

SEC. 601. ACCESS TO BROADBAND TELECOMMUNICATIONS SERVICES IN RURAL AREAS.

(a) PURPOSE.—The purpose of this section is to provide grants, loans, and loan guarantees to provide funds for the costs of the construction, improvement, and acquisition of facilities and equipment for broadband service in eligible rural communities.

(b) DEFINITIONS.—In this section:

(1) BROADBAND SERVICE.—The term "broadband service" means any technology identified by the Secretary as having the capacity to transmit data to enable a subscriber to the service to originate and receive high-quality voice, data, graphics, or video.

(2) ELIGIBLE RURAL COMMUNITY.—The term "eligible rural community" means any incorporated or unincorporated place that—

(A) has not more than 20,000 inhabitants, based on the most recent available population statistics of the Bureau of the Census; and

(B) is not located in an area designated as a standard metropolitan statistical area.

(c) GRANTS.—The Secretary shall make grants to eligible entities described in subsection (e)(1) to provide funds for the construction, improvement, or acquisition of facilities and equipment for the provision of broadband service in eligible rural communities.

(d) LOANS AND LOAN GUARANTEES.—The Secretary shall make or guarantee loans to eligible entities described in subsection (e)(2) to provide funds for the construction, improvement, or acquisition of facilities and equipment for the provision of broadband service in eligible rural communities.

(e) ELIGIBLE ENTITIES.—To be eligible to obtain a grant under this section, an entity must—

(1) be eligible to obtain a loan or loan guarantee to furnish, improve, or extend a rural telecommunications service under this Act; and

(2) submit to the Secretary a proposal for a project that meets the requirements of this section.

(f) BROADBAND SERVICE.—The Secretary shall, from time to time as advances in technology warrant, review and recommend modifications of rate-of-data transmission criteria for purposes of the identification of broadband service technologies under subsection (b)(1).

(g) TECHNOLOGICAL NEUTRALITY.—For purposes of determining whether or not to make a grant, loan, or loan guarantee for a project under this section, the Secretary shall not take into consideration the type of technology proposed to be used under the project.

(h) TERMS AND CONDITIONS FOR LOANS AND LOAN GUARANTEES.—A loan or loan guarantee under subsection (d) shall—

(1) be made available in accordance with the requirements of the Federal Credit Reform Act of 1990 (2 U.S.C. 661 et seq.);

(2) bear interest at an annual rate of, as determined by the Secretary—

(A) 4 percent per annum; or

(B) the current applicable market rate; and

(3) have a term not to exceed the useful life of the assets constructed, improved, or acquired with the proceeds of the loan or extension of credit.

(i) USE OF LOAN PROCEEDS TO REFINANCE LOANS FOR DEPLOYMENT OF BROADBAND SERVICE.—Notwithstanding any other provision of this Act, the proceeds of any loan made by the Secretary under this Act may be used by the recipient of the loan for the purpose of refinancing an outstanding obligation of the recipient on another telecommunications loan made under this Act if the use of the proceeds for that purpose will further the construction, improvement, or acquisition of facilities and equipment for the provision of broadband service in eligible rural communities.

(j) FUNDING.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this Act, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary of Agriculture to carry out this section $100,000,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

(3) ALLOCATION OF FUNDS.—

(A) IN GENERAL.—From amounts made available for each fiscal year under paragraph (1), the Secretary shall—

(i) establish a national reserves for grants, loans, and loan guarantees to eligible entities in States under this section; and

(ii) allocate amounts in the reserve to each State for each fiscal year for grants, loans, and loan guarantees in the State.

(B) AMOUNT.—The amount of an allocation made to a State for a fiscal year under subparagraph (A) shall bear the same ratio to the amount of allocations made for all States for the fiscal year as the number of communities

with a population of 2,500 inhabitants or less in the State bears to the number of communities with a population of 2,500 inhabitants or less in all States, as determined on the basis of the last available cenus.

(i) IN GENERAL.—Subject to subparagraph (C), the Secretary shall establish a reserve for each State for each fiscal year under paragraph (1) for making grants, loans, and loan guarantees of credit to eligible entities in the State.

(C) UNOBLIGATED AMOUNTS.—Any amounts in the reserve established for a State for a fiscal year under subparagraph (B) that are not obligated by April 1 of the fiscal year shall be available to the Secretary to make grants, loans, and loan guarantees under this section to eligible entities in any State, as determined by the Secretary.

(k) TERMINATION OF AUTHORITY.—

(1) IN GENERAL.—No grant, loan, or loan guarantee may be made under this section after September 30, 2006.

(2) EFFECT ON VALIDITY OF GRANT, LOAN, OR LOAN GUARANTEE.—Notwithstanding paragraph (1), any grant, loan, or loan guarantee made under this section before the date specified in paragraph (1) shall be valid.

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AGRICULTURAL RISK PROTECTION ACT OF 2000

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SEC. 231. VALUE-ADDED AGRICULTURAL PRODUCT MARKET DEVELOPMENT GRANTS.

[(a) GRANT PROGRAM.—

[(1) ESTABLISHMENT AND PURPOSES.—Of the amount made available under section 261(a)(2), $15,000,000 shall be used by the Secretary to award competitive grants to eligible independent producers (as determined by the Secretary) of value-added agricultural commodities and products of agricultural commodities to assist an eligible producer—

[(A) to develop a business plan for viable marketing opportunities for a value-added agricultural commodity or product of an agricultural commodity; or

[(B) to develop strategies for the ventures that are intended to create marketing opportunities for the producers.

[(2) AMOUNT OF GRANT.—The total amount provided under this subsection to a grant recipient may not exceed $500,000.

[(3) PRODUCER STRATEGIES.—A producer that receives a grant under paragraph (1) shall use the grant—

[(A) to develop a business plan or perform a feasibility study to establish a viable marketing opportunity for a value-added agricultural commodity or product of an agricultural commodity; or

[(B) to provide capital to establish alliances or business ventures that allow the producer to better compete in domestic or international markets.]

(a) DEFINITION OF VALUE-ADDED AGRICULTURAL PRODUCT.—The term "value-added agricultural product" means any agricultural commodity or product that—

(1)(A) has undergone a change in physical state; or

(B) was produced in a manner that enhances the value of the agricultural commodity or product, as demonstrated through a business plan that shows the enhanced value, as determined by the Secretary; and

(2) as a result of the change in physical state or the manner in which the agricultural commodity or product was produced—

(A) the customer base for the agricultural commodity or product has been expanded; and

(B) a greater portion of the revenue derived from the processing of the agricultural commodity or product is available to the producer of the commodity or product.

(b) GRANT PROGRAM.—

(1) PURPOSES.—The purposes of this subsection are—

(A) to increase the share of the food and agricultural system profit received by agricultural producers;

(B) to increase the number and quality of rural self-employment opportunities in agriculture and agriculturally-related businesses and the number and quality of jobs in agriculturally-related businesses;

(C) to help maintain a diversity of size in farms and ranches by stabilizing the number of small and mid-sized farms;

(D) to increase the diversity of food and other agricultural products available to consumers, including nontraditional crops and products and products grown or raised in a manner that enhances the value of the products to the public;

(E) to conserve and enhance the quality of land, water, and energy resources, wildlife habitat, and other landscape values and amenities in rural areas.

(2) GRANTS.—From amounts made available under paragraph (6), the Secretary shall make award competitive grants—

(A) to an eligible independent producer (as determined by the Secretary) of a value-added agricultural product to assist the producer—

(i) to develop a business plan for viable marketing opportunities for the value-added agricultural product; or

(ii) to develop strategies that are intended to create marketing opportunities for the producer; and

(B) to an eligible nonprofit entity (as determined by the Secretary) to assist the entity—

(i) to develop a business plan for viable marketing opportunities in emerging markets for a value-added agricultural product; or

(ii) to develop strategies that are intended to create marketing opportunities in emerging markets for the value-added agricultural product.

(3) AMOUNT OF GRANT.—

(A) IN GENERAL.—The total amount provided under this subsection to a grant recipient may not exceed $500,000.

(B) PRIORITY.—The Secretary shall give priority to grant proposals for less than $200,000 submitted under this subsection.

(4) GRANTEE STRATEGIES.—A grantee under paragraph (2) shall use the grant—

(A) to develop a business plan or perform a feasibility study to establish a viable marketing opportunity for a value-added agricultural product; or

(B) to provide capital to establish alliances or business ventures that allow the producer of the value-added agricultural product to better compete in domestic or international markets.

(5) GRANTS FOR MARKETING OR PROCESSING CERTIFIED ORGANIC AGRICULTURAL PRODUCTS.—

(A) IN GENERAL.—Out of any amount that is made available to the Secretary for a fiscal year under paragraph (2), the Secretary shall use not less than 5 percent of the amount for grants to assist producers of certified organic agricultural products in post-farm marketing or processing of the products through a business or cooperative ventures that—

(i) expand the customer base of the certified organic agricultural products; and

(ii) increase the portion of product revenue available to the producers.

(B) CERTIFIED ORGANIC AGRICULTURAL PRODUCT.—For the purposes of this paragraph, a certified organic agricultural product does not have to meet the requirements of the definition of "value-added agricultural product" under subsection (a).

(C) INSUFFICIENT APPLICATIONS.—If, for any fiscal year, the Secretary receives an insufficient quantity of applications for grants described in subparagraph (A) to use the funds reserved under subparagraph (A), the Secretary may use the excess reserved funds to make grants for any other purpose authorized under this subsection.

(6) FUNDING.—

(A) IN GENERAL.— Not later than 30 days after the date of enactment of this paragraph, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary of Agriculture to carry out their subsection $75,000,000, to remain available until expended.

(B) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this subsection the funds transferred under subparagraph (A), without further appropriation.

[(b)**]** *(c)* AGRICULTURAL MARKETING RESOURCE CENTER PILOT PROJECT.—

(1) ESTABLISHMENT.—Notwithstanding the limitation on grants in subsection **[**(a)(2)**]** *(b)(2)*, the Secretary shall not use more than **[**$5,000,000**]** *7.5 percent* of the funds made avail-

able under [subsection (a)] *subsection (b)* to establish a pilot project (to be known as the "Agricultural Marketing Resource Center") at an eligible institution described in paragraph (2) that will—

(A) develop a resource center with electronic capabilities to coordinate and provide to independent producers and processors (as determined by the Secretary) of value-added agricultural commodities and products of agricultural commodities information regarding research, business, legal, financial, or logistical assistance; and

(B) develop a strategy to establish a nationwide market information and coordination system.

(2) ELIGIBLE INSTITUTION.—To be eligible to receive funding to establish the Agricultural Marketing Resource Center, an applicant shall demonstrate to the Secretary—

(A) the capacity and technical expertise to provide the services described in paragraph (1)(A);

(B) an established plan outlining support of the applicant in the agricultural community; and

(C) the availability of resources (in cash or in kind) of definite value to sustain the Center following establishment.

[(c)] *(d)* MATCHING FUNDS.—A recipient of funds under [subsection (a) or (b)] *subsections (b) and (c)* shall contribute an amount of non-Federal funds that is at least equal to the amount of Federal funds received.

[(d)] *(e)* LIMITATION.—Funds provided under this section may not be used for—

(1) planning, repair, rehabilitation, acquisition, or construction of a building or facility (including a processing facility); or

(2) the purchase, rental, or installation of fixed equipment.

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AGRICULTURAL RESEARCH, EXTENSION, AND EDUCATION REFORM ACT OF 1998

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TITLE IV—NEW AGRICULTURAL RESEARCH, EXTENSION, AND EDUCATION INITIATIVES

SEC. 401. INITIATIVE FOR FUTURE AGRICULTURE AND FOOD SYSTEMS.

(a) TREASURY ACCOUNT.—There is established in the Treasury of the United States an account to be known as the Initiative for Future Agriculture and Food Systems (referred to in this section as the "Account") to provide funds for activities authorized under this section.

(b) FUNDING.—

(1) IN GENERAL.—On October 1, 1998, and each October 1 thereafter through October 1, 2002, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer $120,000,000 to the Account.

(2) ENTITLEMENT.—The Secretary of Agriculture—

(A) shall be entitled to receive the funds transferred to the Account under paragraph (1);

(B) shall accept the funds; and

(C) shall use the funds to carry out this section.

(c) PURPOSES.—

[(1) CRITICAL EMERGING ISSUES.—The Secretary shall use the funds in the Account—]

(1) CRITICAL EMERGING ISSUES.—Subject to paragraph (2), the Secretary shall use the funds in the Account for research, extension, and education grants (referred to in this section as "grants") to address critical emerging agricultural issues related to—

(A) future food production;

(B) environmental quality and natural resource management; or

(C) farm income.

(A) subject to paragraph (2), for research, extension, and education grants (referred to in this section as "grants") to address critical emerging agricultural issues related to—

(i) future food production;

(ii) environmental quality and natural resource management; or

(iii) farm income; and

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AGRICULTURAL RESEARCH, EXTENSION, AND EDUCATION REFORM ACT OF 1998

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SEC. 409. CARBON SEQUESTRATION DEMONSTRATION PROGRAM.

(a) DEFINITIONS.—In this section:

(1) ELIGIBLE PROJECT.—The term "eligible project" means a project that is likely to result in—

(A) demonstrable reductions in net emissions of greenhouse gases; or

(B) demonstrable net increases in the quantity of carbon sequestered in soils and forests.

(2) ENVIRONMENTAL TRADE.—The term "environmental trade" means a transaction between an emitter of a greenhouse gas and an agricultural producer under which the emitter pays to the agricultural producer a fee to sequester carbon or otherwise reduce emissions of greenhouse gases.

(3) PANEL.—The term "panel" means the panel of experts established under subsection (b)(4)(A).

(4) SECRETARY.—The term "Secretary" means the Secretary of Agriculture, acting in consultation with—

(A) the Under Secretary of Agriculture for Natural Resources and Environment;

(B) the Under Secretary of Agriculture for Research, Education, and Economics;

(C) the Chief Economist of the Department; and

(D) the panel.

(b) DEMONSTRATION PROGRAM.—

(1) ESTABLISHMENT.—Subject to the availability of appropriations, the Secretary shall establish a program to provide grants, on a competitive, cost-shared basis, to agricultural producers to assist in paying the costs incurred in measuring, estimating, monitoring, verifying, auditing, and testing methodologies involved in environmental trades (including costs incurred in employing certified independent third persons to carry out those activities).

(2) CONDITIONS FOR RECEIPT OF GRANT.—As a condition of the acceptance of a grant under paragraph (1), an agricultural producer shall—

(A) establish a carbon and greenhouse gas monitoring, verification, and reporting system that meets such requirements as the Secretary shall prescribe; and

(B) under the system and through the use of an independent third party for any necessary monitoring, verifying, reporting, and auditing, measure and report to the Secretary the quantity of carbon sequestered, or the quantity of greenhouse gas emissions reduced, as a result of the conduct of an eligible project.

(3) CRITERIA FOR AWARD OF GRANT.—

(A) IN GENERAL.—In awarding a grant for an eligible project under paragraph (1), the Secretary shall take into consideration—

(i) the likelihood of the eligible project in succeeding in achieving greenhouse gas emissions reductions and net carbon sequestration increases; and

(ii) the usefulness of the information to be obtained from the eligible project in determining how best to quantify, monitor, and verify sequestered carbon or reductions in greenhouse gas emissions.

(B) PRIORITY CRITERIA.—The Secretary shall give priority in awarding a grant under paragraph (1) to an eligible project that—

(i) involves multiple parties, a whole farm approach, or any other approach, such as the aggregation of land areas, that would—

(I) increase the environmental benefits or reduce the transaction costs of the eligible project; and

(II) reduce the costs of measuring, monitoring, and verifying any net sequestration of carbon or net reduction in greenhouse gas emissions;

(ii) is designed to achieve long-term sequestration of carbon or long-term reductions in greenhouse gas emissions;

(iii) is designed to address concerns concerning leakage;

(iv) provides certain other benefits, such as improvements in—

(I) soil fertility;

(II) wildlife habitat;

(III) water quality;

(IV) soil erosion management;

(V) the use of renewable resources to produce energy;

(VI) the avoidance of ecosytem fragmentation; and

(VII) the promotion of ecosystem restoration with native species; or

(v) does not involve—

(I) the reforestation of land that has been deforested since 1990; or

(II) the conversion of native grassland.

(4) PANEL.—

(A) IN GENERAL.—The Secretary shall establish a panel to provide advice and recommendations to the Secretary with respect to criteria for awarding grants under this subsection.

(B) COMPOSITION.—The panel shall be composed of the following representatives, to be appointed by the Secretary:

(i) Experts from each of—

(I) the Department;

(II) the Environmental Protection Agency; and

(III) the Department of Energy.

(ii) Experts from nongovernmental and academic entities.

(5) PAYMENT OF GRANT FUNDS.—The Secretary shall provide a grant awarded under this section in such number of installments as is necessary to ensure proper implementation of an eligible project.

(c) METHODOLOGY GRANT PROGRAM.—

(1) ESTABLISHMENT.—The Secretary shall establish a program to provide grants to determine the best methodologies for estimating and measuring increases or decreases in—

(A) agricultural greenhouse gas emissions; and

(B) the quantity of carbon sequestered in soils, forests, and trees.

(2) ELIGIBLE RECIPIENTS.—The Secretary shall award a grant under paragraph (1), on a competitive basis, to a college or university, or other research institution, that seeks to demonstrate the viability of a methodology described in paragraph (1).

(d) DISSEMINATION OF INFORMATION.—As soon as practicable after the date of enactment of this section, the Secretary shall establish an Internet site through which agricultural producers may obtain information concerning—

(1) potential environmental trades; and

(2) activities of the Secretary under this section.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $20,000,000 for each of fiscal years 2002 through 2006.

TITLE VI—MISCELLANEOUS PROVISIONS

Subtitle A—Existing Authorities

* * * * * * *

TITLE 7

AGRICULTURAL RESEARCH, EXTENSION, AND EDUCATION REFORM ACT OF 1998

* * * * * * *

SEC. 102. PRIORITY SETTING PROCESS.

(a) ESTABLISHMENT.—Consistent with section 1402 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3101), the Secretary shall establish priorities for agricultural research, extension, and education activities conducted or funded by the Department.

(b) RESPONSIBILITIES OF SECRETARY.—In establishing priorities for agricultural research, extension, and education activities conducted or funded by the Department, the Secretary shall solicit and consider input and recommendations from persons who conduct or use agricultural research, extension, or education.

(c) RESPONSIBILITIES OF 1862, 1890, AND 1994 INSTITUTIONS.—

(1) PROCESS.—Effective October 1, 1999, to obtain agricultural research, extension, or education formula funds from the Secretary, each 1862 Institution, 1890 Institution, and 1994 Institution shall [establish and implement a process for obtaining] *obtain public* input from persons who conduct or use agricultural research, extension, or education concerning the use of the funds[.] *through a process that reflects transparency and opportunity for input from diverse agricultural crop, geographic, and cultural communities.*

(2) REGULATIONS.—The Secretary shall promulgate regulations that prescribe—

* * * * * * *

SEC. 401. INITIATIVE FOR FUTURE AGRICULTURE AND FOOD SYSTEMS.

SEC. 724. None of the funds appropriated or otherwise made available by this or any other Act shall be used to pay the salaries and expenses of personnel to carry out the transfer or obligation of fiscal year 2001 funds under the provisions of section 401 of Public Law 105–185, the Initiative for Future Agriculture and Food Systems (7 U.S.C. 7621): Provided, That notwithstanding section 401(d) of Public Law 105–185, any appropriation or funds available to the Secretary of Agriculture to make grants under section 401 of Public Law 105–185 shall be used only to make grants to eligible grantees specified in subsection (d)(3) of that section.

(a) TREASURY ACCOUNT.—There is established in the Treasury of the United States an account to be known as the Initiative for Future Agriculture and Food Systems (referred to in this section as the "Account") to provide funds for activities authorized under this section.

[(b) FUNDING.—

[(1) IN GENERAL.—On October 1, 1998, and each October 1 thereafter through October 1, 2002, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer $120,000,000 to the Account.

[(2) ENTITLEMENT.—The Secretary of Agriculture—

[(A) shall be entitled to receive the funds transferred to the Account under paragraph (1);

[(B) shall accept the funds; and

[(C) shall use the funds to carry out this section.]

(b) FUNDING.—

(1) IN GENERAL.—Out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Account to carry out this section—

(A) on October 1, 1998 and each October 1 thereafter through October 1, 2001, $120,000,000; and

(B) on October 1, 2002, and each October 1 thereafter through October 1, 2005, $145,000,000.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

(c) PURPOSES.—

(1) CRITICAL EMERGING ISSUES.—The Secretary shall use the funds in the Account—

* * * * * * *

(e) SPECIAL CONSIDERATIONS.—

(1) SMALLER INSTITUTIONS.—The Secretary may award grants under this section in a manner that ensures that the faculty of small and mid-sized institutions that have not previously been successful in obtaining competitive grants under subsection (b) of the Competitive, Special, and Facilities Research Grant Act (7 U.S.C. 450i(b)) receive a portion of the grants under this section.

(2) PRIORITIES.—In making grants under this section, the Secretary shall provide a higher priority to—

(A) a project that is multistate, multi-institutional, or multidisciplinary; or

(B) a project that integrates agricultural research, extension, and education.

(3) MINORITY-SERVING INSTITUTIONS.—The Secretary shall consider reserving, to the maximum extent practicable, 10 percent of the funds made available to carry out this section for a fiscal year for grants to minority-serving institutions.

(f) ADMINISTRATION.—

* * * * * * *

(f) LIMITATION ON USE OF GRANT FUNDS.—Funds provided under this section may not be used for the planning, repair, rehabilitation, acquisition, or construction of a building or facility.

(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 1999 through [2002] *2006.*

SEC. 403. PRECISION AGRICULTURE.

(a) DEFINITIONS.—In this section:

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(h) LIMITATION REGARDING FACILITIES.—A grant made under this section may not be used for the planning, repair, rehabilitation, acquisition, or construction of a building or facility.

(i) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 1999 through [2002] *2006,* of which, for each fiscal year—

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SEC. 404. BIOBASED PRODUCTS.

(a) DEFINITION OF BIOBASED PRODUCT.—In this section, the term "biobased product" means a product suitable for food or nonfood use that is derived in whole or in part from renewable agricultural and forestry materials.

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(e) PILOT PROJECT.—The Secretary, acting through the Agricultural Research Service, may establish and carry out a pilot project under which grants are provided, on a competitive basis, to scientists of the Agricultural Research Service to—

(1) encourage innovative and collaborative science; and

(2) during each of fiscal years 1999 through [2001] *2006*, develop biobased products with promising commercial potential.

(f) SOURCE OF FUNDS.—

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SEC. 405. THOMAS JEFFERSON INITIATIVE FOR CROP DIVERSIFICATION.

(a) INITIATIVE REQUIRED.—The Secretary of Agriculture shall provide for a research initiative (to be known as the "Thomas Jefferson Initiative for Crop Diversification") for the purpose of conducting research and development, in cooperation with other public and private entities, on the production and marketing of new and nontraditional crops needed to strengthen and diversify the agricultural production base of the United States.

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(h) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 1999 through [2002] *2006*.

SEC. 406. INTEGRATED RESEARCH, EDUCATION, AND EXTENSION COMPETITIVE GRANTS PROGRAM.

(a) PURPOSE.—It is the purpose of this section to authorize the Secretary of Agriculture to establish an integrated research, education, and extension competitive grant program to provide funding for integrated, multifunctional agricultural research, extension, and education activities.

(b) COMPETITIVE GRANTS AUTHORIZED.—Subject to the availability of appropriations to carry out this section, the Secretary may award grants to colleges and universities (as defined in section 1404 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3103)) *and 1994 Institutions* on a competitive basis for integrated agricultural research, education, and extension projects in accordance with this section.

(c) CRITERIA FOR GRANTS.—Grants under this section shall be awarded to address priorities in United States agriculture, determined by the Secretary in consultation with the Advisory Board, that involve integrated research, extension, and education activities.

(d) MATCHING OF FUNDS.—

(1) GENERAL REQUIREMENT.—If a grant under this section provides a particular benefit to a specific agricultural commodity, the Secretary shall require the recipient of the grant to provide funds or in-kind support to match the amount of funds provided by the Secretary in the grant.

(2) WAIVER.—The Secretary may waive the matching funds requirement specified in paragraph (1) with respect to a grant if the Secretary determines that—

(A) the results of the project, while of particular benefit to a specific agricultural commodity, are likely to be applicable to agricultural commodities generally; or

(B) the project involves a minor commodity, the project deals with scientifically important research, and the grant recipient is unable to satisfy the matching funds requirement.

(e) TERM OF GRANT.—A grant under this section shall have a term of not more than 5 years.

[(e)**]** *(f)* AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 1999 through **[**2002**]** *2006*.

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SEC. 408. SUPPORT FOR RESEARCH REGARDING DISEASES OF WHEAT AND BARLEY CAUSED BY FUSARIUM GRAMINEARUM.

(a) RESEARCH GRANT AUTHORIZED.—The Secretary of Agriculture may make a grant to a consortium of land-grant colleges and universities to enhance the ability of the consortium to carry out a multi-State research project aimed at understanding and combating diseases of wheat and barley caused by Fusarium graminearum and related fungi (referred to in this section as "wheat scab").

* * * * * * *

(d) MANAGEMENT.—To oversee the use of a grant made under this section, the Secretary may establish a committee composed of the directors of the agricultural experiment stations in the States in which land-grant colleges and universities that are members of the consortium are located.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $5,200,000 for each of fiscal years 1999 through **[**2002**]** *2006*.

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SEC. 614. OFFICE OF PEST MANAGEMENT POLICY.

(a) PURPOSE.—The purpose of this section is to establish an Office of Pest Management Policy to provide for the effective coordination of agricultural policies and activities within the Department of Agriculture related to pesticides and of the development and use of pest management tools, while taking into account the effects of regulatory actions of other government agencies.

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(e) DIRECTOR.—The Office of Pest Management Policy shall be under the direction of a Director appointed by the Secretary, who shall report directly to the Secretary or a designee of the Secretary.

(f) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 1999 through [2002] *2006*.

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SEC. 620. SENIOR SCIENTIFIC RESEARCH SERVICE.

(a) IN GENERAL.—There is established in the Department of Agriculture the Senior Scientific Research Service (referred to in this section as the "Service").

(b) MEMBERS.—

(1) IN GENERAL.—Subject to paragraphs (2) through (4), the Secretary shall appoint the members of the Service.

(2) QUALIFICATIONS.—To be eligible for appointment to the Service, an individual shall—

(A) have conducted outstanding research in the field of agriculture or forestry;

(B) have earned a doctoral level degree at an institution of higher education (as defined in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001)); and

(C) meet qualification standards prescribed by the Director of the Office of Personnel Management for appointment to a position at level GS–15 of the General Schedule.

(3) NUMBER.—Not more than 100 individuals may serve as members of the Service at any 1 time.

(4) OTHER REQUIREMENTS.—

(A) IN GENERAL.—Subject to subparagraph (B) and subsection (d)(2), the Secretary may appoint and employ a member of the Service without regard to—

(i) the provisions of title 5, United States Code, governing appointments in the competitive service;

(ii) the provisions of subchapter I of chapter 35 of title 5, United States Code, relating to retention preference;

(iii) the provisions of chapter 43 of title 5, United States Code, relating to performance appraisal and performance actions;

(iv) the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification and General Schedule pay rates; and

(v) the provisions of chapter 75 of title 5, United States Code, relating to adverse actions.

(B) EXCEPTION.—A member of the Service appointed and employed by the Secretary under subparagraph (A) shall have the same right of appeal to the Merit Systems Protection Board and the same right to file a complaint with the Office of Special Counsel as an employee appointed to a position at level GS–15 of the General Schedule.

(c) PERFORMANCE APPRAISAL SYSTEM.—The Secretary shall develop a performance appraisal system for members of the Service that is designed to—

(1) provide for the systematic appraisal of the employment performance of the members; and

(2) encourage excellence in employment performance by the members.

(d) COMPENSATION.—

(1) IN GENERAL.—Subject to paragraph (2), the Secretary shall determine the compensation of members of the Service.

(2) LIMITATIONS.—The rate of pay for a member of the Service shall—

(A) not be less than the minimum rate payable for a position at level GS–15 of the General Schedule; and

(B) not be more than the rate payable for a position at level I of the Executive Schedule, unless the rate is approved by the President under section 5377(d)(2) of title 5, United States Code.

(e) RETIREMENT CONTRIBUTIONS.—

(1) IN GENERAL.—On the request of a member of the Service who was an employee of an institution of higher education (as defined in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001)) immediately prior to appointment as a member of the Service and who retains the right to continue to make contributions to the retirement system of the institution, the Secretary may contribute an amount not to exceed 10 percent of the basic pay of the member to the retirement system of the institution on behalf of the member.

(2) FEDERAL RETIREMENT SYSTEM.—

(A) IN GENERAL.—Subject to subparagraph (B), a member for whom a contribution is made under paragraph (1) shall not, as a result of serving as a member of the Service, be covered by, or earn service credit under, chapter 83 or 84 of title 5, United States Code.

(B) ANNUAL LEAVE.—Service of a member of the Service described in subparagraph (A) shall be creditable for determining years of service under section 6303(a) of title 5, United States Code.

(f) INVOLUNTARY SEPARATION.—

(1) IN GENERAL.—Subject to paragraph (2) and notwithstanding the provisions of title 5, United States Code, governing appointment in the competitive service, in the case of an individual who is separated from the Service involuntarily and without cause—

(A) the Secretary may appoint the individual to a position in the competitive civil service at level GS–15 of the General Schedule; and

(B) the appointment shall be a career appointment.

(2) EXCEPTED CIVIL SERVICE.—In the case of an individual described in paragraph (1) who immediately prior to appointment as a member of the Service was not a career appointee in the civil service or the Senior Executive Service, the appointment of the individual under paragraph (1)—

(A) shall be to the excepted civil service; and

(B) may not exceed a period of 2 years.

Subtitle C—Studies

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COMPETITIVE, SPECIAL AND FACILITIES RESEARCH GRANT ACT

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SEC. 2. COMPETITIVE, SPECIAL, AND FACILITIES RESEARCH GRANTS.

(a) ESTABLISHMENT OF GRANT PROGRAM.—(1) In order to promote research in food, agriculture, and related areas, a research grants program is hereby established in the Department of Agriculture.

(2) SHORT TITLE.—This section may be cited as the "Competitive, Special, and Facilities Research Grant Act".

(b) COMPETITIVE GRANTS.—(1) The Secretary of Agriculture is authorized to make competitive grants, for periods not to exceed five years, to State agricultural experiment stations, all colleges and universities, other research institutions and organizations, Federal agencies, national laboratories, private organizations or corporations, and individuals, for research to further the programs of the Department of Agriculture. To the greatest extent possible the Secretary shall allocate these grants to high priority research taking into consideration, when available, the determinations made by the National Agricultural Research, Extension, Education, and Economics Advisory Board (as established under section 1408 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3123)) identifying high priority research areas.

(2) HIGH PRIORITY RESEARCH.—For purposes of this subsection, the term "high priority research" means basic and applied research that focuses on both national and multistate research needs (and methods to transfer such research to onfarm or inmarket practice) [in—

[(A) plant systems, including plant genome structure and function; molecular and cellular genetics and plant biotechnology; plant-pest interactions and biocontrol systems; crop plant response to environmental stresses; unproved nutrient qualities of plant products; and new food and industrial uses of plant products;

[(B) animal systems, including aquaculture, cellular and molecular basis of animal reproduction, growth, disease, and health; identification of genes responsible for improved production traits and resistance to disease; improved nutritional performance of animals; and improved nutrient qualities of animal products, and uses, and the development of new and improved animal husbandry and production systems that take into account production efficiency and animal well-being, and animal systems applicable to aquaculture;

[(C) nutrition, food quality, and health, including microbial contaminants and pesticides residues related to human health; links between diet and health; bioavailability of nutrients; postharvest physiology and practices; and improved processing technologies;

[(D) natural resources and the environment, including fundamental structures and functions of ecosystems; biological and physical bases of sustainable production systems; minimizing soil and water losses and sustaining surface water and

ground water quality; global climate effects on agriculture; forestry; and biological diversity;

[(E) engineering, products, and processes, including new uses and new products from traditional and non-traditional crops, animals, byproducts, and natural resources; robotics, energy efficiency, computing, and expert systems; new hazard and risk assessment and mitigation measures; and water quality and management; and

[(F) markets, trade, and policy, including optional strategies for entering and being competitive in overseas markets; new decision tools for onfarm and inmarket systems; choices and applications of technology; technology assessment; and new approaches to rural economic development.], *as those needs are determined by the Secretary, in consultation with the National Agricultural Research, Extension, Education, and Economics Advisory Board, not later than July 1 of each fiscal year for the purposes of the following fiscal year.*

(3) TYPES OF GRANTS.—In addition to making research grants under paragraph (1), the Secretary may conduct a program to improve research capabilities in the agricultural, food, and environmental sciences and award the following categories of competitive grants:

(A) Grants may be awarded to a single investigator or co-investigators within the same discipline.

(B) Grants may be awarded to teams of researchers from different areas of agricultural research and scientific disciplines.

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CRITICAL AGRICULTURAL MATERIALS ACT

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SEC. 16. (a) There are authorized to be appropriated to the Secretary of Agriculture such sums as are necessary to carry out this Act in each of the fiscal years 1991 through [2002] *2006.*

(b) No more than 3 per centum of funds authorized under subsection (a) shall be available for administration and management of the program.

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TITLE XVI (RESEARCH) OF THE FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990

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SEC. 1668. BIOTECHNOLOGY RISK ASSESSMENT RESEARCH.

(a) PURPOSE.—It is the purpose of this section to—

(1) authorize and support environmental assessment research to the extent necessary to help address general concerns about environmental effects of biotechnology; and

(2) authorize research to help regulators develop policies, as soon as practicable, concerning the introduction into the environment of such technology.

(b) GRANT PROGRAM.—The Secretary of Agriculture shall establish a grant program within the Cooperative State Research Service and the Agricultural Research Service to provide the necessary funding for environmental assessment research concerning the introduction of genetically engineered organisms into the environment.

(c) TYPES OF RESEARCH.—Types of research for which grants may be made under this section shall include the following:

(1) Research designed to develop methods to physically and biologically contain genetically engineered animals, plants, and microorganisms once they are introduced into the environment.

(2) Research designed to develop methods to monitor the dispersal of genetically engineered animals, plants, and microorganisms.

(3) Research designed to further existing knowledge with respect to the rates and methods of gene transfer that may occur between genetically engineered organisms and related wild and agricultural organisms.

(4) Other areas of research designed to further the purposes of this section.

(d) ELIGIBILITY REQUIREMENTS.—Grants under this section shall be—

(1) made on the basis of the quality of the proposed research project; and

(2) available to any public or private research or educational institution or organization.

(e) GRANT PRIORITY.—In selecting projects for which grants shall be made under this section, the Secretary shall give priority to public and private research or educational institutions and organizations the goals of which include—

(1) formation of interdisciplinary teams to review or conduct research on the environmental effects of the release of new genetically modified agricultural products;

(2) conduct of studies relating to biosafety of genetically modified agricultural products;

(3) evaluation of the cost and benefit for development of an identity preservation system for genetically modified agricultural products;

(4) establishment of international partnerships for research and education on biosafety issues; or

(5) formation of interdisciplinary teams to renew and conduct research on the nutritional enhancement and environmental benefits of genetically modified agricultural products.

[(e)**]***(f)* CONSULTATION.—In considering specific areas of research for funding under this section, the Secretary of Agriculture shall consult with the Administrator of the Animal and Plant Health Inspection Service, the Office of Agricultural Biotechnology, and the Agricultural Biotechnology Research Advisory Committee.

[(f)**]***(g)* PROGRAM COORDINATION.—The Secretary of Agriculture shall coordinate research funded under this section with the Office of Research and Development of the Environmental Protection Agency in order to avoid duplication of research activities.

[(g)**]** *(h)* AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There are authorized to be appropriated such sums as necessary to carry out this section.

(2) WITHHOLDINGS FROM BIOTECHNOLOGY OUTLAYS.—The Secretary of Agriculture shall withhold from outlays of the Department of Agriculture for research on biotechnology, as defined and determined by the Secretary, at least one percent of such amount for the purpose of making grants under this section for research on biotechnology risk assessment.

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SEC. 1672. HIGH-PRIORITY RESEARCH AND EXTENSION INITIATIVES.

(a) COMPETITIVE SPECIALIZED RESEARCH AND EXTENSION GRANTS AUTHORIZED.—The Secretary of Agriculture (referred to in this section as the "Secretary") may make competitive grants to support research and extension activities specified in subsections (e), (f), and (g). The Secretary shall make the grants in consultation with the National Agricultural Research, Extension, Education, and Economics Advisory Board.

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(24) TOMATO SPOTTED WILT VIRUS RESEARCH AND EXTENSION.—Research and extension grants may be made under this section for the purpose of control, management, and eradication of tomato spotted wilt virus.

(25) ANIMAL INFECTIOUS DISEASES RESEARCH AND EXTENSION.—

(A) IN GENERAL.—Research and extension grants may be made under this section for the purpose of developing—

(i) prevention and control methodologies for animal infectious diseases that impact trade, including vesicular stomatitis, bovine tuberculosis, transmissible spongiform encephalopathy, brucellosis, and E. coli 0157:H7 infection;

(ii) laboratory tests for quicker detection of infected animals and presence of diseases among herds;

(iii) prevention strategies, including vaccination programs; and

(iv) rapid diagnostic techniques for, and evaluation of, animal disease agents considered to be risks for agricultural bioterrorism attack.

(B) COLLABORATION.—Research under subparagraph (A) may be conducted in collaboration with scientists from the Department, other Federal agencies, universities, and industry.

(C) EVALUATION OF DIAGNOSTIC TECHNIQUES AND VACCINES.—Any research on or evaluation of diagnostic techniques and vaccines under subparagraph (A) shall include evaluation of diagnostic techniques and vaccines under field conditions in countries in which the animal disease occurs.

(26) PROGRAM TO COMBAT CHILDHOOD OBESITY.—Research and extension grants may be made under this section to consortia of institutions of higher education that specialize in obesity and nutrition research to develop and implement effective strategies to reduce the incidence of childhood obesity.

(27) INTEGRATED PEST MANAGEMENT.—Research and extension grants may be made under this section to land grant colleges and universities, other Federal agencies, and other inter-

ested persons to coordinate and improve research, education, and outreach on, and implementation on farms of, integrated pest management.

(28) BEEF CATTLE GENETICS.—

(A) IN GENERAL.—Research and extension grants for beef cattle genetics evaluation research may be made under this section to institutions of higher education, or consortia of institutions of higher education, that—

(i) have expertise in beef cattle genetic evaluation research and technology; and

(ii) have been actively involved, for at least 20 years, in the estimation and prediction of progeny differences for publication and use by seed stock producer breed associations.

(B) PRIORITY.—In making grants under subparagraph (A), the Secretary shall give priority to proposals to—

(i) establish and coordinate priorities for genetic evaluation of domestic beef cattle;

(ii) consolidate research efforts to reduce duplication of effort and maximize the return to beef industry;

(iii) streamline the process between the development and adoption of new genetic evaluation methodologies by the industry;

(iv) identify new traits and technologies for inclusion in genetic programs in order to—

(I) reduce the costs of beef production; and

(II) provide consumers with a high nutritional value, healthy, and affordable protein source; or

(v) create decisionmaking tools that incorporate the increasing number of traits being evaluated and the increasing amount of information from DNA technology into genetic improvement programs, with the goal of optimizing the overall efficiency, product quality and safety, and health of the domestic beef cattle herd resource.

(f) IMPORTED FIRE ANT CONTROL, MANAGEMENT, AND ERADICATION.—

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(h) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 1999 through [2002] *2006*.

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SEC. 1672A. NUTRIENT MANAGEMENT RESEARCH AND EXTENSION INITIATIVE.

(a) COMPETITIVE RESEARCH AND EXTENSION GRANTS AUTHORIZED.—The Secretary of Agriculture (referred to in this section as the "Secretary") may make competitive grants to support research and extension activities specified in subsection (e). The Secretary shall make the grants in consultation with the National Agricultural Research, Extension, Education, and Economics Advisory Board.

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(5) ALTERNATIVE USES OF ANIMAL WASTE.—Research and extension grants may be made under this section for the purpose of finding innovative methods and technologies for economic use or disposal of animal waste.

(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 1999 through [2002] *2006*.

SEC. 1672B. ORGANIC AGRICULTURE RESEARCH AND EXTENSION INITIATIVE.

(a) COMPETITIVE SPECIALIZED RESEARCH AND EXTENSION GRANTS AUTHORIZED.—In consultation with the National Agricultural Research, Extension, Education, and Economics Advisory Board *and the National Organic Standards Board,* the Secretary of Agriculture (referred to in this section as the "Secretary") may make competitive grants to support research and extension activities regarding organically grown and processed agricultural commodities for the purposes of—

(1) facilitating the development of organic agriculture production and processing methods;

(2) evaluating the potential economic benefits to producers and processors who use organic methods; [and]

(3) exploring international trade opportunities for organically grown and processed agricultural commodities[.]*;*

(4) determining desirable traits for organic commodities using advanced genomics;

(5) pursuing classical and marker-assisted breeding for publicly held varieties of crops and animals optimized for organic systems;

(6) identifying marketing and policy constraints on the expansion of organic agriculture; and

(7) conducting advanced on-farm research and development that emphasizes observation of, experimentation with, and innovation for working organic farms, including research relating to production and to socioeconomic conditions.

(b) GRANT TYPES AND PROCESS, PROHIBITION ON CONSTRUCTION.—Paragraphs (1), (6), (7), and (11) of subsection (b) of the Competitive, Special, and Facilities Research Grant Act (7 U.S.C. 450i) shall apply with respect to the making of grants under this section.

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(d) PARTNERSHIPS ENCOURAGED.—Following the completion of a peer review process for grant proposals received under this section, the Secretary may provide a priority to those grant proposals, found in the peer review process to be scientifically meritorious, that involve the cooperation of multiple entities.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 1999 through [2002] *2006*.

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SEC. 1680. ASSISTIVE TECHNOLOGY PROGRAM FOR FARMERS WITH DISABILITIES.

(a) SPECIAL DEMONSTRATION GRANTS.—

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(c) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—Subject to paragraph (2), there is authorized to be appropriated to carry out this section $6,000,000 for each of fiscal years 1999 through [2002] *2006*.

(2) NATIONAL GRANT.—Not more than 15 percent of the amounts made available under paragraph (1) for a fiscal year shall be used to carry out subsection (b).

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HATCH ACT OF 1887

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SEC. 3. (a) There are hereby authorized to be appropriated for the purposes of this Act such sums as Congress may from time to time determine to be necessary.

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(d) MATCHING FUNDS.—

(1) REQUIREMENT.—Except as provided in paragraph (4), no allotment shall be made to a State under subsection (b) or (c), and no payments from the allotment shall be made to a State, in excess of the amount that the State makes available out of non-Federal funds for agricultural research and for the establishment and maintenance of facilities for the performance of the research.

(2) FAILURE TO PROVIDE MATCHING FUNDS.—If a State fails to comply with the requirement to provide matching funds for a fiscal year under paragraph (1), the Secretary of Agriculture shall withhold from payment to the State for that fiscal year an amount equal to the difference between—

(A) the amount that would be allotted and paid to the State under subsections (b) and (c) (if the full amount of matching funds were provided by the State); and

(B) the amount of matching funds actually provided by the State.

(3) REAPPORTIONMENT.—

(A) IN GENERAL.—The Secretary of Agriculture shall reapportion amounts withheld under paragraph (2) for a fiscal year among the States satisfying the matching requirement for that fiscal year.

(B) MATCHING REQUIREMENT.—Any reapportionment of funds under this paragraph shall be subject to the matching requirement specified in paragraph (1).

[(4) TERRITORIES.—In lieu of the matching funds requirement of paragraph (1), the Commonwealth of Puerto Rico, the Virgin Islands, and Guam shall be subject to the same matching funds requirements as those applicable to an eligible institution under section 1449 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3222d).]

(4) EXCEPTION FOR INSULAR AREAS.—

(A) IN GENERAL.—Effective beginning for fiscal year 2003, in lieu of the matching funds requirement of paragraph (1), the insular areas of the Commonwealth of Puerto Rico, Guam, and the Virgin Islands of the United States

shall provide matching funds from non-Federal sources in an amount equal to not less than 50 percent of the formula funds distributed by the Secretary to each of the insular areas, respectively, under this section.

(B) WAIVERS.—The Secretary may waive the matching fund requirement of subparagraph (A) for any fiscal year if the Secretary determines that the government of the insular area will be unlikely to meet the matching requirement for the fiscal year.

(e) "Administration" as used in this section shall include participation in planning and coordinating cooperative regional research as defined in subsection (c)(3).

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[(i) INTEGRATION OF RESEARCH AND EXTENSION.—

(1) IN GENERAL.—Not less than the applicable percentage specified under paragraph (2) of the Federal formula funds that are paid under this Act and subsections (b) and (c) of section 3 of the Smith-Lever Act (7 U.S.C. 343) to colleges and universities eligible to receive funds under the Act of July 2, 1862 (12 Stat. 503, chapter 130; 7 U.S.C. 301 et seq.), during a fiscal year shall be expended for activities that integrate cooperative research and extension (referred to in this subsection as "integrated activities").

[(2) APPLICABLE PERCENTAGES.—

[(A) 1997 expenditures on multistate activities.—Of the Federal formula funds that were paid to each State for fiscal year 1997 under this Act and subsections (b) and (c) of section 3 of the Smith-Lever Act (7 U.S.C. 343), the Secretary of Agriculture shall determine the percentage that the State expended for integrated activities.

[(B) Required expenditures on multistate activities.—Of the Federal formula funds that are paid to each State for fiscal year 2000 and each subsequent fiscal year under this Act and subsections (b) and (c) of section 3 of the Smith-Lever Act (7 U.S.C. 343), the State shall expend for the fiscal year for integrated activities a percentage that is at least equal to the lesser of—

[(i) 25 percent; or

[(ii) twice the percentage for the State determined under subparagraph (A).

[(C) REDUCTION BY SECRETARY.—The Secretary of Agriculture may reduce the minimum percentage required to be expended by a State for integrated activities under subparagraph (B) in a case of hardship, infeasibility, or other similar circumstance beyond the control of the State, as determined by the Secretary.

[(D) PLAN OF WORK.—The State shall include in the plan of work of the State required under section 7 of this Act or section 4 of the Smith-Lever Act (7 U.S.C. 344), as applicable, a description of the manner in which the State will meet the requirements of this paragraph.

[(3) APPLICABILITY.—This subsection does not apply to funds provided—

[(A) by a State or local government pursuant to a matching requirement;

[(B) to a 1994 Institution (as defined in section 532 of the Equity in Educational Land-Grant Status Act of 1994 (Public Law 103–382; 7 U.S.C. 301 note)); or

[(C) to the Commonwealth of Puerto Rico, the Virgin Islands, or Guam.

[(4) RELATIONSHIP TO OTHER REQUIREMENTS.—Federal formula funds described in paragraph (1) that are used by a State for a fiscal year for integrated activities in accordance with paragraph (2)(B) may also be used to satisfy the multistate activities requirements of subsection (c)(3) of this section and section 3(h) of the Smith-Lever Act (7 U.S.C. 343(h)) for the same fiscal year.]

(i) INTEGRATED RESEARCH AND EXTENSION ACTIVITIES.—

(1) IN GENERAL.—

(A) REQUIREMENT.—To receive funding under this Act and subsections (b) and (c) of section 3 of the Smith-Lever Act (7 U.S.C. 343) for a fiscal year, a State must have expended on activities that integrate cooperative research and extension (referred to in this section as "integrated activities"), in the preceding fiscal year, an amount equivalent to not less than 25 percent of the funds paid to the State under this section and subsections (b) and (c) of section 3 of the Smith-Lever Act (7 U.S.C. 343) for the preceding fiscal year.

(B) DETERMINATION OF AMOUNT.—In determining compliance with subparagraph (A), the Secretary shall include all cooperative research and extension funds expended by the State in the prior fiscal year, including Federal, State, and local funds.

(2) REDUCTION OF PERCENTAGE.—The Secretary may reduce the minimum percentage required to be expended for integrated activities under paragraph (1) by a State in a case of hardship, unfeasibility, or other similar circumstances beyond the control of the State, as determined by the Secretary.

(3) PLAN OF WORK.—The State shall include in the plan of work of the State required under section 7 of this Act and under section 4 of the Smith-Lever Act (7 U.S.C. 344), as applicable, a description of the manner in which the State will meet the requirements of this subsection.

(4) APPLICABILITY.—This subsection does not apply to funds provided—

(A) to a 1994 Institution (as defined in section 532 of the Equity in Educational Land-Grant Status Act of 1994 (7 U.S.C. 301 note; Public Law 103–382)); or

(B) to the Commonwealth of Puerto Rico, the Virgin Islands, or Guam.

(5) RELATIONSHIP TO OTHER REQUIREMENTS.—Funds described in paragraph (1)(B) that a State uses to calculate the required amount of expenditures for integrated activities under paragraph (1)(A) may also be used in the same fiscal year to calculate the amount of expenditures for multistate activities required under subsection (c)(3) of this section and section 3(h) of the Smith-Lever Act (7 U.S.C. 343(h)).

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SEC. 7. DUTIES OF SECRETARY; ASCERTAINMENT OF ENTITLEMENT OF STATE TO FUNDS; PLANS OF WORK.

(a) DUTIES OF SECRETARY.—The Secretary of Agriculture is hereby charged with the responsibility for the proper administration of this Act, and is authorized and directed to prescribe such rules and regulations as may be necessary to carry out its provisions. It shall be the duty of the Secretary to furnish such advice and assistance as will best promote the purposes of this Act, including participation in coordination of research initiated under this Act by the State agricultural experiment stations, from time to time to indicate such lines of inquiry as to him seem most important, and to encourage and assist in the establishment and maintenance of cooperation by and between the several State agricultural experiment stations, and between the stations and the United States Department of Agriculture.

(b) ASCERTAINMENT OF ENTITLEMENT.—On or before the first day of October in each year after the passage of this Act, the Secretary of Agriculture shall ascertain as to each State whether it is entitled to receive its share of the annual appropriations for agricultural experiment stations under this Act and the amount which thereupon each is entitled, respectively, to receive.

[(c) EFFECT OF FAILURE TO EXPEND FULL ALLOTMENT.—Whenever it shall appear to the Secretary of Agriculture from the annual statement of receipts and expenditures of funds by any State agricultural experiment station that any portion of the preceding annual appropriation allotted to that station under this Act remains unexpended, such amount shall be deducted from the next succeeding annual allotment to the State concerned.**]**

(c) CARRYOVER.—

(1) IN GENERAL.—The balance of any annual funds provided under this Act to a State agricultural experiment station for a fiscal year that remains unexpended at the end of the fiscal year may be carried over for use during the following fiscal year.

(2) FAILURE TO EXPEND FULL ALLOTMENT.—If any unexpended balance carried over by a State is not expended by the end of the second fiscal year, an amount equal to the unexpended balance shall be deducted from the next succeeding annual allotment to the State.

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(4) The manner in which research and extension, including research and extension activities funded other than through formula funds, will cooperate to address the critical issues in the State, including the activities to be carried out separately, the activities to be carried out sequentially, and the activities to be carried out jointly.

(5) The technology transfer activities conducted with respect to federally-funded agricultural research.

(f) RESEARCH PROTOCOLS.—

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NATIONAL AQUACULTURE ACT OF 1980

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SEC. 10. For purposes of carrying out the provisions of this Act, there are authorized to be appropriated—

(1) to the Department of Agriculture, $1,000,000 for each of fiscal years 1991 through [2002] *2006*;

(2) to the Department of Commerce, $1,000,000 for each of fiscal years 1991 through [2002] *2006*; and

(3) to the Department of Interior, $1,000,000 for each of fiscal years 1991 through [2002] *2006.*

Funds authorized by this section shall be in addition to, and not in lieu of, funds authorized by any other Act.

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NATIONAL AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING POLICY ACT OF 1977

* * * * * * *

SEC. 1404. When used in this title:

(1) The term "Advisory Board" means the National Agricultural Research, Extension, Education, and Economics Advisory Board.

(2) The term "agricultural research" means research in the food and agricultural sciences.

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(9) The term "Hispanic-serving institution" has the meaning given the term by section 316(b)(1) of the Higher Education Act of 1965 (20 U.S.C. 1059c(b)(1)).

(10) INSULAR AREA.—The term "insular area" means—

(A) the Commonwealth of Puerto Rico;

(B) Guam;

(C) American Samoa;

(D) the Commonwealth of the Northern Mariana Islands;

(E) the Federated States of Micronesia;

(F) the Republic of the Marshall Islands;

(G) the Republic of Palau;

(H) and the Virgin Islands of the United States.

[(10)]*(11)* The term "land-grant colleges and universities" means those institutions eligible to receive funds under the Act of July 2, 1862 (12 Stat. 503–505, as amended; 7 U.S.C. 301–305, 307 and 308), or the Act of August 30, 1890 (26 Stat. 417–419, as amended; 7 U.S.C. 321–326 and 328), including Tuskegee University.

[(11)]*(12)* The term "Secretary" means the Secretary of Agriculture of the United States.

[(12) The term "State" means any one of the fifty States, the Commonwealth of Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Marianas, the Trust Territory of the Pacific Islands, the Virgin Islands of the United States, and the District of Columbia.

(13) STATE.—The term "*State*" means—

(A) a State;

(B) the District of Columbia; and

(C) any insular area.

[(13)] *(14)* The term "State agricultural experiment stations" means those institutions eligible to receive funds under the Act of March 2, 1887 (24 Stat. 440–442, as amended; 7 U.S.C. 361a–361i).

[(14)]*(15)* TEACHING AND EDUCATION.—The terms "teaching" and "education" mean formal classroom instruction, laboratory instruction, and practicum experience in the food and agricultural sciences and matters relating thereto (such as faculty development, student recruitment and services, curriculum development, instructional materials and equipment, and innovative teaching methodologies) conducted by colleges and universities offering baccalaureate or higher degrees.

[(15)]*(16)* The term "cooperating forestry schools" means those institutions eligible to receive funds under the Act of October 10, 1962 (16 U.S.C. 582a et seq.), commonly known as the McIntire-Stennis Act of 1962.

[(16)]*(17)* The term "State cooperative institutions" or "State cooperative agents" means institutions or agents designated by—

(A) the Act of July 2, 1862 (7 U.S.C. 301 et seq.), commonly known as the First Morrill Act;

(B) the Act of August 30, 1890 (7 U.S.C. 321 et seq.), commonly known as the Second Morrill Act, including Tuskegee University;

(C) the Act of March 2, 1887 (7 U.S.C. 361a et seq.), commonly known as the Hatch Act of 1887;

(D) the Act of May 8, 1914 (7 U.S.C. 341 et seq.), commonly known as the Smith-Lever Act;

(E) the Act of October 10, 1962 (16 U.S.C. 582a et seq.), commonly known as the McIntire-Stennis Act of 1962; and

(F) subtitles E, G, L, and M of this title.

[(17)]*(18)* The term "sustainable agriculture" means an integrated system of plant and animal production practices having a site-specific application that will, over the long-term—

SEC. 1417. GRANTS AND FELLOWSHIPS FOR FOOD AND AGRICULTURAL SCIENCES EDUCATION.

(a) HIGHER EDUCATION TEACHING PROGRAMS.—The Secretary shall promote and strengthen higher education in the food and agricultural sciences by formulating and administering programs to enhance college and university teaching programs in agriculture, natural resources, forestry, veterinary medicine, home economics, [and] *and rural economic, community, and business development* disciplines closely allied to the food and agricultural system.

(b) GRANTS.—The Secretary may make competitive grants (or grants without regard to any requirement for competition) to land-grant colleges and universities, to colleges and universities having significant minority enrollments and a demonstrable capacity to carry out the teaching of food and agricultural sciences, and to other colleges and universities having a demonstrable capacity to carry out the teaching of food and agricultural sciences, for a period not to exceed 5 years—

(1) to strengthen institutional capacities, including curriculum, faculty, scientific instrumentation, instruction delivery systems, and student recruitment and retention, to respond to identified State, regional, national, or international edu-

cational needs in the food and agricultural sciences, *or in rural economic, community, and business development*;

(2) to attract and support undergraduate and graduate students in order to educate the students in national need areas of the food and agricultural sciences, *or in rural economic, community, and business development*;

(3) to facilitate cooperative initiatives between two or more eligible institutions, or between eligible institutions and units of State government or organizations in the private sector, to maximize the development and use of resources such as faculty, facilities, and equipment to improve food and agricultural sciences teaching programs, *or teaching programs emphasizing rural economic, community, and business development*;

(4) to design and implement food and agricultural programs, *or programs emphasizing rural economic, community, and business development*, to build teaching and research capacity at colleges and universities having significant minority enrollments;

(5) to conduct undergraduate scholarship programs to meet national and international needs for training food and agricultural scientists and professionals, *or professionals in rural economic, community, and business development*; and

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(6) to conduct graduate and postdoctoral fellowship programs to attract highly promising individuals to research or teaching careers in the food and agricultural sciences.

(c) PRIORITIES.—In awarding grants under subsection (b), the Secretary shall give priority to—

(1) applications for teaching enhancement projects that demonstrate enhanced coordination among all types of institutions eligible for funding under this section; and

(2) applications for teaching enhancement projects that focus on innovative, multidisciplinary education programs, material, and curricula.

(d) ELIGIBILITY FOR GRANTS.—

(1) IN GENERAL.—To be eligible for a grant under subsection (b), a recipient institution must have a significant demonstrable commitment to higher education teaching programs in the food and agricultural sciences, *or in rural economic, community, and business development*, and to each specific subject area for which the grant is to be used.

(2) MINORITY GROUPS.—The Secretary may set aside a portion of the funds appropriated for the awarding of grants under subsection (b), and make such amounts available only for grants to eligible colleges and universities that the Secretary determines have unique capabilities for achieving the objective of full representation of minority groups in the food and agricultural sciences workforce, *or in the rural economic, community, and business development workforce*, of the United States.

(3) RESEARCH FOUNDATIONS.—An eligible college or university under subsection (b) includes a research foundation maintained by the college or university.

(e) FOOD AND AGRICULTURAL EDUCATION INFORMATION SYSTEM.—From amounts made available for grants under this section,

the Secretary may maintain a national food and agricultural education information system that contains—

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(k) ADMINISTRATION.—The Federal Advisory Committee Act (5 U.S.C. App. 2) and title XVIII of the Food and Agriculture Act of 1977 (7 U.S.C. 2281 et seq.) shall not apply to a panel or board created for the purpose of reviewing applications and proposals for grants or nominations for awards submitted under this section.

(l) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for carrying out this section $60,000,000 for each of the fiscal years 1990 through [2002] *2006*.

SEC. 1417A. COMPETITIVE RESEARCH FACILITIES GRANT PROGRAM.

(a) AUTHORITY.—The Secretary may award grants to eligible institutions on a competitive basis for the construction, acquisition, modernization, renovation, alteration, and remodeling of food and agricultural research facilities such as buildings, laboratories, and other capital facilities (including acquisition of fixtures and equipment) in accordance with this section.

(b) ELIGIBLE INSTITUTIONS.—The following institutions are eligible to compete for grants under subsection (a):

(1) A State cooperative institution.

(2) A Hispanic-serving institution.

(c) CRITERIA FOR AWARD.—The Secretary shall award grants to support the national research purposes specified in section 1402 in a manner determined by the Secretary.

(d) MATCHING.—

(1) IN GENERAL.—The Secretary may establish such matching requirements for grants under subsection (a) as the Secretary considers appropriate.

(2) FORM OF MATCH.—Matching requirements established by the Secretary may be met with unreimbursed indirect costs and in-kind contributions.

(3) EVALUATION PREFERENCE.—The Secretary may include an evaluation preference for projects for which the applicant proposes funds for the direct costs of a project to meet the required match.

(e) TARGETED INSTITUTIONS.—The Secretary may determine that a portion of funds made available to carry out this section shall be targeted to particular eligible institutions to enhance the capacity of the eligible institutions to carry out research.

(f) ADMINISTRATION.—

(1) REGULATIONS.—The Secretary shall promulgate such regulations as are necessary to carry out this section.

(2) STATES WITH MORE THAN 1 ELIGIBLE INSTITUTION.—In a State having more than 1 eligible institution, the Secretary shall establish procedures in accordance with the purposes specified in section 1402 to ensure that the facility proposals of the eligible institutions in the State provide for a coordinated food and agricultural research program among eligible institutions in the State.

(g) APPLICABILITY OF THE FEDERAL ADVISORY COMMITTEE ACT.—The Federal Advisory Committee Act (5 U.S.C. App.) and title XVIII of the Food and Agriculture Act of 1977 (7 U.S.C. 2281 et seq.) shall

not apply to a panel or board created solely for the purpose of reviewing applications or proposals submitted under this section.

(h) ADVISORY BOARD.—In carrying out this section, the Secretary shall consult with the Advisory Board.

(i) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 2002 through 2006.

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SEC. 1419. GRANTS FOR RESEARCH ON THE PRODUCTION AND MARKETING OF ALCOHOLS AND INDUSTRIAL HYDROCARBONS FROM AGRICULTURAL COMMODITIES AND FOREST PRODUCTS.

(a) AUTHORITY OF SECRETARY.—The Secretary may award grants under this section to colleges, universities, and Federal laboratories for the purpose of conducting research related to—

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(c) MINORITY GROUPS.—The Secretary may set aside a portion of funds appropriated for the award of grants under this section and make such amounts available only for grants to eligible colleges and universities that the Secretary determines have unique capabilities for achieving the objective of full participation of minority groups in research on the production and marketing of alcohols and industrial hydrocarbons from agricultural commodities and forest products.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for the purposes of carrying out this section $20,000,000 for each of the fiscal years 1991 through [2002] *2006*.

* * * * * * *

SEC. 1419A. POLICY RESEARCH CENTERS.

(a) IN GENERAL.—Consistent with this section, the Secretary may make grants, competitive grants, and special research grants to, and enter into cooperative agreements and other contracting instruments with, policy research centers described in subsection (b) to conduct research and education programs that are objective, operationally independent, and external to the Federal Government and that concern the effect of public policies and trade agreements on—

(1) the farm and agricultural sectors;

(2) the environment;

(3) rural families, households, and economies; and

(4) consumers, food, and nutrition.

(b) ELIGIBLE RECIPIENTS.—State agricultural experiment stations, colleges and universities, other research institutions and organizations, private organizations, corporations, and individuals shall be eligible to apply for funding under subsection (a).

(c) ACTIVITIES.—Under this section, funding may be provided for disciplinary and interdisciplinary research and education concerning policy research activities consistent with this section, including activities that—

(1) quantify the implications of public policies and regulations;

(2) develop theoretical and research methods;

(3) [collect and analyze] *collect, analyze, and disseminate* data for policymakers, analysts, and individuals; and

(4) develop programs to train analysts.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 1996 through [2002] *2006*.

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SEC. 1424. HUMAN NUTRITION INTERVENTION AND HEALTH PROMOTION RESEARCH PROGRAM.

(a) AUTHORITY OF SECRETARY.—The Secretary may establish, and award grants for projects for, a multi-year research initiative on human nutrition intervention and health promotion.

(b) EMPHASIS OF INITIATIVE.—In administering human nutrition research projects under this section, the Secretary shall give specific emphasis to—

(1) coordinated longitudinal research assessments of nutritional status; and

(2) the implementation of unified, innovative intervention strategies,

to identify and solve problems of nutritional inadequacy and contribute to the maintenance of health, well-being, performance, and productivity of individuals, thereby reducing the need of the individuals to use the health care system and social programs of the United States.

(c) ADMINISTRATION OF FUNDS.—The Administrator of the Agricultural Research Service shall administer funds made available to carry out this section to ensure a coordinated approach to health and nutrition research efforts.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 1996 through [2002] *2006*.

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SEC. 1424A. PILOT RESEARCH PROGRAM TO COMBINE MEDICAL AND AGRICULTURAL RESEARCH.

(a) FINDINGS.—Congress finds the following:

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(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $10,000,000 for each of fiscal years 1997 through [2002] *2006* to carry out the pilot program.

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NUTRITION EDUCATION PROGRAM

SEC. 1425. (a) The Secretary shall establish a national education program which shall include, but not be limited to, the dissemination of the results of food and human nutrition research performed or funded by the Department of Agriculture.

* * * * * * *

(ii) the remainder shall be allocated to each State in an amount which bears the same ratio to the total amount to be allocated under this subparagraph as the population of the State living at or below 125 per centum of the income poverty guidelines prescribed by

the Office of Management and Budget (adjusted pursuant to section 673(2) of the Omnibus Budget Reconciliation Act of 1981 (42 U.S.C. 9902)), bears to the total population of all the States living at or below 125 per centum of the income poverty guidelines, as determined by the last preceding decennial census at the time each such additional amount is first appropriated. The provisions of this subparagraph shall not preclude the Secretary from developing educational materials and programs for persons in income ranges above the level designated in this subparagraph.

(3) There is authorized to be appropriated to carry out the expanded food and nutrition education program established under section 3(d) of the Act of May 8, 1914 (38 Stat. 373, chapter 79; 7 U.S.C. 343(d) and this section, $83,000,000 for each of fiscal years 1996 through [2002] 2006.

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SEC. 1433. (a) There are authorized to be appropriated such funds as Congress may determine necessary to support continuing animal health and disease research programs at eligible institutions, but not to exceed $25,000,000 for each of the fiscal years 1991 through [2002] *2006*, and not in excess of such sums as may after the date of enactment of this title be authorized by law for any subsequent fiscal year. Funds appropriated under this section shall be used: (1) to meet expenses of conducting animal health and disease research, publishing and disseminating the results of such research, and contributing to the retirement of employees subject to the provisions of the Act of March 4, 1940 (54 Stat. 39–40, as amended; 7 U.S.C. 331); (2) for administrative planning and direction; and (3) to purchase equipment and supplies necessary for conducting such research.

* * * * * * *

SEC. 1434. (a) There are authorized to be appropriated such funds as Congress may determine necessary to support research on specific national or regional animal health or disease problems, or national or regional problems relating to pre-harvest, on-farm food safety, or animal well-being, but not to exceed $35,000,000 for each of the fiscal years 1991 through [2002] *2006*, and not in excess of such sums as may after the date of enactment of this title be authorized by law for any subsequent fiscal year.

(b) Notwithstanding the provisions of section 1435 of this title, funds appropriated under this section shall be awarded in the form of grants, for periods not to exceed five years, to State agricultural experiment stations, colleges and universities, other research institutions and organizations, Federal agencies, private organizations or corporations, and individuals.

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SEC. 1444. EXTENSION AT 1890 LAND-GRANT COLLEGES, INCLUDING TUSKEGEE UNIVERSITY.

[(a) There] *(a) Authorization of Appropriations.—*

(1) *IN GENERAL.—There* are hereby authorized to be appropriated annually such sums as Congress may determine necessary to support continuing agricultural and forestry exten-

sion at colleges eligible to receive funds under the Act of August 30, 1890 (26 Stat. 417–419, as amended; 7 U.S.C. 321–326 and 328), including Tuskegee University (hereinafter in this section referred to as "eligible institutions"). [Beginning with the fiscal year ending September 30, 1979, and ending with the fiscal year ending September 30, 1981, there shall be appropriated under this section for each fiscal year an amount not less than 4 per centum of the total appropriations for such year under the Act of May 8, 1914 (38 Stat. 372–374, as amended; 7 U.S.C. 341–349): *Provided*, That the amount appropriated for the fiscal year ending September 30, 1979, shall not be less than the amount made available for the fiscal year ending September 30, 1978, to such eligible institutions under section 3(d) of the Act of May 8, 1914 (38 Stat. 373, as amended; 7 U.S.C. 343(d)). Beginning with the fiscal year ending September 30, 1982, there shall be appropriated under this section an amount not less than 5½ per centum, and for each fiscal year thereafter an amount not less than 6 per centum] the following;

(2) MINIMUM AMOUNT.—Beginning with fiscal year 2002, there shall be appropriated under this section for each fiscal year an amount that is not less than 15 percent of the total appropriations for such year under the Act of May 8, 1914 (7 U.S.C. 341 et seq.), and related acts pertaining to cooperative extension work at the land-grant institutions identified in the Act of May 8, 1914 (38 Stat. 372, chapter 79; 7 U.S.C. 341 et seq.), except that for the purpose of this calculation, the total appropriations shall not include amounts made available after September 30, 1995, under section 3(d) of that Act (7 U.S.C. 343(d)), to carry out programs or initiatives for which no funds were made available under section 3(d) of that Act for fiscal year 1995, or any previous fiscal year, as determined by the Secretary, and shall not include amounts made available after September 30, 1995, to carry out programs or initiatives funded under section 3(d) of that Act prior to that date that are in excess of the highest amount made available for the programs or initiatives for fiscal year 1995, or any previous fiscal year, as determined by the Secretary. [Funds appropriated]

(3) USES.—Funds appropriated; and under this section shall be used for expenses of conducting extension programs and activities, and for contributing to the retirement of employees subject to the provisions of the Act of March 4, 1940 (54 Stat. 30–40, as amended; 7 U.S.C. 331). [No more]

(4) CARRYOVER.—No more than 20 per centum of the funds received by an institution in any fiscal year may be carried forward to the succeeding fiscal year.

SEC. 1445. AGRICULTURAL RESEARCH AT 1890 LAND-GRANT COLLEGES, INCLUDING TUSKEGEE UNIVERSITY.

[(a) There] *(a) AUTHORIZATION OF APPROPRIATIONS.*—

(1) IN GENERAL.—There are hereby authorized to be appropriated annually such sums as Congress may determine necessary to support continuing agricultural research at colleges eligible to receive funds under the Act of August 30, 1890 (26 Stat. 417–419, as amended; 7 U.S.C. 321–326 and 328), including Tuskegee University (hereinafter referred to in this section as "eligible institutions"). [Beginning with the fiscal year end-

ing September 30, 1979, there shall be appropriated under this section for each fiscal year an amount not less than 15 per centum of the total appropriations for such year under section 3 of the Act of March 2, 1887 (24 Stat. 441, as amended; 7 U.S.C. 361c): Provided, That the amount appropriated for the fiscal year ending September 30, 1979, shall not be less than the amount made available in the fiscal year ending September 30, 1978, to such eligible institutions under the Act of August 4, 1965 (79 Stat. 431, 7 U.S.C. 450i).]

(2) MINIMUM AMOUNT.—Beginning with fiscal year 2002, there shall be appropriated under this section for each fiscal year an amount that is not less than 25 percent of the total appropriations for the fiscal year under section 3 of the Hatch Act of 1887 (7 U.S.C. 361c).

(3) USES.—Funds appropriated under this section shall be used for expenses of conducting agricultural research, printing, disseminating the results of such research, contributing to the retirement of employees subject to the provisions of the Act of March 4, 1940 (54 Stat. 39–40, as amended; 7 U.S.C. 331), administrative planning and direction, and purchase and rental of land and the construction, acquisition, alteration, or repair of buildings necessary for conducting agricultural research. [The eligible]

(4) COORDINATION.—The eligible institutions are authorized to plan and conduct agricultural research in cooperation with each other and such agencies, institutions, and individuals as may contribute to the solution of agricultural problems, and moneys appropriated pursuant to this section shall be available for paying the necessary expenses of planning, coordinating, and conducting such cooperative research. [No more (5) Carryover.—No more than 5 percent of the funds received by an institution in any fiscal year, under this section, may be carried forward to the succeeding fiscal year.]

(5) CARRYOVER.—

(A) *IN GENERAL.—The balance of any annual funds provided to an eligible institution for a fiscal year under this section that remains unexpended at the end of the fiscal year may be carried over for use during the following fiscal year.*

(B) FAILURE TO EXPEND FULL AMOUNT.—If any unexpended balance carried over by an eligible institution is not expended by the end of the second fiscal year, an amount equal to the unexpended balance shall be deducted from the next succeeding annual allotment to the eligible institution.

(b) Beginning with the fiscal year ending September 30, 1979, the funds appropriated in each fiscal year under this section shall be distributed as follows:

* * * * * * *

(E) The manner in which research and extension, including research and extension activities funded other than through formula funds, will cooperate to address the critical issues in the State, including the activities to be carried out separately, the activities to be carried out sequentially, and the activities to be carried out jointly.

(F) The technology transfer activities conducted with respect to federally-funded agricultural research.

(4) RESEARCH PROTOCOLS.—

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SEC. 1447. GRANTS TO UPGRADE AGRICULTURAL AND FOOD SCIENCES FACILITIES AT 1890 LAND-GRANT COLLEGES, INCLUDING TUSKEGEE UNIVERSITY.

(a) PURPOSE.—It is hereby declared to be the intent of Congress to assist the institutions eligible to receive funds under the Act of August 30, 1890, including Tuskegee University (hereafter referred to in this section as "eligible institutions") in the acquisition and improvement of agricultural and food sciences facilities and equipment, including libraries, so that the eligible institutions may participate fully in the production of human capital.

(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary of Agriculture for the purposes of carrying out the provisions of this section, **[**$15,000,000 for each of fiscal years 1996 through 2002**]** *$25,000,000 for each of fiscal years 2002 through 2006,* and such sums shall remain available until expended.

(c) USE OF GRANT FUNDS.—Four percent of the sums appropriated pursuant to this section shall be available to the Secretary for administration of this grants program. The remaining funds shall be available for grants to eligible institutions for the purpose of assisting them in the purchase of equipment and land, the planning, construction, alteration, or renovation of buildings to strengthen their capacity in the production of human capital in the food and agricultural sciences and can be used at the discretion of the eligible institutions in the areas of research, extension, and resident instruction or any combination thereof.

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SEC. 1448. NATIONAL RESEARCH AND TRAINING CENTENNIAL CENTERS.

(a) COMPETITIVE GRANTS AUTHORIZED.—The Secretary of Agriculture may make a competitive grant to five national research and training centennial centers located at colleges (or a consortia of such colleges) eligible to receive funds under the Act of August 30, 1890 (7 U.S.C. 321 et seq.), including Tuskegee University, that—

(1) have been designated by the Secretary for the fiscal years 1991 through 1995, or fiscal years 1996 through **[**2002**]** *2006,* as national research and training centennial centers; and

(2) have the best demonstrable capacity, as determined by the Secretary, to provide administrative leadership as—

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(f) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $2,000,000 for each of the fiscal years 1991 through **[**2002**]** *2006* for grants under this section.

(g) CENTER DEFINED.—For purposes of this section, the term "center" means a national research and training centennial center that receives a grant under this subsection.

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SEC. 1449. MATCHING FUNDS REQUIREMENT FOR RESEARCH AND EXTENSION ACTIVITIES AT ELIGIBLE INSTITUTIONS.

(a) DEFINITIONS.—In this section:

(1) ELIGIBLE INSTITUTION.—The term "eligible institution" means a college eligible to receive funds under the Act of August 30, 1890 (7 U.S.C. 321 et seq.) (commonly known as the "Second Morrill Act"), including Tuskegee University.

(2) FORMULA FUNDS.—The term "formula funds" means the formula allocation funds distributed to eligible institutions under sections 1444 and 1445.

(b) DETERMINATION OF NON-FEDERAL SOURCES OF FUNDS.—Not later than September 30, 1999, each eligible institution shall submit to the Secretary a report describing for fiscal year 1999—

(1) the sources of non-Federal funds made available by the State to the eligible institution for agricultural research, extension, and education to meet the requirements of this section; and

(2) the amount of such funds generally available from each source.

[(c) MATCHING FORMULA.—Notwithstanding any other provision of this subtitle, the distribution of formula funds to an eligible institution shall be subject to the following matching requirements:

[(1) For fiscal year 2000, the State shall provide matching funds from non-Federal sources in an amount equal to not less than 30 percent of the formula funds to be distributed to the eligible institution.

[(2) For fiscal year 2001, the State shall provide matching funds from non-Federal sources in an amount equal to not less than 45 percent of the formula funds to be distributed to the eligible institution.

[(3) For fiscal year 2002 and each fiscal year thereafter, the State shall provide matching funds from non-Federal sources in an amount equal to not less than 50 percent of the formula funds to be distributed to the eligible institution.

[(d) LIMITED WAIVER AUTHORITY.—

[(1) FISCAL YEAR 2000.—Notwithstanding subsection (f), the Secretary may waive the matching funds requirement under subsection (c)(1) for fiscal year 2000 for an eligible institution of a State if the Secretary determines that, based on the report received under subsection (b), the State will be unlikely to satisfy the matching requirement.

[(2) FUTURE FISCAL YEARS.—The Secretary may not waive the matching requirement under subsection (c) for any fiscal year other than fiscal year 2000.]

(c) MATCHING FORMULA.—

(1) IN GENERAL.—For each of fiscal years 2003 through 2006, the State shall provide matching funds from non-Federal sources.

(2) AMOUNT.—The amount of the matching funds shall be equal to not less than—

(A) for fiscal year 2003, 60 percent of the formula funds to be distributed to the eligible institution; and

(B) for each of fiscal years 2004 through 2006, 110 percent of the amount required under this paragraph for the preceding fiscal year.

(d) WAIVERS.—Notwithstanding subsection (f), for any of fiscal years 2003 through 2006, the Secretary may waive the matching funds requirement under subsection (c) for any amount above the level of 50 percent for an eligible institution of a State if the Secretary determines that the State will be unlikely to meet the matching requirement.

(e) USE OF MATCHING FUNDS.—Under terms and conditions established by the Secretary, matching funds provided as required by subsection (c) may be used by an eligible institution for agricultural research, extension, and education activities.

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SEC. 1455. EDUCATION GRANTS PROGRAMS FOR HISPANIC-SERVING INSTITUTIONS.

(a) GRANT AUTHORITY.—The Secretary may make competitive grants (or grants without regard to any requirement for competition) to Hispanic-serving institutions for the purpose of promoting and strengthening the ability of Hispanic-serving institutions to carry out education, applied research, and related community development programs.

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(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to make grants under this section $20,000,000 for each of fiscal years 1997 through [2002] *2006.*

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SEC. 1462. LIMITATION ON INDIRECT COSTS FOR AGRICULTURAL RESEARCH, EDUCATION, AND EXTENSION PROGRAMS.

(a) IN GENERAL.—Except as otherwise provided in law, indirect costs charged against a competitive agricultural research, education, or extension grant awarded under this Act or any other Act pursuant to authority delegated to the Under Secretary of Agriculture for Research, Education, and Economics shall not exceed [19 percent of the total Federal funds provided under the grant award, as determined by the Secretary] *the negotiated indirect cost rate established for an institution by the cognizant Federal audit agency for the institution.*

(b) EXCEPTION.—Subsection (a) shall not apply to a grant awarded competitively under section 9 of the Small Business Act (15 U.S.C. 638).

SEC. 1462A. RESEARCH EQUIPMENT GRANTS.

(a) IN GENERAL.—The Secretary may make competitive grants for the acquisition of special purpose scientific research equipment for use in the food and agricultural sciences programs of eligible institutions described in subsection (b).

(b) ELIGIBLE INSTITUTIONS.—The Secretary may make a grant under this section to—

(1) a college or university; or

(2) a State cooperative institution.

(c) MAXIMUM AMOUNT.—The amount of a grant made to an eligible institution under this section may not exceed $500,000.

(d) PROHIBITION ON CHARGE OF EQUIPMENT AS INDIRECT COSTS.—The cost of acquisition or depreciation of equipment purchased with a grant under this section shall not be—

(1) charged as an indirect cost against another Federal grant; or

(2) included as part of the indirect cost pool for purposes of calculating the indirect cost rate of an eligible institution.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $50,000,000 for each of fiscal years 2002 through 2006.

AUTHORIZATION FOR APPROPRIATIONS FOR EXISTING AND CERTAIN NEW AGRICULTURAL RESEARCH PROGRAMS

SEC. 1463. (a) Notwithstanding any authorization for appropriations for agricultural research in any Act enacted prior to the date of enactment of this title, there are hereby authorized to be appropriated for the purposes of carrying out the provisions of this title, except sections 1417, 1419, 1420, and the competitive grants program provided for in section 1414, and except that the authorization for moneys provided under the Act of March 2, 1887 (24 Stat. 440–442, as amended; 7 U.S.C. 361a–361i), is excluded and is provided for in subsection (b) of this section, **[**$850,000,000 for each of the fiscal years 1991 through 2002**]** *$1,500,000,000 for each of fiscal years 2002 through 2006.*

(b) Notwithstanding any authorization for appropriations for agricultural research at State agricultural experiment stations in any Act enacted prior to the date of enactment of this title, there are hereby authorized to be appropriated for the purpose of conducting agricultural research at State agricultural experiment stations pursuant to the Act of March 2, 1887 (24 Stat. 440–442, as amended; 7 U.S.C. 361a–361i), $310,000,000 for each of the fiscal years 1991 through **[**2002**]** *2006.*

(c) Notwithstanding any other provision of law effective beginning October 1, 1983, not less than 25 per centum of the total funds appropriated to the Secretary in any fiscal year for the conduct of the cooperative research program provided for under the Act of March 2, 1887, commonly known as the Hatch Act (7 U.S.C. 361a et seq.); the cooperative forestry research program provided for under the Act of October 10, 1962, commonly known as the McIntire-Stennis Act (16 U.S.C. 582a et seq.); the special and competitive grants programs provided for in sections 2(b) and 2(c) of the Act of August 4, 1965 (7 U.S.C. 450i); the animal health research program provided for under sections 1433 and 1434 of this title; the native latex research program provided for in the Native Latex Commercialization and Economic Development Act of 1978 (7 U.S.C. 178 et seq.); and the research provided for under various statutes for which funds are appropriated under the Agricultural Research heading or a successor heading, shall be appropriated for research at State agricultural experiment stations pursuant to the provision of the Act of March 2, 1887.

AUTHORIZATION FOR APPROPRIATIONS FOR EXTENSION EDUCATION

SEC. 1464. Notwithstanding any authorization for appropriations for the Cooperative Extension Service in any Act enacted prior to the date of enactment of this title, there are hereby authorized to be appropriated for the purposes of carrying out the extension programs of the Department of Agriculture **[**$420,000,000 for fiscal year 1991, $430,000,000 for fiscal year 1992, $440,000,000 for fiscal

year 1993, *$450,000,000 for fiscal year 1994, and $460,000,000 for each of fiscal years 1995 through 2002.]* *$500,000,000 for each of fiscal years 2003 through 2006.*

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SEC. 1469A. AVAILABILITY OF COMPETITIVE GRANT FUNDS.

Except as otherwise provided by law, funds made available to the Secretary to carry out a competitive agricultural research, education, or extension grant program under this or any other Act shall be available for obligation for a 2–year period beginning on October 1 of the fiscal year for which the funds are made available.

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SEC. 1473B. JOINT REQUESTS FOR PROPOSALS.

(a) IN GENERAL.—In carrying out any competitive agricultural research, education, or extension grant program authorized under this or any other Act, the Secretary may cooperate with 1 or more other Federal agencies (including the National Science Foundation) in issuing joint requests for proposals, awarding grants, and administering grants, for similar or related research, education, or extension projects or activities.

(b) TRANSFER OF FUNDS.—

(1) SECRETARY.—The Secretary may transfer funds to, or receive funds from, a cooperating Federal agency for the purpose of carrying out the joint request for proposals, making awards, or administering grants.

(2) COOPERATING AGENCY.—The cooperating Federal agency may transfer funds to, or receive funds from, the Secretary for the purpose of carrying out the joint request for proposals, making awards, or administering grants.

(3) LIMITATIONS.—Funds transferred or received under this subsection shall be—

(A) used only in accordance with the laws authorizing the appropriation of the funds; and

(B) made available by grant only to recipients that are eligible to receive the grant under the laws.

(c) ADMINISTRATION.—

(1) SECRETARY.—The Secretary may delegate authority to issue requests for proposals, make grant awards, or administer grants, in whole or in part, to a cooperating Federal agency.

(2) COOPERATING FEDERAL AGENCY.—The cooperating Federal agency may delegate to the Secretary authority to issue requests for proposals, make grant awards, or administer grants, in whole or in part.

(d) REGULATIONS; RATES.—The Secretary and a cooperating Federal agency may agree to make applicable to recipients of grants—

(1) the post-award grant administration regulations and indirect cost rates applicable to recipients of grants from the Secretary; or

(2) the post-award grant administration regulations and indirect cost rates applicable to recipients of grants from the cooperating Federal agency.

(e) JOINT PEER REVIEW PANELS.—Subject to section 1413B, the Secretary and a cooperating Federal agency may establish joint peer review panels for the purpose of evaluating grant proposals.

SUPPLEMENTAL AND ALTERNATIVE CROPS

SEC. 1473D. (a) Notwithstanding any other provision of law, during the period beginning October 1, 1986, and ending September 30, [2002] *2006,* the Secretary shall develop and implement a research project for the development of supplemental and alternative crops, using such funds as are appropriated to the Secretary each fiscal year under this title.

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AUTHORIZATION FOR APPROPRIATIONS

SEC. 1477. There is authorized to be appropriated $7,500,000 for each of the fiscal years 1991 through [2002] *2006.* Funds appropriated under this section or section 1476 may not be used to acquire or construct a building.

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APPROPRIATIONS

SEC. 1483. (a) There are authorized to be appropriated, to implement the provisions of this subtitle, such sums not to exceed $10,000,000 for each of the fiscal years 1991 through [2002] *2006.*

(b) Funds appropriated under this section shall be allocated by the Secretary to eligible institutions for work to be done as mutually agreed upon between the Secretary and the eligible institution or institutions.

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Subtitle N—Biosecurity

CHAPTER 1—AGRICULTURE INFRASTRUCTURE SECURITY

SEC. 1484. DEFINITIONS.

In this chapter:

(1) AGRICULTURAL RESEARCH FACILITY.—The term "agricultural research facility" means a facility—

(A) at which agricultural research is regularly carried out or proposed to be carried out; and

(B) that is—

(i)(I) an Agricultural Research Service facility;

(II) a Forest Service facility; or

(III) an Animal and Plant Health Inspection Service facility;

(ii) a Federal agricultural facility in the process of being planned or being constructed; or

(iii) any other facility under the full control of the Secretary.

(2) COMMISSION.—The term "Commission" means the Agriculture Infrastructure Security Commission established under section 1486.

(3) FUND.—The term "Fund" means the Agriculture Infrastructure Security Fund Account established by section 1485.

SEC. 1485. AGRICULTURE INFRASTRUCTURE SECURITY FUND.

(a) ESTABLISHMENT.—There is established in the Treasury of the United States an account, to be known as the "Agriculture Infrastructure Security Fund Account", consisting of funds appropriated to, or deposited into, the Fund under subsection (c).

(b) PURPOSES.—The purposes of the Fund are to provide funding to protect and strengthen the Federal food safety and agricultural infrastructure that—

(1) safeguards against animal and plant diseases and pests;

(2) ensures the safety of the food supply; and

(3) ensures sound science in support of food and agricultural policy.

(c) DEPOSITS INTO FUND.—

(1) IN GENERAL.—There are authorized to be appropriated to the Fund such sums as are necessary for each of fiscal years 2002 through 2006.

(2) CONTRIBUTIONS AND OTHER PROCEEDS.—The Secretary shall deposit into the Fund any funds received—

(A) as proceeds from the sale of assets under subsection (e); or

(B) as gifts under subsection (f).

(3) AVAILABILITY OF FUNDS.—Amounts in the Fund shall remain available until expended without further Act of appropriation.

(4) ADDITIONAL FUNDS.—Funds made available under paragraph (1) shall be in addition to funds otherwise available to the Secretary to receive gifts and bequests or dispose of property (real, personal, or intangible).

(d) EXPENDITURES FROM FUND.—

(1) IN GENERAL.—Subject to paragraph (2), on request by the Secretary, the Secretary of the Treasury shall transfer from the Fund to the Secretary, and the Secretary shall accept and use without further appropriation, such amounts as the Secretary determines to be necessary to pay—

(A) the costs of planning, design, development, construction, acquisition, modernization, leasing, and disposal of facilities, equipment, and technology used by the Department in carrying out programs relating to the purposes specified in subsection (b), notwithstanding the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471 et seq.) or any other law that prescribes procedures for the procurement, use, or disposal of property or services by a Federal agency;

(B) the costs of specialized services relating to the purposes specified in subsection (b);

(C) the costs of cooperative arrangements authorized to be entered into (notwithstanding chapter 63 of title 31, United States Code) with State, local and tribal governments, and other public and private entities, to carry out programs relating to the purposes specified in subsection (b); and

(D) administrative costs incurred in carrying out subparagraphs (A) through (C).

(2) LIMITATIONS.—

(A) FEDERAL EMPLOYEES.—Amounts in the Fund shall not be used to create any new full or part-time permanent Federal employee position.

(B) ADMINISTRATIVE EXPENSES.—Beginning in fiscal year 2003, not more than 1 percent of the amounts in the Fund on October 1 of a fiscal year may be used in the fiscal year for administrative expenses of the Secretary in carrying out the activities described in paragraph (1).

(e) SALE OF ASSETS.—

(1) DISPOSAL AUTHORITY.—Notwithstanding the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471 et seq.), the Secretary by sale may dispose of all or any part of any right or title in land (excluding National Forest System land), facilities, or equipment in the full control of the Department (including land and facilities at the Beltsville Agricultural Research Center) used for the purposes specified in subsection (b).

(2) DISPOSITION OF PROCEEDS.—Proceeds from any sale conducted by the Secretary under paragraph (1) shall be deposited into the Fund in accordance with subsection (c)(2)(A).

(f) GIFTS.—

(1) IN GENERAL.—To carry out the purposes specified in subsection (b), the Secretary may accept gifts and bequests of funds, property (real, personal, and intangible), equipment, services, and other in-kind contributions from State, local, and tribal governments, colleges and universities, individuals, and other public and private entities.

(2) PROHIBITED SOURCE.—

(A) IN GENERAL.—For the purposes of this subsection, the Secretary shall not consider a State or local government, Indian tribe (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)), other public entity, or college or university, to be a prohibited source under any Department rule or policy that prohibits the acceptance of gifts from individuals and entities that do business with the Department.

(B) EXCEPTION.—Notwithstanding any Department rule or policy that prohibits the acceptance of gifts by the Department from individuals or private entities that do business with the Department or that, for any other reason, are considered to be prohibited sources, the Secretary may accept gifts under this subsection if the Secretary determines that it is in the public interest to accept the gift.

(3) DISPOSITION OF GIFTS.—The Secretary shall deposit any gift of funds under this subsection into the Fund in accordance with subsection (c)(2)(B).

SEC. 1486. AGRICULTURE INFRASTRUCTURE SECURITY COMMISSION.

(a) ESTABLISHMENT.—The Secretary shall establish a commission to be known as the "Agriculture Infrastructure Security Commission" to carry out the duties described in subsection (f).

(b) MEMBERSHIP.—

(1) APPOINTMENT.—

(A) VOTING MEMBERS.—

(i) IN GENERAL.—The Commission shall be composed of 15 voting members, appointed by the Secretary in ac-

cordance with clause (ii), based on nominations solicited from the public.

(ii) QUALIFICATIONS.—The Secretary shall appoint members that—

(I) represent a balance of the public and private sectors; and

(II) have combined expertise in—

(aa) facilities development, modernization, construction, security, consolidation, and closure;

(bb) plant diseases and pests;

(cc) animal diseases and pests;

(dd) food safety;

(ee) biosecurity;

(ff) the needs of farmers and ranchers;

(gg) public health;

(hh) State, local, and tribal government; and

(ii) any other area related to agriculture infrastructure security, as determined by the Secretary.

(B) NONVOTING MEMBERS.—The Commission shall be composed of the following nonvoting members:

(i) The Secretary.

(ii) 4 representatives appointed by the Secretary of Health and Human Services, 1 each from—

(I) the Public Health Service;

(II) the National Institutes of Health;

(III) the Centers for Disease Control and Prevention; and

(IV) the Food and Drug Administration.

(iii) 1 representative appointed by the Attorney General.

(iv) 1 representative appointed by the Director of Homeland Security.

(v) Not more than 4 representatives of the Department appointed by the Secretary.

(2) DATE OF APPOINTMENT.—The appointment of each member of the Commission shall be made not later than 90 days after the date of enactment of this subtitle.

(c) TERM; VACANCIES.—

(1) TERM.—The term of office of a member of the Commission shall be 4 years, except that the members initially appointed shall be appointed to serve staggered terms (as determined by the Secretary).

(2) VACANCIES.—A vacancy on the Commission shall be filled in the same manner as the original appointment was made.

(d) MEETINGS.—

(1) IN GENERAL.—The Commission shall meet at the call of—

(A) the Chairperson;

(B) a majority of the voting members of the Commission; or

(C) the Secretary.

(2) FEDERAL ADVISORY COMMITTEE ACT.—

(A) IN GENERAL.—The Federal Advisory Committee Act (5 U.S.C. App.) and title XVIII of the Food and Agriculture Act of 1977 (7 U.S.C. 2281 et seq.) shall not apply to the Commission.

(B) OPEN MEETINGS; RECORDS.—Subject to subparagraph (C)—

(i) a meeting of the Commission shall be—

(I) publicly announced in advance; and

(II) open to the public; and

(ii) the Commission shall—

(I) keep detailed minutes of each meeting and other appropriate records of the activities of the Commission; and

(II) make the minutes and records available to the public on request.

(C) EXCEPTION.—When required in the interest of national security—

(i) the Chairperson may choose not to give public notice of a meeting;

(ii) the Chairperson may close all or a portion of any meeting to the public, and the minutes of the meeting, or portion of a meeting, shall not be made available to the public; and

(iii) by majority vote, the Commission may redact the minutes of a meeting that was open to the public.

(e) CHAIRPERSON.—The Secretary shall select a Chairperson from among the voting members of the Commission.

(f) DUTIES.—

(1) IN GENERAL.—The Commission shall—

(A) advise the Secretary on the uses of the Fund;

(B) review all agricultural research facilities for—

(i) research importance; and

(ii) importance to agriculture infrastructure security;

(C) identify any agricultural research facility that should be closed, realigned, consolidated, or modernized to carry out the research agenda of the Secretary and protect agriculture infrastructure security;

(D) develop recommendations concerning agricultural research facilities; and

(E)(i) evaluate the agricultural research facilities acquisition and modernization system (including acquisitions by gift, grant, or any other form of agreement) used by the Department; and

(ii) based on the evaluation, recommend improvements to the system.

(2) STRATEGIC PLAN.—To assist the Commission in carrying out the duties described in paragraph (1), the Commission shall use the 10-year strategic plan prepared by the Strategic Planning Task Force established under section 4 of the Research Facilities Act (7 U.S.C. 390b).

(3) REPORT.—

(A) IN GENERAL.—Not later than 240 days after the date of enactment of this subtitle, and each June 1 thereafter, the Commission shall prepare and submit to the Secretary, the Committee on Agriculture and the Committee on Appro-

priations of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry and the Committee on Appropriations of the Senate, a report on the findings and recommendations under paragraph (1).

(B) WRITTEN RESPONSE.—Not later than 90 days after the date of receipt of a report from the Commission under subparagraph (A), the Secretary shall provide to the Commission a written response concerning the manner and extent to which the Secretary will implement the recommendations in the report.

(C) PUBLIC AVAILABILITY.—

(i) IN GENERAL.—Subject to clause (ii), the report submitted by the Commission, and any response made by the Secretary, under this subsection shall be available to the public.

(ii) EXCEPTION.—

(I) NATIONAL SECURITY.—The Commission or the Secretary may determine that any report or response, or any portion of a report or response, shall not be publicly released in the interest of national security.

(II) FREEDOM OF INFORMATION ACT.—On such a determination, the report or response, a portion of the report or response, or any records relating to the report or response, shall not be released under section 552 of title 5, United States Code.

(g) COMMISSION PERSONNEL MATTERS.—

(1) COMPENSATION OF MEMBERS.—

(A) NON-FEDERAL EMPLOYEES.—A voting member of the Commission who is not a regular full-time employee of the Federal Government shall, while attending meetings of the Commission or otherwise engaged in the business of the Commission (including travel time), be entitled to receive compensation at a rate fixed by the Secretary, but not exceeding the daily equivalent of the annual rate specified at the time of such service under GS–15 of the General Schedule established under section 5332 of title 5, United States Code.

(B) TRAVEL EXPENSES.—A voting member of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for an employee of an agency under subchapter I of chapter 57 of title 5, United States Code, while away from the home or regular place of business of the member in the performance of the duties of the Commission.

(2) STAFF.—The Secretary shall provide the Commission with any personnel and other resources as the Secretary determines appropriate.

(h) FUNDING.—

(1) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section such sums as are necessary for each of fiscal years 2002 through 2006.

(2) AGRICULTURE INFRASTRUCTURE SECURITY FUND.—For the purpose of establishing the Commission, the Secretary shall use

such sums from the Fund as the Secretary determines to be appropriate.

CHAPTER 2—OTHER BIOSECURITY PROGRAMS

SEC. 1487. SPECIAL AUTHORIZATION FOR BIOSECURITY PLANNING AND RESPONSE.

(a) AUTHORIZATION OF APPROPRIATIONS.—In addition to amounts for agricultural research, extension, and education under this Act, there are authorized to be appropriated for agricultural research, education, and extension activities for biosecurity planning and response such sums as are necessary for each of fiscal years 2002 through 2006.

(b) USE OF FUNDS.—Using any authority available to the Secretary, the Secretary shall use funds made available under this section to carry out agricultural research, education, and extension activities (including through competitive grants) necessary—

(1) to reduce the vulnerability of the United States food and agricultural system to chemical or biological attack;

(2) to continue joint research initiatives between the Agricultural Research Service, universities, and industry on counterbioterrorism efforts (including continued funding of a consortium in existence on the date of enactment of this subtitle of which the Agricultural Research Service and universities are members);

(3) to make competitive grants to universities and qualified research institutions for research on counterbioterrorism; and

(4) to counter or otherwise respond to chemical or biological attack.

SEC. 1488. AGRICULTURE BIOTERRORISM RESEARCH FACILITIES.

(a) DEFINITIONS.—In this section:

(1) CONSTRUCTION.—The term "construction" includes—

(A) the construction of new buildings; and

(B) the expansion, renovation, remodeling, and alteration of existing buildings.

(2) COST.—

(A) IN GENERAL.—The term "cost" means any construction cost, including architects' fees.

(B) EXCLUSIONS.—The term "cost" does not include the cost of—

(i) acquiring land or an interest in land; or

(ii) constructing any offsite improvement.

(3) ELIGIBLE ENTITY.—The term "eligible entity" means a college or university that—

(A) is a land grant college or university (as defined in section 1404 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3103)); and

(B) as determined by the Secretary, has—

(i) demonstrated expertise in the area of animal and plant diseases;

(ii) substantial animal and plant diagnostic laboratories; and

(iii) well-established working relationships with—

(I) the agricultural industry; and

(II) farm and commodity organizations.

(b) MODERNIZATION AND CONSTRUCTION OF FACILITIES.—

(1) IN GENERAL.—To enhance the security of agriculture in the United States against threats posed by bioterrorism, the Secretary shall make construction grants, on a competitive basis, to eligible entities.

(2) LIMITATION ON GRANTS.—An eligible entity shall not receive grant funds under this section that, in any fiscal year, exceed $10,000,000.

(c) REQUIREMENTS FOR GRANTS.—

(1) IN GENERAL.—The Secretary shall make a grant to an eligible entity under this section only if, with respect to any facility constructed using grant funds, the eligible entity—

(A) submits to the Secretary, in such form, in such manner, and containing such agreements, assurances, and information as the Secretary may require, an application for the grant;

(B) is determined by the Secretary to be competent to engage in the type of research for which the facility is proposed to be constructed;

(C) provides such assurances as the Secretary determines to be satisfactory that—

(i) for not less than 20 years after the date of completion of the facility, the facility shall be used for the purposes of the research for which the facility was constructed, as described in the grant application;

(ii) sufficient funds are available to pay the non-Federal share of the cost of constructing the facility;

(iii) sufficient funds will be available, as of the date of completion of the construction, for the effective use of the facility for the purposes of the research for which the facility was constructed; and

(iv) the proposed construction—

(I) will increase the capability of the eligible entity to conduct research for which the facility was constructed; or

(II) is necessary to improve or maintain the quality of the research of the eligible entity;

(D) meets such reasonable qualifications as may be established by the Secretary with respect to—

(i) the relative scientific and technical merit of the applications, and the relative effectiveness of facilities proposed to be constructed, in expanding the quality of, and the capacity of eligible entities to carry out, biosecurity research;

(ii) the quality of the research to be carried out in each facility constructed;

(iii) the need for the research activities to be carried out within the facility as those activities relate to research needs of the United States in securing, and ensuring the safety of, the food supply of the United States;

(iv) the age and condition of existing research facilities of the eligible entity; and

(v) biosafety and biosecurity requirements necessary to protect facility staff, members of the public, and the food supply; and

(E) has demonstrated a commitment to enhancing and expanding the research productivity of the eligible entity.

(2) PRIORITY.—In providing grants under this section, the Secretary shall give priority to an eligible entity that, as determined by the Secretary, has demonstrated expertise in—

(A) animal and plant disease prevention;

(B) pathogen and toxin mitigation;

(C) cereal disease resistance;

(D) grain milling and processing;

(E) livestock production practices;

(F) vaccine development;

(G) meat processing;

(H) pathogen detection and control; or

(I) food safety.

(d) AMOUNT OF GRANT.—The amount of a grant awarded under this section shall be determined by the Secretary.

(e) FEDERAL SHARE.—The Federal share of the cost of any construction carried out using funds from a grant provided under this section shall not exceed 50 percent.

(f) GUIDELINES.—Not later than 180 days after the date of enactment of this subtitle, the Secretary shall issue guidelines with respect to the provision of grants under this section.

(g) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $100,000,000 for each of fiscal years 2003 through 2005.

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Subtitle 0—Land Grant Institutions in Insular Areas

SEC. 1489. DISTANCE EDUCATION GRANTS FOR INSULAR AREAS.

(a) IN GENERAL.—The Secretary may make competitive or noncompetitive grants to State cooperative institutions in insular areas to strengthen the capacity of State cooperative institutions to carry out distance food and agricultural education programs using digital network technologies.

(b) USE.—Grants made under this section shall be used—

(1) to acquire the equipment, instrumentation, networking capability, hardware and software, digital network technology, and infrastructure necessary to teach students and teachers about technology in the classroom;

(2) to develop and provide educational services (including faculty development) to prepare students or faculty seeking a degree or certificate that is approved by the State or a regional accrediting body recognized by the Secretary of Education;

(3) to provide teacher education, library and media specialist training, and preschool and teacher aid certification to individuals who seek to acquire or enhance technology skills in order to use technology in the classroom or instructional process;

(4) to implement a joint project to provide education regarding technology in the classroom with a local educational agen-

cy, community-based organization, national nonprofit organization, or business, including a minority business or a business located in a HUBZone established under section 31 of the Small Business Act (15 U.S.C. 657a); or

(5) to provide leadership development to administrators, board members, and faculty of eligible institutions with institutional responsibility for technology education.

(c) LIMITATION ON USE OF GRANT FUNDS.—Funds provided under this section shall not be used for the planning, acquisition, construction, rehabilitation, or repair of a building or facility.

(d) ADMINISTRATION OF PROGRAM.—The Secretary may carry out this section in a manner that recognizes the different needs and opportunities for State cooperative institutions in the Atlantic and Pacific Oceans.

(e) MATCHING REQUIREMENT.—

(1) IN GENERAL.—The Secretary may establish a requirement that a State cooperative institution receiving a grant under this section shall provide matching funds from non-Federal sources in an amount equal to not less than 50 percent of the grant.

(2) WAIVERS.—If the Secretary establishes a matching requirement under paragraph (1), the requirement shall include an option for the Secretary to waive the requirement for an insular area State cooperative institution for any fiscal year if the Secretary determines that the institution will be unlikely to meet the matching requirement for the fiscal year.

(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $4,000,000 for each of fiscal years 2002 through 2006.

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NATIONAL AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING POLICY ACT AMENDMENTS OF 1985

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AUTHORIZATION FOR APPROPRIATIONS FOR FEDERAL AGRICULTURAL RESEARCH FACILITIES

SEC. 1431. There are authorized to be appropriated for each of the fiscal years 1991 through [2002] *2006,* such sums as may be necessary for the planning, construction, acquisition, alteration, and repair of buildings and other public improvements, including the cost of acquiring or obtaining rights to use land, of or used by the Agricultural Research Service, except that—

(1) the cost of planning any one facility shall not exceed $500,000; and

(2) the total cost of any one facility shall not exceed $5,000,000.

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RESEARCH FACILITIES ACT

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SEC. 6. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—Subject to subsection (b), there are authorized to be appropriated such sums as are necessary for each of fiscal years 1996 through [2002] *2006* for the study, plan, design, structure, and related costs of agricultural research facilities under this Act.

(b) ALLOWABLE ADMINISTRATIVE COSTS.—Not more than 3 percent of the funds made available for any project for an agricultural research facility shall be available for administration of the project.

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SMITH-LEVER ACT

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SEC. 3.1. (a) There are hereby authorized to be appropriated for the purposes of this Act such sums as Congress may from time to time determine to be necessary.

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(2) There is authorized to be appropriated for the fiscal year ending June 30, 1971, and for each fiscal year thereafter, for payment to the Virgin Islands and Guam, $100,000 each, which sums shall be in addition to the sums appropriated for the several States of the United States and Puerto Rico under the provisions of this section. The amount paid by the Federal Government to the Virgin Islands and Guam pursuant to this paragraph shall not exceed during any fiscal year, except the fiscal years ending, June 30, 1971, and June 30, 1972, when such amount may be used to pay the total cost of providing services pursuant to this Act, the amount available and budgeted for expenditure by the Virgin Islands and Guam for the purposes of this Act.

[(3) There are authorized to be appropriated for the fiscal year ending June 30, 1996, and for each fiscal year thereafter, for payment on behalf of the 1994 Institutions (as defined in section 532 of the Equity in Educational Land-Grant Status Act of 1994), $5,000,000 for the purposes set forth in section 2. Such sums shall be in addition to the sums appropriated for the several States and Puerto Rico, the Virgin Islands, and Guam under the provisions of this section. Such sums shall be distributed on the basis of a competitive application process to be developed and implemented by the Secretary and paid by the Secretary to 1994 Institutions (in accordance with regulations that the Secretary may promulgate) and may be administered by the 1994 Institutions through cooperative agreements with colleges and universities eligible to receive funds under the Act of July 2, 1862 (12 Stat. 503, chapter 130; 7 U.S.C. 301 et seq.), or the Act of August 30, 1890 (26 Stat. 419, chapter 841; 7 U.S.C. 321 et seq.), including Tuskegee University, located in any State.]

(3) EXTENSION AT 1994 INSTITUTIONS.—

(A) IN GENERAL.—There are authorized to be appropriated for fiscal year 2002 and each subsequent fiscal year, for payment to 1994 Institutions (as defined in section 532 of the Equity in Educational Land-Grant Status Act of

1994 (7 U.S.C. 301 note; Public Law 103–382)), such sums as are necessary for the purposes set forth in section 2, to remain available until expended.

(B) DISTRIBUTION.—Amounts made available under subparagraph (A)—

(i) shall be distributed on the basis of a formula to be developed and implemented by the Secretary, in consultation with the 1994 Institutions; and

(ii) may include payments for extension activities carried out during 1 or more fiscal years.

(C) COOPERATIVE AGREEMENT.—In accordance with such regulations as the Secretary may promulgate, a 1994 Institution may administer funds received under this paragraph through a cooperative agreement with an 1862 Institution or an 1890 Institution (as those terms are defined in section 2 of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7601)).

(c) Any sums made available by the Congress or further development of cooperative extension work in addition to those referred to in subsection (b) hereof shall be distributed as follows:

(1) Four per centum of the sum so appropriated for each fiscal year shall be allotted to the Secretary of Agriculture for administrative, technical, and other services, and for coordinating the extension work of the Department and the several States, Territories and possessions.

* * * * * * *

(e) MATCHING FUNDS.—

(1) REQUIREMENT.—Except as provided in paragraph (4) and subsection (f), no allotment shall be made to a State under subsection (b) or (c), and no payments from the allotment shall be made to a State, in excess of the amount that the State makes available out of non-Federal funds for cooperative extension work.

(2) FAILURE TO PROVIDE MATCHING FUNDS.—If a State fails to comply with the requirement to provide matching funds for a fiscal year under paragraph (1), the Secretary of Agriculture shall withhold from payment to the State for that fiscal year an amount equal to the difference between—

(A) the amount that would be allotted and paid to the State under subsections (b) and (c) (if the full amount of matching funds were provided by the State); and

(B) the amount of matching funds actually provided by the State.

(3) REAPPORTIONMENT.—

(A) IN GENERAL.—The Secretary of Agriculture shall reapportion amounts withheld under paragraph (2) for a fiscal year among the States satisfying the matching requirement for that fiscal year.

(B) MATCHING REQUIREMENT.—Any reapportionment of funds under this paragraph shall be subject to the matching requirement specified in paragraph (1).

[(4) TERRITORIES.—In lieu of the matching funds requirement of paragraph (1), the Commonwealth of Puerto Rico, the Virgin Islands, and Guam shall be subject to the same matching funds requirements as those applicable to an eligible insti-

tution under section 1449 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3222d).]

(4) EXCEPTION FOR INSULAR AREAS.—

(A) IN GENERAL.—Effective beginning for fiscal year 2003, in lieu of the matching funds requirement of paragraph (1), the insular areas of the Commonwealth of Puerto Rico, Guam, and the Virgin Islands of the United States shall provide matching funds from non-Federal sources in an amount equal to not less than 50 percent of the formula funds distributed by the Secretary to each of the insular areas, respectively, under this section.

(B) WAIVERS.—The Secretary may waive the matching fund requirement of subparagraph (A) for any fiscal year if the Secretary determines that the government of the insular area will be unlikely to meet the matching requirement for the fiscal year.

(f) MATCHING FUNDS EXCEPTION FOR 1994 INSTITUTIONS.—There shall be no matching requirement for funds made available to a 1994 Institution pursuant to subsection (b)(3).

(g)(1) The Secretary of Agriculture may conduct educational, instructional, demonstration, and publication distribution programs and enter into cooperative agreements with private nonprofit and profit organizations and individuals to share the cost of such programs through contributions from private sources as provided in this subsection.

(2) The Secretary may receive contributions under this subsection from private sources for the purposes described in paragraph (1) and provide matching funds in an amount not greater than 50 percent of such contributions.

[(h) MULTISTATE COOPERATIVE EXTENSION ACTIVITIES.—

[(1) IN GENERAL.—Not less than the applicable percentage specified under paragraph (2) of the amounts that are paid to a State under subsections (b) and (c) during a fiscal year shall be expended by States for cooperative extension activities in which 2 or more States cooperate to solve problems that concern more than 1 State (referred to in this subsection as "multistate activities").

[(2) APPLICABLE PERCENTAGES.—

[(A) 1997 EXPENDITURES ON MULTISTATE ACTIVITIES.—Of the Federal formula funds that were paid to each State for fiscal year 1997 under subsections (b) and (c), the Secretary of Agriculture shall determine the percentage that the State expended for multistate activities.

[(B) REQUIRED EXPENDITURES ON MULTISTATE ACTIVITIES.—Of the Federal formula funds that are paid to each State for fiscal year 2000 and each subsequent fiscal year under subsections (b) and (c), the State shall expend for the fiscal year for multistate activities a percentage that is at least equal to the lesser of—

[(i) 25 percent; or

[(ii) twice the percentage for the State determined under subparagraph (A).

[(C) REDUCTION BY SECRETARY.—The Secretary may reduce the minimum percentage required to be expended for

multistate activities under subparagraph (B) by a State in a case of hardship, infeasibility, or other similar circumstance beyond the control of the State, as determined by the Secretary.

[(D) PLAN OF WORK.—The State shall include in the plan of work of the State required under section 4 a description of the manner in which the State will meet the requirements of this paragraph.

[(3) APPLICABILITY.—This subsection does not apply to funds provided—

[(A) by a State or local government pursuant to a matching requirement;

[(B) to a 1994 Institution (as defined in section 532 of the Equity in Educational Land-Grant Status Act of 1994 (Public Law 103–382; 7 U.S.C. 301 note)); or

[(C) to the Commonwealth of Puerto Rico, the Virgin Islands, or Guam.]

(h) MULTISTATE COOPERATIVE EXTENSION ACTIVITIES.—

(1) DEFINITION OF MULTISTATE ACTIVITY.—In this subsection, the term "multistate activity" means a cooperative extension activity in which 2 or more States cooperate to resolve problems that concern more than 1 State.

(2) REQUIREMENT.—

(A) IN GENERAL.—To receive funding under subsections (b) and (c) for a fiscal year, a State, must have expended on multistate activities, in the preceding fiscal year, an amount equivalent to not less than 25 percent of the funds paid to the State under subsections (b) and (c) for the preceding fiscal year.

(B) DETERMINATION OF AMOUNT.—In determining compliance with subparagraph (A), the Secretary shall include all cooperative extension funds expended by the State in the preceding fiscal year, including Federal, State, and local funds.

(3) REDUCTION OF PERCENTAGE.—The Secretary may reduce the minimum percentage required to be expended for multistate activities under paragraph (2) by a State in a case of hardship, unfeasibility, or other similar circumstances beyond the control of the State, as determined by the Secretary.

(4) PLAN OF WORK.—The State shall include in the plan of work of the State required under section 4 a description of the manner in which the State will meet the requirements of this subsection.

(5) APPLICABILITY.—This subsection does not apply to funds provided—

(A) to a 1994 Institution (as defined in section 532 of the Equity in Educational Land-Grant Status Act of 1994 (7 U.S.C. 301 note; Public Law 103–382)); or

(B) to the Commonwealth of Puerto Rico, the Virgin Islands, or Guam.

[(i) MERIT REVIEW.—

[(1) REVIEW REQUIRED.—Effective October 1, 1999, extension activity carried out under subsection (h) shall be subject to merit review.

[(2) OTHER REQUIREMENTS.—An extension activity for which merit review is conducted under paragraph (1) shall be considered to have satisfied the requirements for review under section 103(e) of the Agricultural Research, Extension, and Education Reform Act of 1998.]

(i) INTEGRATED RESEARCH AND EXTENSION ACTIVITIES.—

(1) IN GENERAL.—

(A) REQUIREMENT.—To receive funding under this Act and subsections (b) and (c) of section 3 of the Smith-Lever Act (7 U.S.C. 343) for a fiscal year, a State must have expended on activities that integrate cooperative research and extension (referred to in this section as "integrated activities"), in the preceding fiscal year, an amount equivalent to not less than 25 percent of the funds paid to the State under this section and subsections (b) and (c) of section 3 of the Smith-Lever Act (7 U.S.C. 343) for the preceding fiscal year.

(B) DETERMINATION OF AMOUNT.—In determining compliance with subparagraph (A), the Secretary shall include all cooperative research and extension funds expended by the State in the prior fiscal year, including Federal, State, and local funds.

(2) REDUCTION OF PERCENTAGE.—The Secretary may reduce the minimum percentage required to be expended for integrated activities under paragraph (1) by a State in a case of hardship, unfeasibility, or other similar circumstances beyond the control of the State, as determined by the Secretary.

(3) PLAN OF WORK.—The State shall include in the plan of work of the State required under section 7 of this Act and under section 4 of the Smith-Lever Act (7 U.S.C. 344), as applicable, a description of the manner in which the State will meet the requirements of this subsection.

(4) APPLICABILITY.—This subsection does not apply to funds provided—

(A) to a 1994 Institution (as defined in section 532 of the Equity in Educational Land-Grant Status Act of 1994 (7 U.S.C. 301 note; Public Law 103–382)); or

(B) to the Commonwealth of Puerto Rico, the Virgin Islands, or Guam.

(5) RELATIONSHIP TO OTHER REQUIREMENTS.—Funds described in paragraph (1)(B) that a State uses to calculate the required amount of expenditures for integrated activities under paragraph (1)(A) may also be used in the same fiscal year to calculate the amount of expenditures for multistate activities required under subsection (c)(3) of this section and section 3(h) of the Smith-Lever Act (7 U.S.C. 343(h)).

(j) INTEGRATION OF RESEARCH AND EXTENSION.—Section 3(i) of the Hatch Act of 1887 (7 U.S.C. 361c(i)) shall apply to amounts made available to carry out this Act.

* * * * * * *

FEDERAL CROP INSURANCE ACT

* * * * * * *

SEC. 524. EDUCATION AND RISK MANAGEMENT ASSISTANCE.

(a) EDUCATION ASSISTANCE.—

(1) IN GENERAL.—Subject to the amounts made available under paragraph (4)—

(A) the Corporation shall carry out the program established under paragraph (2); and

(B) the Secretary, acting through the Cooperative State Research, Education, and Extension Service, shall carry out the program established under paragraph (3).

(2) EDUCATION AND INFORMATION.—The Corporation shall establish a program under which crop insurance education and information is provided to producers in States in which (as determined by the Secretary)—

(A) there is traditionally, and continues to be, a low level of Federal crop insurance participation and availability; and

(B) producers are underserved by the Federal crop insurance program.

(3) PARTNERSHIPS FOR RISK MANAGEMENT EDUCATION.—

[(A) AUTHORITY.—The Secretary, acting through the Cooperative State Research, Education, and Extension Service, shall establish a program under which competitive grants are made to qualified public and private entities (including land grant colleges, cooperative extension services, and colleges or universities), as determined by the Secretary, for the purpose of educating agricultural producers about the full range of risk management activities, including futures, options, agricultural trade options, crop insurance, cash forward contracting, debt reduction, production diversification, farm resources risk reduction, and other risk management strategies.]

(A) AUTHORITY.—The Secretary, acting through the Cooperative State Research, Education, and Extension Service, shall establish a program under which competitive grants are made to qualified public and private entities (including land-grant colleges and universities, cooperative extension services, colleges or universities, and community colleges), as determined by the Secretary, for the purpose of—

(i) educating producers generally about the full range of risk management activities, including futures, options, agricultural trade options, crop insurance, cash forward contracting, debt reduction, production diversification, farm resources risk reduction, and other risk management strategies; or

(ii) educating beginning farmers and ranchers—

(I) in the areas described in clause (i); and

(II) in risk management strategies, as part of programs that are specifically targeted at beginning farmers and ranchers.

(B) BASIS FOR GRANTS.—A grant under this paragraph shall be awarded on the basis of merit and shall be subject to peer or merit review.

(C) OBLIGATION PERIOD.—Funds for a grant under this paragraph shall be available to the Secretary for obligation for a 2-year period.

* * * * * * *

(2) USES.—A producer may use cost share assistance provided under this subsection to—

(A) construct or improve—

(i) watershed management structures; or

(ii) irrigation structures;

(B) plant trees to form windbreaks or to improve water quality;

(C) mitigate financial risk through production diversification or resource conservation practices, including—

(i) soil erosion control;

(ii) integrated pest management; or

(iii) transition to organic farming;

(D) enter into futures, hedging, or options contracts in a manner designed to help reduce production, price, or revenue risk;

(E) enter into agricultural trade options as a hedging transaction to reduce production, price, or revenue risk; or

(F) conduct any other activity related to the activities described in subparagraphs (A) through (E), as determined by the Secretary.

[(2)**]***(3)* PAYMENT LIMITATION.—The total amount of payments made to a person (as defined in section 1001(5) of the Food Security Act (7 U.S.C. 1308(5))) under this subsection for any year may not exceed $50,000.

[(3)**]***(4)* COMMODITY CREDIT CORPORATION.—

(A) IN GENERAL.—The Secretary shall carry out this subsection through the Commodity Credit Corporation.

(B) FUNDING.—The Commodity Credit Corporation shall make available to carry out this subsection $10,000,000 for fiscal year 2001 and each subsequent fiscal year.

* * * * * * *

SEC. 532. DEFINITION.

As used in this part, the term "1994 institutions" means any one of the following colleges:

[(1) Bay Mills Community College.

[(2) Blackfeet Community College.

[(3) Cheyenne River Community College.

[(4) D-Q University.

[(5) Dulknife Memorial College.

[(6) Fond Du Lac Tribal and Community College.

[(7) Fort Belknap Community College.

[(8) Fort Berthold Community College.

[(9) Fort Peck Community College.

[(10) LacCourte Oreilles Ojibwa Community College.

[(11) Little Big Horn Community College.

[(12) Little Hoop Community College.

[(13) Nebraska Indian Community College.

[(14) Northwest Indian College.

[(15) Oglala Lakota College.

[(16) Salish Kootenai College.

[(17) Sinte Gleska University.
[(18) Sisseton Wahpeton Community College.
[(19) Standing Rock College.
[(20) Stonechild Community College.
[(21) Turtle Mountain Community College.
[(22) Navaho Community College.
[(23) United Tribes Technical College.
[(24) Southwest Indian Polytechnic Institute.
[(25) Institute of American Indian and Alaska Native Culture and Arts Development.
[(26) Crowpoint Institute of Technology.
[(27) Haskell Indian Junior College.
[(28) Leech Lake Tribal College.
[(29) College of the Menominee Nation.
[(30) Little Priest Tribal College.]
(1) Bay Mills Community College.
(2) Blackfeet Community College.
(3) Cankdeska Cikana Community College.
(4) College of Menominee Nation.
(5) Crownpoint Institute of Technology.
(6) D-Q University.
*(7) Dine *AE1 College.*
(8) Dull Knife Memorial College.
(9) Fond du Lac Tribal and Community College.
(10) Fort Belknap College.
(11) Fort Berthold Community College.
(12) Fort Peck Community College.
(13) Haskell Indian Nations University.
(14) Institute of American Indian and Alaska Native Culture and Arts Development.
(15) Lac Courte Oreilles Ojibwa Community College.
(16) Leech Lake Tribal College.
(17) Little Big Horn College.
(18) Little Priest Tribal College.
(19) Nebraska Indian Community College.
(20) Northwest Indian College.
(21) Oglala Lakota College.
(22) Salish Kootenai College.
(23) Sinte Gleska University.
(24) Sisseton Wahpeton Community College.
(25) Si Tanka/Huron University.
(26) Sitting Bull College.
(27) Southwestern Indian Polytechnic Institute.
(28) Stone Child College.
(29) Turtle Mountain Community College.
(30) United Tribes Technical College.
(31) White Earth Tribal and Community College.

* * * * * * *

SEC. 533. LAND GRANT STATUS FOR 1994 INSTITUTIONS.

(a) IN GENERAL.—

* * * * * * *

(3) ACCREDIATION.—To receive funding under sections ⟦534 and 535⟧ *534, 535, and 536* [of this note], a 1994 Institution shall certify to the Secretary that the 1994 Institution.—

* * * * * * *

(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated ⟦$4,600,000 for each of fiscal years 1996 through 2002⟧ *such sums as are necessary for each of fiscal years 2002 through 2006.* Amounts appropriated pursuant to this section shall be held and considered to have been granted to 1994 Institutions to establish an endowment pursuant to subsection (c).

* * * * * * *

(A) 60 percent of the adjusted income shall be distributed among the 1994 Institutions on a pro rata basis. The proportionate share of the adjusted income received by a 1994 Institution under this subparagraph shall be based on the Indian student count ⟦(as definded in section 390(3) of the Carl D. Perkins Vocational and Applied Technology Education Act [section 2397h(3) of Title 20]),⟧ (*as defined in section 2(a) of the Tribally Controlled College or University Assistance Act of 1978 (25 U.S.C. 1801(a))* as such section was in effect on the day preceding the date of enactment of the Carl D. Perkins Vocational and Applied Technology Education Amendments of 1998 [Pub. L. 105–332, Oct. 31, 1998, 112 Stat. 3076, which was approved Oct. 31, 1998]) for each 1994 Institution for the fiscal year.

* * * * * * *

SEC. 534. APPROPRIATIONS.

(a) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—For fiscal year 1996, and for each fiscal year thereafter, there are authorized to be appropriated to the Department of the Treasury an amount equal to—

(A) ⟦$50,000;⟧ *$100,000* multiplied by

(B) the number of 1994 Institutions.

* * * * * * *

Sec. 535. INSTITUTIONAL CAPACITY BUILDING GRANTS.

(a) DEFINITIONS.—As used in this section:

(1) FEDERAL SHARE.—The term "Federal share" means, with respect to a grant awarded under subsection (b), the share of the grant that is provided from Federal funds.

(2) NON-FEDERAL SHARE.—The term "non-Federal share" means, with respect to a grant awarded under subsection (b), the matching funds paid with funds other than funds referred to in paragraph (1), as determined by the Secretary.

(3) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

(b) IN GENERAL.—

(1) INSTITUTIONAL CAPACITY BUILDING GRANTS.—For each of fiscal years 1996 through ⟦2002,⟧ *2006* the Secretary shall make two or more institutional capacity building grants to assist 1994 Institutions with constructing, acquiring, and remodeling buildings, laboratories, and other capital facilities (includ-

ing fixtures and equipment) necessary to conduct instructional activities more effectively in agriculture and sciences.

* * * * * * *

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Department of Agriculture to carry out this section [$1,700,000 for each of fiscal years 1996 through 2002."] *such sums as are necessary for each of fiscal years 2002 through 2006.*

SEC. 536. RESEARCH GRANTS.

(a) RESEARCH GRANTS AUTHORIZED.—The Secretary of Agriculture maymake grants under this section [of this note], on the basis of a competitive application process (and in accordance with such regulations as the Secretary may promulgate), to a 1994 Institution to assist the Institution to conduct agricultural research that addresses high priority concerns of tribal, national, or multistate significance.

(b) REQUIREMENTS.—Grant applications submitted under this section [of this note] shall certify that the research to be conducted will be performed under a cooperative agreement with at least 1 other land-grant college or university (exclusive of another 1994 Institution).

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 1994 through [2002] *2006.* Amounts appropriated shall remain available until expended.

* * * * * * *

TITLE 8

COOPERATIVE FORESTRY ASSISTANCE ACT OF 1978

* * * * * * *

SEC. 5A. SUSTAINABLE FORESTRY COOPERATIVE PROGRAM.

(a) DEFINITIONS.—In this section:

(1) FARMER OR RANCHER.—The term "farmer or rancher" means a person engaged in the production of an agricultural commodity (including livestock).

(2) FORESTRY COOPERATIVE.—The term "forestry cooperative" means an association that is—

(A) owned and operated by nonindustrial private forest landowners; and

(B) comprised of members—

(i) of which at least 51 percent are farmers or ranchers; and

(ii) that use sustainable forestry practices on nonindustrial private forest land to create a long-term, sustainable income stream.

(3) NONINDUSTRIAL PRIVATE FOREST LAND.—The term "nonindustrial private forest land" has the meaning given the term "nonindustrial private forest lands" in section 5(c).

(b) ESTABLISHMENT.—The Secretary shall establish a program, to be known as the "sustainable forestry cooperative program", under

which the Secretary shall provide, to nonprofit organizations on a competitive basis, grants to establish, and develop and support sustainable forestry practices carried out by members of, forestry cooperatives.

(c) USE OF FUNDS.—

(1) IN GENERAL.—Subject to paragraph (2), funds from a grant provided under this section shall be used for—

(A) predevelopment, development, start-up, capital acquisition, and marketing costs associated with a forestry cooperative; or

(B) the development or support of a sustainable forestry practice of a member of a forestry cooperative.

(2) CONDITIONS.—

(A) DEVELOPMENT.—The Secretary shall provide funds under paragraph (1)(A) only to a nonprofit organization with demonstrated expertise in cooperative development, as determined by the Secretary.

(B) COMPLIANCE WITH PLAN.—A sustainable forestry practice developed or supported through the use of funds from a grant under this section shall comply with any applicable standards for sustainable forestry contained in a management plan that—

(i) meets the requirements of section 6A(g); and

(ii) is approved by the State forester (or equivalent State official).

(d) FUNDING.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this section, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary of Agriculture to carry out this section $2,000,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

SEC. 5B. WATERSHED FORESTRY ASSISTANCE PROGRAM.

(a) ESTABLISHMENT.—Subject to the availability of appropriations, the Secretary shall establish a watershed forestry assistance program (referred to in this section as the "program") to provide to States, through State foresters (as defined in section 6A), technical, financial, and related assistance to—

(1) expand forest stewardship capacities and activities through State forestry best management practices and other means at the State level; and

(2) prevent water quality degradation, and address watershed issues, on non-Federal forest land.

(b) WATERSHED FORESTRY EDUCATION, TECHNICAL ASSISTANCE, AND PLANNING.—

(1) PLAN.—

(A) IN GENERAL.—In carrying out the program, the Secretary shall cooperate with State foresters to develop a plan, to be administered by the Secretary and implemented by State foresters, to provide technical assistance to assist

States in preventing and mitigating water quality degradation.

(B) PARTICIPATION.—In developing the plan under subparagraph (A), the Secretary shall encourage participation of interested members of the public (including nonprofit private organizations and local watershed councils).

(2) COMPONENTS.—The plan described in paragraph (1) shall include provisions to—

(A) build and strengthen watershed partnerships focusing on forest land at the national, State, regional, and local levels;

(B) provide State forestry best management practices and water quality technical assistance directly to private landowners;

(C) provide technical guidance relating to water quality management through forest management in degraded watersheds to land managers and policymakers;

(D)(i) complement State nonpoint source assessment and management plans established under section 319 of the Federal Water Pollution Control Act (33 U.S.C. 1329); and

(ii) provide enhanced opportunities for coordination and cooperation among Federal and State agencies having responsibility for water and watershed management under that Act; and

(E) provide enhanced forest resource data and support for improved implementation of State forestry best management practices, including—

(i) designing and conducting effectiveness and implementation studies; and

(ii) meeting in-State water quality assessment needs, such as the development of water quality models that correlate the management of forest land to water quality measures and standards.

(c) WATERSHED FORESTRY COST-SHARE PROGRAM.—

(1) ESTABLISHMENT.—In carrying out the program, the Secretary shall establish a watershed forestry cost-share program, to be administered by the Secretary and implemented by State foresters, to provide grants and other assistance for eligible programs and projects described in paragraph (2).

(2) ELIGIBLE PROGRAMS AND PROJECTS.—A community, nonprofit group, or landowner may receive a grant or other assistance under this subsection to carry out a State forestry best management practices program or a watershed forestry project if the program or project, as determined by the Secretary—

(A) is consistent with—

(i) State nonpoint source assessment and management plan objectives established under section 319 of the Federal Water Pollution Control Act (33 U.S.C. 1329); and

(ii) the cost-share requirements of this section; and

(B) is designed to address critical forest stewardship, watershed protection, and restoration needs of a State through—

(i) the use of trees and forests as solutions to water quality problems in urban and agricultural areas;

(ii) community-based planning, involvement, and action through State, local and nonprofit partnerships;

(iii) the application of and dissemination of information on forestry best management practices relating to water quality;

(iv) watershed-scale forest management activities and conservation planning; and

(v) the restoration of wetland and stream side forests and establishment of riparian vegetative buffers.

(3) ALLOCATION.—

(A) IN GENERAL.—After taking into consideration the criteria described in subparagraph (B), the Secretary shall allocate among States, for award by State foresters under paragraph (4), the amounts made available to carry out this subsection.

(B) CRITERIA.—The criteria referred to in subparagraph (A) are—

(i) the number of acres of forest land, and land that could be converted to forest land, in each State;

(ii) the nonpoint source assessment and management plans of each State, as developed under section 319 of the Federal Water Pollution Control Act (33 U.S.C. 1329);

(iii) the acres of wetland forests that have been lost or degraded or cases in which forests may play a role in restoring wetland resources;

(iv) the number of non-Federal forest landowners in each State; and

(v) the extent to which the priorities of States are designed to achieve a reasonable range of the purposes of the program and, as a result, contribute to the water-related goals of the United States.

(4) AWARD OF GRANTS AND ASSISTANCE.—

(A) IN GENERAL.—In implementing the program under this subsection, the State forester, in coordination with the State Coordinating Committee established under section 19(b), shall provide annual grants and cost-share assistance to communities, nonprofit groups, and landowners to carry out eligible programs and projects described in paragraph (2).

(B) APPLICATION.—A community, nonprofit group, or landowner that seeks to receive cost-share assistance under this subsection shall submit to the State forester an application, in such form and containing such information as the State forester may prescribe, for the assistance.

(C) PRIORITIZATION.—In awarding cost-share assistance under this subsection, the Secretary shall give priority to eligible programs and projects that are identified by the State foresters and the State Stewardship Committees as having a greater need for assistance.

(D) AWARD.—On approval by the Secretary of an application under subparagraph (B), the State forester shall award to the applicant, from funds allocated to the State under paragraph (3), such amount of cost-share assistance as is requested in the application.

(5) COST SHARING.—

(A) FEDERAL SHARE.—The Federal share of the cost of carrying out any eligible program or project under this subsection shall not exceed 75 percent, of which not more than 50 percent may be in the form of assistance provided under this subsection.

(B) NON-FEDERAL SHARE.—The non-Federal share of the cost of carrying out any eligible program or project under this subsection may be provided in the form of cash, services, or in-kind contributions.

(d) WATERSHED FORESTER.—A State may use a portion of the funds made available to the State under subsection (e) to establish and fill a position of 'Watershed Forester' to lead State-wide programs and coordinate watershed-level projects.

(e) FUNDING.—

(1) IN GENERAL.—There are authorized to be appropriated to carry out this section $20,000,000 for each of fiscal years 2002 through 2006.

(2) ALLOCATION.—Of the funds made available under paragraph (1)—

(A) 75 percent shall be used to carry out subsection (c); and

(B) 25 percent shall be used to carry out provisions of this section other than subsection (c).

* * * * * * *

(1) FINDINGS.—Congress finds that—

(A) the United States is becoming increasingly dependent on nonindustrial private forest land to supply necessary market commodities and nonmarket conservation values;

(B) there is a strong demand for expanded assistance programs for owners of nonindustrial private forest land because the majority of the wood supply of the United States comes from nonindustrial private forest land;

(C) soil, water, and air quality, fish and wildlife habitat, aesthetic values, and opportunities for outdoor recreation in the United States would be maintained and improved through good stewardship of nonindustrial private forest land;

(D) the products and services resulting from stewardship of nonindustrial private forest land contribute to the economic, social, and ecological health and diversity of rural communities;

(E) catastrophic wildfires threaten human lives, property, forests, and other resources;

(F) Federal and State cooperation in forest fire prevention and control has proven effective and valuable because properly managed forest stands are less susceptible to catastrophic fire, as demonstrated by the catastrophic fire seasons of 1998 and 2000;

(G) owners of nonindustrial private forest land face increased pressure to make that land available for development and other uses, resulting in forest land loss and fragmentation that reduces the ability of private forest land to provide a full range of societal benefits;

(H) complex, investments in the management of long-rotation forest stands, including sustainable hardwood management are often the most difficult commitments for owners of nonindustrial private forest land;

(I) the investment of a single Federal dollar in State and private forestry programs is estimated to leverage, on the average, $9 from State, local, and private sources; and

(J) comprehensive, multiresource planning assistance made available to each landowner before the provision of technical assistance would provide an opportunity to ensure that the landowner is aware of the many projects and activities eligible for cost-share assistance.

(2) PURPOSES.—The purposes of this section are—

(A) to strengthen the commitment of the Secretary to sustainable forest management to enhance the productivity of timber, fish and wildlife habitat, soil and water quality, wetland, recreational resources, and aesthetic values of forest land; and

(B) to establish a coordinated and cooperative Federal, State, and local sustainable forestry program for the establishment, management, maintenance, enhancement, and restoration of forests on nonindustrial private forest land.

(b) INITIATIVE.—The Cooperative Forestry Assistance Act of 1978 is amended by inserting after section 6 (16 U.S.C. 2103b) the following:

SEC. 6A. SUSTAINABLE FOREST MANAGEMENT PROGRAM.

(a) DEFINITIONS.—In this section:

(1) COMMITTEE.—The term "Committee" means a State Forest Stewardship Coordinating Committee established under section 19(b).

(2) INDIAN TRIBE.—The term "Indian tribe" has the meaning given the term in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

(3) PROGRAM.—The term "program" means the sustainable forest management program established under subsection (b)(1).

(4) NONINDUSTRIAL PRIVATE FOREST LAND.—The term "nonindustrial private forest land" has the meaning given the term "nonindustrial private forest lands" in section 5(c).

(5) OWNER.—The term "owner" means an owner of nonindustrial private forest land.

(6) STATE FORESTER.—The term "State forester" means the director or other head of a State forestry agency (or an equivalent State official).

(b) ESTABLISHMENT.—

(1) IN GENERAL.—The Secretary shall establish a sustainable forest management program to—

(A) provide financial assistance to State foresters; and

(B) encourage the long-term sustainability of nonindustrial private forest land in the United States by assisting the owners of nonindustrial private forest land, through State foresters, in more actively managing the nonindustrial private forest land and related resources of those owners through the use of State, Federal, and private sector resource management expertise, financial assistance, and educational programs.

(2) COORDINATION.—The Secretary, acting through State foresters, shall implement the program—

(A) in coordination with the Committees; and

(B) in consultation with—

(i) other Federal, State, and local natural resource management agencies;

(ii) institutions of higher education; and

(iii) a broad range of private sector interests.

(c) STATE PRIORITY PLAN.—

(1) IN GENERAL.—Subject to paragraph (3), as a condition of receipt of funding under the program, a State Forester and the Committee of the State shall jointly develop and submit to the Secretary a 5-year plan that describes the funding priorities of the State in meeting the goals of the program.

(2) PUBLIC PARTICIPATION.—The plan submitted to the Secretary under paragraph (1) shall include documentation of the efforts of the State to provide for public participation in the development of the plan.

(3) STATE PRIORITIES.—The Secretary shall ensure, to the maximum extent practicable, that the need for expanded technical assistance programs for owners is met in the annual funding priorities of each State described in paragraph (1).

(d) PURPOSES.—The Secretary shall allocate resources of the Secretary among States in accordance with subsection (j) to encourage, in accordance with the plan of each State described in subsection (c)—

(1) the investment in practices to establish, restore, protect, manage, maintain, and enhance the health and productivity of the nonindustrial private forest land in the United States;

(2) the occurrence of afforestation, reforestation, improvement of poorly stocked stands, timber stand improvement, practices necessary to improve seedling growth and survival, and growth enhancement practices as needed to enhance and sustain the long-term productivity of timber and nontimber forest resources to—

(A) meet projected public demand for forest resources; and

(B) provide environmental benefits;

(3) the protection of riparian buffers and forest wetland;

(4) the maintenance and enhancement of fish and wildlife habitat;

(5) the enhancement of soil, air, and water quality;

(6) through the use of agroforestry practices, the reduction of soil erosion and maintenance of soil quality;

(7) the maintenance and enhancement of the forest landbase;

(8) the reduction of the threat of catastrophic wildfires; and

(9) the preservation of aesthetic quality and opportunities for outdoor recreation.

(e) ELIGIBILITY.—

(1) COST SHARE ASSISTANCE.—

(A) IN GENERAL.—Except as provided in paragraph (2), an owner shall be eligible to receive cost-share assistance from a State forester under the program if the owner—

(i) develops a management plan in accordance with subsection (g) that—

(I) addresses site-specific activities and practices; and

(II) is approved by the State forester;

(ii) agrees to implement approved activities in accordance with a management plan for a period of not less than 10 years, unless the State forester approves a modification to the management plan; and

(iii) except as provided in subparagraph (B), owns not more than 1,000 acres of nonindustrial private forest land.

(B) Exception for significant public benefits.—The Secretary may approve the provision of cost-share assistance to an owner that owns more than 1,000 but less than 5,000 acres of nonindustrial private forest land if the Secretary, in consultation with the State forester, determines that significant public benefits will accrue as a result of the approval.

(2) PAYMENT FOR PLAN DEVELOPMENT.—The Secretary, acting through a State forester, may provide cost-share assistance to an owner to develop a management plan.

(3) LIMITATIONS.—An owner shall receive no cost-share assistance for management of nonindustrial private forest land under this section if the owner receives cost-share assistance for that land under—

(A) the forestry incentives program under section 4;

(B) the stewardship incentives program under section 6; or

(C) any conservation program administered by the Secretary.

(4) RATE; SCHEDULE.—Subject to paragraph (5), the Secretary, in consultation with the State forester, shall determine the rate and timing of cost-share payments.

(5) AMOUNT.—

(A) PERCENTAGE OF COST.—Subject to subparagraph (B), a cost-share payment shall not exceed the lesser of an amount equal to—

(i) 75 percent of the total cost of implementing the project or activity; or

(ii) such lesser percentage of the total cost of implementing the project or activity as is determined by the appropriate State forester.

(B) AGGREGATE PAYMENT LIMIT.—The Secretary shall determine the maximum aggregate amount of cost-share payments that an owner may receive under this section.

(f) MANAGEMENT PLAN.—An owner that seeks to participate in the program shall—

(1) submit to the State forester a management plan that—

(A) meets the requirements of this section; and

(B)(i) is prepared by, or in consultation with, a professional resource manager;

(ii) identifies and describes projects and activities to be carried out by the owner to protect soil, water, air, range, and aesthetic quality, recreation, timber, water, wetland, and fish and wildlife resources on the land in a manner that is compatible with the objectives of the owner;

(iii) addresses any criteria established by the applicable State and the applicable Committee; and

(iv)(I) at a minimum, applies to the portion of the land on which any project or activity funded under the program will be carried out; or

(II) in a case in which a project or activity described in subclause (I) may affect acreage outside the portion of the land on which the project or activity is carried out, applies to all land of the owner that is in forest cover and that may potentially be affected by the project or activity; and

(2) agree that all projects and activities conducted on the land shall be consistent with the management plan.

(g) APPROVED ACTIVITIES.—

(1) IN GENERAL.—The Secretary, in consultation with the State forester and the appropriate Committee, shall develop for each State a list of approved forest activities and practices eligible for cost-share assistance that meets the purposes of the program described in subsection (d).

(2) TYPES OF ACTIVITIES.—Approved activities and practices under paragraph (1) may consist of activities and practices for—

(A) the establishment, management, maintenance, and restoration of forests for shelterbelts, windbreaks, aesthetic quality, and other conservation purposes;

(B) the sustainable growth and management of forests for timber production;

(C) the restoration, use, and enhancement of forest wetland and riparian areas;

(D) the protection of water quality and watersheds through—

(i) the planting of trees in riparian areas; and

(ii) the enhanced management and maintenance of native vegetation on land vital to water quality;

(E) the preservation, restoration, or development of habitat for plants, fish, and wildlife;

(F)(i) the control, detection, monitoring, and prevention of the spread of invasive species and pests on nonindustrial private forest land; and

(ii) the restoration of nonindustrial private forest land affected by invasive species and pests;

(G) the conduct of other management activities, such as the reduction of hazardous fuel use, that reduce the risks to forests posed by, and that restore, recover, and mitigate the damage to forests caused by, fire or any other catastrophic event, as determined by the Secretary;

(H) the development of management plans;

(I) the acquisition by the State of permanent easements to maintain forest cover and protect important forest values; and

(J) the conduct of other activities approved by the Secretary, in consultation with the State forester and the appropriate Committees.

(h) FAILURE TO COMPLY.—

(1) IN GENERAL.—The Secretary shall establish a procedure to recover cost-share payments made under this section in any case in which the recipient of the payment fails—

(A) to implement a project or activity in accordance with the management plan; or

(B) comply with any requirement of this section.

(2) ADDITIONAL AUTHORITY.—The authority under paragraph (1) shall be in addition to, and not in lieu of, any other authority available to the Secretary.

(i) REPORTS.—

(1) INTERIM REPORT.—Not later than 2½ years after the date on which funds are made available to implement a State priority plan under subsection (c), the State implementing the plan shall submit to the Secretary an interim report describing the status of projects and activities funded under the plan as of that date.

(2) FINAL REPORT.—Not later than 5 years after the date on which funds are made available to implement a State priority plan under subsection (d), the State implementing the plan shall submit to the Secretary a final report describing the status of all projects and activities funded under the plan as of that date.

(j) DISTRIBUTION.—

(1) IN GENERAL.—The Secretary, acting through State foresters, shall distribute funds available for cost sharing under the initiative based on a nationwide funding formula developed under paragraph (2).

(2) FORMULA.—In developing the formula referred to in paragraph (1), the Secretary shall—

(A) assess public benefits that would result from the distribution; and

(B) consider—

(i) the total acreage of nonindustrial private forest land in each State;

(ii) the potential productivity of that land, as determined by the Secretary;

(iii) the number of owners eligible for cost sharing in each State;

(iv) the opportunities to enhance nontimber resources on that land, including—

(I) the protection of riparian buffers and forest wetland;

(II) the preservation of fish and wildlife habitat;

(III) the enhancement of soil, air, and water quality; and

(IV) the preservation of aesthetic quality and opportunities for outdoor recreation;

(v) the anticipated demand for timber and nontimber resources in each State;

(vi) the need to improve forest health to minimize the damaging effects of catastrophic fire, insects, disease, or weather;

(vii) the need and demand for agroforestry practices in each State;

(viii) the need to maintain and enhance the forest landbase; and

(ix) the need for afforestation, reforestation, and timber stand improvement.

(k) FUNDING.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this section, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary of Agriculture to carry out this section $48,000,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

SEC. 11. FOREST FIRE RESEARCH CENTERS.

(a) IN GENERAL.—Subject to the availability of appropriations, the Secretary of Agriculture, acting through the Chief of the Forest Service (referred to in this section as the "Secretary") shall establish at least 2 forest fire research centers at institutions of higher education (which may include research centers in existence on the date of enactment of this section) that—

(1) have expertise in natural resource development; and

(2) are located in close proximity to other Federal natural resource, forest management, and land management agencies.

(b) LOCATIONS.—Of the forest fire research centers established under subsection (a)—

(1) at least 1 center shall be located in Arizona, California, New Mexico, Oregon, or Washington; and

(2) at least 1 center shall be located in Colorado, Idaho, Montana, Nevada, or Wyoming.

(c) DUTIES.—At each of the forest fire research centers established under subsection (a), the Secretary shall provide for—

(1) the conduct of integrative, interdisciplinary research into the ecological, socioeconomic, and environmental impact of fire control and the use of management of ecosystems and landscapes to facilitate fire control; and

(2) the development of mechanisms to rapidly transfer new fire control and management technologies to fire and land managers.

(d) ADVISORY COMMITTEE.—

(1) IN GENERAL.—The Secretary, in consultation with the Secretary of Interior, shall establish a committee composed of fire and land managers and fire researchers to determine the areas of emphasis and establish priorities for research projects conducted at forest fire research centers established under subsection (a).

(2) ADMINISTRATION.—The Federal Advisory Committee Act (5 U.S.C. App.) and section 102 of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7612) shall not apply to the committee established under paragraph (1).

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section.

SEC. 6B. WILDFIRE PREVENTION AND HAZARDOUS FUEL PURCHASE PROGRAM.

(a) DEFINITIONS.—In this section:

(1) BIOMASS-TO-ENERGY FACILITY.—The term "biomass-to-energy facility" means a facility that uses forest biomass or other biomass as a raw material to produce electric energy, useful heat, or a transportation fuel.

(2) ELIGIBLE COMMUNITY.—The term "eligible community" means—

(A) any town, township, municipality, or other similar unit of local government (as determined by the Secretary), or any area represented by a nonprofit corporation or institution organized under Federal or State law to promote broad-based economic development, that—

(i) has a population of not more than 10,000 individuals;

(ii) is located within a county in which at least 15 percent of the total primary and secondary labor and proprietor income is derived from forestry, wood products, and forest-related industries, such as recreation, forage production, and tourism; and

(iii) is located adjacent to public or private forest land, the condition of which land the Secretary determines poses a substantial present or potential hazard to the safety of—

(I) a forest ecosystem;

(II) wildlife; or

(III) in the case of a wildfire, human, community, or firefighter safety, in a year in which drought conditions are present; and

(B) any county that is not contained within a metropolitan statistical area that meets the conditions described in clauses (ii) and (iii) of subparagraph (A).

(3) FOREST BIOMASS.—The term "forest biomass" means fuel and biomass accumulation from precommercial thinnings, slash, and brush on public or private forest land.

(4) HAZARDOUS FUEL.—The term "hazardous fuel" means any excessive accumulation of forest biomass on public or private forest land (especially land in an urban-wildland interface area or in an area that is located near an eligible community and designated as condition class 2 or 3 under the report of the Forest Service entitled "Protecting People and Sustainable Resources in Fire-Adapted Ecosystems", dated October 13, 2000 that the Secretary determines poses a substantial present or potential hazard—

(A) to the safety of a forest ecosystem;

(B) to the safety of wildlife; or

(C) in the case of wildfire in a year in which drought conditions are present, to human, community, or firefighter safety.

(5) INDIAN TRIBE.—The term "Indian tribe" has the meaning given the term in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

(6) SECRETARY.—The term "Secretary" means—

(A) the Secretary of Agriculture (or a designee), with respect to National Forest System land and private land in the United States; and

(B) the Secretary of the Interior (or a designee) with respect to Federal land under the jurisdiction of the Secretary of the Interior or an Indian tribe.

(b) HAZARDOUS FUEL GRANT PROGRAM.—

(1) GRANTS.—

(A) IN GENERAL.—Subject to the availability of appropriations, the Secretary may make grants to persons that operate biomass-to-energy facilities to offset the costs incurred by those persons in purchasing hazardous fuels derived from public and private forest land adjacent to eligible communities.

(B) SELECTION CRITERIA.—The Secretary shall select recipients for grants under subparagraph (A) based on—

(i) planned purchases by the recipients of hazardous fuels, as demonstrated by the recipient through the submission to the Secretary of such assurances as the Secretary may require; and

(ii) the level of anticipated benefits of those purchases in reducing the risk of wildfires.

(2) GRANT AMOUNTS.—

(A) IN GENERAL.—A grant under this subsection shall—

(i) be based on—

(I) the distance required to transport hazardous fuels to a biomass-to-energy facility; and

(II) the cost of removal of hazardous fuels; and

(ii) be in an amount that is at least equal to the product obtained by multiplying—

(I) the number of tons of hazardous fuels delivered to a grant recipient; by

(II) an amount that is at least $5 but not more than $10 per ton of hazardous fuels, as determined by the Secretary taking into consideration the factors described in clause (i).

(B) LIMITATION ON INDIVIDUAL GRANTS.—

(i) IN GENERAL.—Except as provided in clause (ii), a grant under subparagraph (A) shall not exceed $1,500,000 for any biomass-to-energy facility for any fiscal year.

(ii) SMALL BIOMASS-TO-ENERGY FACILITIES.—A biomass-to-energy facility that has an annual production of 5 megawatts or less shall not be subject to the limitation under clause (i).

(3) MONITORING OF GRANT RECIPIENT ACTIVITIES.—

(A) IN GENERAL.—As a condition of receipt of a grant under this subsection, a grant recipient shall keep such records as the Secretary may require, including records that—

(i) completely and accurately disclose the use of grant funds; and

(ii) describe all transactions involved in the purchase of hazardous fuels.

(B) ACCESS.—On notice by the Secretary, the operator of a biomass-to-energy facility that purchases and uses hazardous fuels with funds from a grant under this subsection shall provide the Secretary with—

(i) reasonable access to the biomass-to-energy facility; and

(ii) an opportunity to examine the inventory and records of the biomass-to-energy facility.

(4) MONITORING OF EFFECT OF TREATMENTS.—The Secretary shall monitor Federal land from which hazardous fuels are removed and sold to a biomass-to-energy facility under this subsection to determine and document the reduction in fire hazards on that land.

(5) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection $50,000,000 for each of fiscal years 2002 through 2006.

(c) LONG-TERM FOREST STEWARDSHIP CONTRACTS FOR HAZARDOUS FUELS REMOVAL.—

(1) ANNUAL ASSESSMENT OF TREATMENT ACREAGE.—

(A) IN GENERAL.—Subject to the availability of appropriations, not later than March 1 of each of fiscal years 2002 through 2006, the Secretary of Agriculture and the Secretary of Energy shall jointly submit to Congress an assessment of the number of acres of Federal forest land recommended to be treated during the subsequent fiscal year using stewardship end result contracts authorized by paragraph (3).

(B) COMPONENTS.—The assessment shall—

(i) be based on the treatment schedules contained in the report entitled "Protecting People and Sustaining Resources in Fire-Adapted Ecosystems", dated October 13, 2000 and incorporated into the National Fire Plan (as identified by the Secretary);

(ii) identify the acreage by condition class, type of treatment, and treatment year to achieve the restoration goals outlined in the report within 10-, 15-, and 20-year time periods;

(iii) give priority to condition class 3 areas (as described in subsection (a)(4)(A)), including modifications in the restoration goals based on the effects of—

(I) fire;

(II) hazardous fuel treatments under the National Fire Plan (as identified by the Secretary); or

(III) updates in data;

(iv) provide information relating to the type of material and estimated quantities and range of sizes of material that shall be included in the treatments;

(v) describe the management area prescriptions in the applicable land and resource management plan for the land on which the treatment is recommended; and

(vi) give priority to areas described in subsection (a)(4)(A).

(2) FUNDING RECOMMENDATION.—The Secretary shall include in the annual assessment under paragraph (1) a request for funds sufficient to implement the recommendations contained in the assessment using stewardship end result contracts described in paragraph (3) in any case in which the Secretary determines that the objectives of the National Fire Plan (as identified by the Secretary) would best be accomplished through forest stewardship end result contracting.

(3) STEWARDSHIP END RESULT CONTRACTING.—

(A) IN GENERAL.—Subject to the availability of appropriations, the Secretary may enter into stewardship end result contracts to implement the National Fire Plan (as identified by the Secretary) on National Forest System land based on the treatment schedules provided in the annual assessments conducted under paragraph (1)(B)(i).

(B) PERIOD OF CONTRACTS.—The contracting goals and authorities described in subsections (b) through (g) of section 347 of the Department of the Interior and Related Agencies Appropriations Act, 1999 (commonly known as the "Stewardship End Result Contracting Demonstration Project") (16 U.S.C. 2104 note; Public Law 105–277), shall apply to contracts entered into under this paragraph, except that the period of each such contract shall not exceed 10 years.

(C) STATUS REPORT.—Beginning with the assessment required under paragraph (1) for fiscal year 2003, the Secretary shall include in the annual assessment under paragraph (1) a status report of the stewardship end result contracts entered into under this paragraph.

(4) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subsection such sums as are necessary for each of fiscal years 2002 through 2006.

(d) TERMINATION OF AUTHORITY.—The authority provided under this section shall terminate on September 30, 2006.

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SEC. 10A. ENHANCED COMMUNITY FIRE PROTECTION.

(a) COOPERATIVE MANAGEMENT RELATING TO WILDFIRE THREATS.—Notwithstanding section 7 of the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2206), the Secretary may cooperate with State foresters and equivalent State officials to—

(1) assist in the prevention, control, suppression, and prescribed use of fires (including through the provision of financial, technical, and related assistance);

(2) protect communities from wildfire threats;

(3) enhance the growth and maintenance of trees and forests in a manner that promotes overall forest health; and

(4) ensure the continued production of all forest resources, including timber, outdoor recreation opportunities, wildlife habitat, and clean water, through conservation of forest cover on watersheds, shelterbelts, and windbreaks.

(b) COMMUNITY AND PRIVATE LAND FIRE ASSISTANCE PROGRAM.—

(1) IN GENERAL.—The Secretary shall establish a program to be known as the "community and private land fire assistance program" (referred to in this section as the "Program")—

(A) to focus the Federal role in promoting optimal firefighting efficiency at the Federal, State, and local levels;

(B) to provide increased assistance to Federal projects that establish landscape level protection from wildfires;

(C) to expand outreach and education programs concerning fire prevention to homeowners and communities; and

(D) to establish defensible space against wildfires around the homes and property of private landowners.

(2) ADMINISTRATION AND IMPLEMENTATION.—The Program shall be administered by the Secretary and, with respect to non-Federal land described in paragraph (3), carried out through the State forester or equivalent State official.

(3) COMPONENTS.—The Secretary may carry out under the Program, on National Forest System land and non-Federal land determined by the Secretary in consultation with State foresters and Committees—

(A) fuel hazard mitigation and prevention;

(B) invasive species management;

(C) multiresource wildfire and community protection planning;

(D) community and landowner education enterprises, including the program known as "FIREWISE";

(E) market development and expansion;

(F) improved use of wood products; and (G) restoration projects.

(4) PRIORITY.—In entering into contracts to carry out projects under the Program, the Secretary shall give priority to contracts with local persons or entities.

(c) AUTHORITY.—The authority provided under this section shall be in adition to any authority provided under section 10.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary to carry out this section $35,000,000 for each of fiscal years 2002 through 2006.

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SEC. 13. (a) In implementing this Act, the Secretary shall, to the maximum extent practicable—

(1) work through, cooperate with, and assist State foresters or

* * * * * * *

(e) The Secretary may prescribe rules and regulations, as the Secretary deems appropriate, to implement the provisions of this Act.

[(f) The Secretary is authorized to make grants, agreements, contracts, and other arrangements the Secretary deems necessary to implement this Act.**]**

(f) GRANTS, CONTRACTS, AND OTHER AGREEMENTS.—

(1) IN GENERAL.—In accordance with paragraph (2), the Secretary may make such grants and enter into such contracts, agreements, or other arrangements as the Secretary determines are necessary to carry out this Act.

(2) ASSISTANCE.—Notwithstanding any other provision of this Act, the Secretary, with the concurrence of the applicable State forester or equivalent State official, may provide assistance under this Act directly to any public or private entity, organization, or individual—

(A) through a grant; or

(B) by entering into a contract or cooperative agreement.

(g) This Act shall be construed as supplementing all other laws relating to the Department of Agriculture and shall not be construed as limiting or repealing any existing law or authority of the Secretary, except as specifically cited in section 16 of this Act.

* * * * * * *

(B) COMPOSITION.—The State Coordinating Committee shall be chaired and administered by the State forester, or equivalent State official, or the designee thereof, and shall be composed, to the extent practicable, of—

(i) representatives from the *United States Fish and Wildlife Service,* Forest Service, Soil Conservation Service, Agricultural Stabilization and Conservation Service, and Extension Service;

* * * * * * *

(2) DUTIES.—A State Coordinating Committee shall—

(A) consult with other Department of Agriculture and State committees that address State and private forestry issues;

(B) make recommendations to the Secretary concerning the assignment of priorities and the coordination of responsibilities for the implementation of this Act by the various Federal and State forest management agencies that take into consideration the mandates of each such agency;

(C) make recommendations to the State forester or equivalent State official concerning the development of a Forest Stewardship Plan under paragraph (3); **[**and**]**

(D) make recommendations to the Secretary concerning those forest lands that should be given priority for inclusion in the Forest Legacy Program established pursuant to section 7—**[**i**]** *; and*

(E) submit to the Secretary, the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, an annual report that describes—

(i) the list of members on the Committee described in paragraph (1)(B); and

(ii) for those members that may be included on the Committee, but are not included because a determination that it is not practicable to include the members has been made, an explanation of the reasons for that determination.

(3) FOREST STEWARDSHIP PLAN.—The State forester or equivalent State official of each State, in consultation with the State

Coordinating Committee of such State, shall develop a Forest Stewardship Plan that shall—

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RENEWABLE RESOURCES EXTENSION ACT OF 1978

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SEC. 5A. EXPANDED PROGRAMS.

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SEC. 5B. SUSTAINABLE FORESTRY OUTREACH INITIATIVE.

The Secretary shall establish a program, to be known as the "Sustainable Forestry Outreach Initiative", to educate landowners concerning—

(1) the value and benefits of practicing sustainable forestry;

(2) the importance of professional forestry advice in achieving sustainable forestry objectives; and

(3) the variety of public and private sector resources available to assist the landowners in planning for and practicing sustainable forestry.

SEC. 6. ⟦There are hereby authorized to be appropriated to implement this Act $15,000,000 for each of fiscal years 1987 through 2002.⟧ *There is authorized to be appropriated to carry out this Act $30,000,000 for each of fiscal years 2002 through 2006.* Generally, States shall be eligible for funds appropriated under this Act according to the respective capabilities of their private forests and rangelands for yielding renewable resources and relative needs for such resources identified in the periodic Renewable Resource Assessment provided for in section 3 of the Forest and Rangeland Renewable Resources Planning Act of 1974 and the periodic appraisal of land and water resources provided for in section 5 of the Soil and Water Resources Conservation Act of 1977.

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SEC. 8. The provisions of this Act shall be effective for the period beginning October 1, 1978, and ending September 30, ⟦2000⟧ 2006.

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SEC. 6704. OFFICE OF INTERNATIONAL FORESTRY.

(a) ESTABLISHMENT.—The Secretary, acting through the Chief of the Forest Service, shall establish an Office of International Forestry within the Forest Service within six months after November 28, 1990.

(b) DEPUTY CHIEF DESIGNATION.—The Chief shall appoint a Deputy Chief for International Forestry.

(c) DUTIES.—The Deputy Chief shall—

(1) be responsible for the international forestry activities of the Forest Service;

(2) coordinate the activities of the Forest Service in implementing the provisions of this chapter; and

(3) serve as Forest Service liaison to the director for the program established pursuant to section 6701 of this title.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for each of fiscal years 1996 through [2002] *2006* such sums as are necessary to carry out this section.

TITLE 9

BIOMASS RESEARCH AND DEVELOPMENT ACT OF 2000

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SEC. 307. BIOMASS RESEARCH AND DEVELOPMENT INITIATIVE.

(a) IN GENERAL.—The Secretary of Agriculture and the Secretary of Energy, acting through their respective points of contact and in consultation with the Board, shall establish and carry out a Biomass Research and Development Initiative under which competitively awarded grants, contracts, and financial assistance are provided to, or entered into with, eligible entities to carry out research on biobased industrial products.

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(e) TECHNOLOGY AND INFORMATION TRANSFER TO AGRICULTURAL USERS.—

(1) IN GENERAL.—The Administrator of the Cooperative State Research, Education, and Extension Service and the Chief of the Natural Resources Conservation Service shall ensure that applicable research results and technologies from the Initiative are adapted, made available, and disseminated through their respective services, as appropriate.

* * * * * * *

(2) REPORT.—Not later than 5 years after the date of the enactment of this Act, the Administrator of the Cooperative State Research, Education, and Extension Service and the Chief of the Natural Resources Conservation Service shall submit to the committees of Congress with jurisdiction over the Initiative a report on the activities conducted by the services under this subsection.

[(f) AUTHORIZATION OF APPROPRIATIONS.—In addition to funds appropriated for biomass research and development under the general authority of the Secretary of Energy to conduct research and development programs (which may also be used to carry out this title), there are authorized to be appropriated to the Department of Agriculture to carry out this title $49,000,000 for each of fiscal years 2000 through 2005.]

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SEC. 310. FUNDING.

(a) IN GENERAL.—Not later than 30 days after the date of enactment of this section, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary to carry out this section $15,000,000, to remain available until expended.

(b) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the

funds transferred under subsection (a), without further appropriation.

SEC. [310.] *311.* TERMINATION OF AUTHORITY.

The authority provided under this title shall terminate on [December 31, 2005] *September 30, 2006.*

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CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

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SEC. 382N. TERMINATION OF AUTHORITY.

This subtitle and the authority provided under this subtitle expire on October 1, 2002.

Subtitle L—Clean Energy

SEC. 388A. DEFINITIONS.

In this subtitle:

(1) BIOMASS.—

(A) IN GENERAL.—The term "biomass" means any organic material that is available on a renewable or recurring basis.

(B) INCLUSIONS.—The term "biomass" includes—

(i) dedicated energy crops;

(ii) trees grown for energy production;

(iii) wood waste and wood residues;

(iv) plants (including aquatic plants, grasses, and agricultural crops);

(v) residues;

(vi) fibers; and

(vii) animal wastes and other waste materials and

(viii) fats and oils.

(C) EXCLUSIONS.—The term "biomass" does not include—

(i) old-growth timber (as determined by the Secretary);

(ii) paper that is commonly recycled; or

(iii) unsegregated garbage.

(2) RENEWABLE ENERGY.—The term "renewable energy" means energy derived from a wind, solar, biomass, geothermal, or hydrogen source.

(3) RURAL SMALL BUSINESS.—The term "rural small business" has the meaning that the Secretary shall prescribe by regulation.

CHAPTER 1—BIOBASED PRODUCT DEVELOPMENT

SEC. 388B. BIOBASED PRODUCT PURCHASING REQUIREMENT.

(a) DEFINITIONS.—In this section:

(1) ADMINISTRATOR.—The term "Administrator" means the Administrator of the Environmental Protection Agency.

(2) BIOBASED PRODUCT.—The term "biobased product" means a commercial or industrial product, as determined by the Secretary (other than food or feed), that uses biological products or

renewable domestic agricultural materials (including plant, animal, and marine materials) or forestry materials.

(3) ENVIRONMENTALLY PREFERABLE.—The term "environmentally preferable", with respect to a biobased product, refers to a biobased product that has a lesser or reduced effect on human health and the environment when compared with competing nonbiobased products that serve the same purpose.

(b) BIOBASED PRODUCT PURCHASING.—

(1) MANDATORY PURCHASING REQUIREMENT FOR LISTED BIOBASED PRODUCTS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), not later than 180 days after the date of enactment of this subtitle, the head of each Federal agency shall ensure that, in purchasing any product, the Federal agency purchases a biobased product, rather than a comparable nonbiobased product, if the biobased product is listed on the list of biobased products published under subsection (c)(1).

(B) BIOBASED PRODUCT NOT REASONABLY COMPARABLE.—A Federal agency shall not be required to purchase a biobased product under subparagraph (A) if the purchasing employee submits to the Secretary and the Administrator of the Office of Federal Procurement Policy a written determination that the biobased product is not reasonably comparable to nonbiobased products in price, performance, or availability.

(C) CONFLICTING REQUIREMENTS.—The Secretary and the Administrator shall jointly promulgate regulations with which Federal agencies shall comply in cases of a conflict between the biobased product purchasing requirement under subparagraph (A) and a purchasing requirement under any other provision of law.

(2) PURCHASING OF NONLISTED BIOBASED PRODUCTS.—The head of each Federal agency is encouraged to purchase, to the maximum extent practicable, available biobased products that are not listed on the list of biobased products published under subsection (c)(1) when the Federal agency is not required to purchase a biobased product that is on the list.

(c) ADMINISTRATIVE ACTION.—

(1) LIST OF BIOBASED PRODUCTS.—

(A) IN GENERAL.—Not later than 180 days after the date of enactment of this subtitle, and annually thereafter, the Secretary, in consultation with the Administrator and the Director of the National Institute of Standards and Technology, shall publish a list of biobased products.

(B) ENVIRONMENTALLY PREFERABLE BIOBASED PRODUCTS.—The Secretary shall not include on the list under paragraph (1) biobased products that are not environmentally preferable, as determined by the Secretary.

(C) GRANTS.—The Secretary may award grants to, or enter into contracts or cooperative agreements with, eligible persons, businesses, or institutions (as determined by the Secretary) to assist in collecting data concerning the evaluation of and lifecycle analyses of biobased products for use

in making the determinations necessary to carry out paragraph (1).

(2) GUIDANCE.—Not later than 240 days after the date of enactment of this subtitle, the Office of Federal Procurement Policy and Federal Acquisition Regulation Council shall make the Federal Acquisition Regulation consistent with subsection (b).

(d) EDUCATION AND OUTREACH PROGRAM.—The Secretary, in cooperation with the Defense Acquisition University and the Federal Acquisition Institute, shall conduct education programs for all Federal procurement officers regarding biobased products and the requirements of subsection (b).

(e) LABELING.—

(1) IN GENERAL.—The Secretary shall develop a program, similar to the Energy Star program of the Department of Energy and the Environmental Protection Agency, under which the Secretary authorizes producers of environmentally preferable biobased products to use a label that identifies the products as environmentally preferable biobased products.

(2) ENVIRONMENTALLY PREFERABLE BIOBASED PRODUCTS.—The Secretary shall monitor and take appropriate action regarding the use of labels under paragraph (1) to ensure that the biobased products using the labels do not include biobased products that are not environmentally preferable, as determined by the Secretary.

(3) CONTRACTING.—In carrying out paragraph (1), the Secretary may contract with appropriate entities with expertise in product labeling and standard setting.

(f) GOAL.—It shall be the goal of each Federal agency in each year to purchase biobased products of an aggregate value that is not less than 5 percent of the aggregate value of all products purchased by the Federal agency during the preceding fiscal year.

(g) REPORTS.—As soon as practicable after the end of each fiscal year, the Secretary and the Office of Federal Procurement Policy shall jointly submit to Congress an annual report that, for the fiscal year, describes the extent of—

(1) compliance by each Federal agency with subsection (b); and

(2) the success of each Federal agency in achieving the goal established under subsection (f).

(h) FUNDING.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this subtitle, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary to carry out this section $2,000,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

SEC. 388C. BIOREFINERY DEVELOPMENT GRANTS.

(a) PURPOSE.—The purpose of this section is to assist in the development of new and emerging technologies for the conversion of biomass into petroleum substitutes, so as to—

(1) develop transportation and other fuels and chemicals from renewable sources;

(2) reduce the dependence of the United States on imported oil;

(3) reduce greenhouse gas emissions;

(4) diversify markets for raw agricultural and forestry products; and

(5) create jobs and enhance the economic development of the rural economy.

(b) DEFINITIONS.—In this section:

(1) ADVISORY COMMITTEE.—The term "Advisory Committee" means the Biomass Research and Development Technical Advisory Committee established by section 306 of the Biomass Research and Development Act of 2000 (7 U.S.C. 7624 note; Public Law 106–224).

(2) BIOREFINERY.—The term "biorefinery" means equipment and processes that—

(A) convert biomass into bioenergy fuels and chemicals; and

(B) may produce electricity as a byproduct.

(3) BOARD.—The term "Board" means the Biomass Research and Development Board established by section 305 of the Biomass Research and Development Act of 2000 (7 U.S.C. 7624 note; Public Law 106–224).

(4) INDIAN TRIBE.—The term "Indian tribe" has the meaning given the term in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

(c) GRANTS.—The Secretary shall award grants to eligible entities to assist in paying the cost of development and construction of biorefineries to carry out projects to demonstrate the commercial viability of 1 or more processes for converting biomass to fuels or chemicals.

(d) ELIGIBLE ENTITIES.—A corporation, farm cooperative, association of farmers, national laboratory, university, State energy agency or office, Indian tribe, or consortium comprised of any of those entities shall be eligible to receive a grant under subsection (c).

(e) COMPETITIVE BASIS FOR AWARDS.—

(1) IN GENERAL.—The Secretary shall award grants under subsection (c) on a competitive basis in consultation with the Board and Advisory Committee.

(2) SELECTION CRITERIA.—

(A) IN GENERAL.—The Secretary shall select projects to receive grants under subsection (c) based on—

(i) the likelihood that the projects will demonstrate the commercial viability of a process for converting biomass to fuels or chemicals; and

(ii) the likelihood that the projects will produce electricity.

(B) FACTORS.—The factors to be considered under subparagraph (A) shall include—

(i) the potential market for the product or products;

(ii) the quantity of petroleum the product will displace;

(iii) the level of financial participation by the applicants;

(iv) the availability of adequate funding from other sources;

(v) the beneficial impact on resource conservation and the environment;

(vi) the participation of producer associations and cooperatives;

(vii) the timeframe in which the project will be operational;

(viii) the potential for rural economic development; and

(ix) the participation of multiple eligible entities.

(f) COST SHARING.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amount of a grant for a project awarded under subsection (c) shall not exceed 30 percent of the cost of the project.

(2) INCREASED GRANT AMOUNT.—The Secretary may increase the amount of a grant for a project under subsection (c) to not more than 50 percent in the case of a project that the Secretary finds particularly meritorious.

(3) FORM OF GRANTEE SHARE.—

(A) IN GENERAL.—The grantee share of the cost of a project may be made in the form of cash or the provision of services, material, or other in-kind contributions.

(B) LIMITATION.—The amount of the grantee share of the cost of a project that is made in the form of the provision of services, material, or other in-kind contributions shall not exceed 25 percent of the amount of the grantee share determined under paragraph (1).

(g) FUNDING.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this subtitle, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary to carry out this section $15,000,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

SEC. 388D. BIODIESEL FUEL EDUCATION PROGRAM.

(a) FINDINGS.—Congress finds that—

(1) biodiesel fuel use can help reduce greenhouse gas emissions and public health risks associated with air pollution;

(2) biodiesel fuel use enhances energy security by reducing petroleum consumption;

(3) biodiesel fuel is nearing the transition from the research and development phase to commercialization;

(4) biodiesel fuel is still relatively unknown to the public and even to diesel fuel users; and

(5) education of, and provision of technical support to, current and future biodiesel fuel users will be critical to the widespread use of biodiesel fuel.

(b) ESTABLISHMENT.—The Secretary shall, under such terms and conditions as are appropriate, offer 1 or more competitive grants to eligible entities to educate Federal, State, regional, and local gov-

ernment entities and private entities that operate vehicle fleets, other interested entities (as determined by the Secretary), and the public about the benefits of biodiesel fuel use.

(c) ELIGIBLE ENTITIES.—To receive a grant under subsection (b), an entity—

(1) shall be a nonprofit organization; and

(2) shall have demonstrated expertise in biodiesel fuel production, use, and distribution.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $5,000,000 for each of fiscal years 2002 through 2006, to remain available until expended.

CHAPTER 2—RENEWABLE ENERGY DEVELOPMENT AND ENERGY EFFICIENCY

SEC. 388E. RENEWABLE ENERGY DEVELOPMENT LOAN AND GRANT PROGRAM.

(a) IN GENERAL.—The Secretary, acting through the Rural Business Cooperative Service, in addition to exercising authority to make loans and loan guarantees under other law, shall establish a program under which the Secretary shall make loans and loan guarantees and competitively award grants to assist farmers and ranchers in projects to establish new, or expand existing, farmer or rancher cooperatives, or other rural business ventures (as determined by the Secretary), to—

(1) enable farmers and ranchers to become owners of sources of renewable electric energy and marketers of electric energy produced from renewable sources;

(2) provide new income streams for farmers and ranchers;

(3) increase the quantity of electricity available from renewable energy sources; and

(4) provide environmental and public health benefits to rural communities and the United States as a whole.

(b) OWNERSHIP REQUIREMENT.—At least 51 percent of the interest in a rural business venture assisted with a grant under subsection (a) shall be owned by farmers or ranchers.

(c) MAXIMUM AMOUNT OF LOANS AND GRANTS.—

(1) LOANS.—The amount of a loan made or guaranteed for a project under subsection (a) shall not exceed $10,000,000.

(2) GRANTS.—The amount of a grant made for a project under subsection (a) shall not exceed $200,000 for a fiscal year.

(d) COST SHARING.—

(1) IN GENERAL.—The total amount of loans made or guaranteed or grants awarded under subsection (a) for a project shall not exceed 50 percent of the cost of the activity funded by the loan or grant.

(2) FORM OF GRANTEE SHARE.—

(A) IN GENERAL.—The grantee share of the cost of the activity may be made in the form of cash or the provision of services, material, or other in-kind contributions.

(B) LIMITATION.—The amount of the grantee share of the cost of a project that is made in the form of the provision of services, material, or other in-kind contributions shall not exceed 25 percent of the amount of the non-Federal share, as determined under paragraph (1).

(e) INTEREST RATE.—A loan made or guaranteed under subsection (a) shall bear an interest rate that does not to exceed 4 percent.

(f) USE OF FUNDS.—

(1) PERMITTED USES.—

(A) GRANTS.—A recipient of a grant awarded under subsection (a) may use the grant funds to develop a business plan or perform a feasibility study to establish a viable marketing opportunity for renewable electric energy generation and sale.

(B) LOANS.—A recipient of a loan or loan guarantee under subsection (a) may use the loan funds to provide capital for start-up costs associated with the rural business venture or the promotion of the aggregation of renewable electric energy sources.

(2) PROHIBITED USES.—A recipient of a loan, loan guarantee, or grant under subsection (a) shall not use the loan or grant funds for planning, repair, rehabilitation, acquisition, or construction of a building or other facility.

(g) FUNDING.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this subtitle, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary to carry out this section $16,000,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

(3) LOAN AND INTEREST SUBSIDIES.—In the case of a loan or loan guarantee under subsection (a), the Secretary shall use funds under paragraph (1) to pay the cost of loan and interest subsidies necessary to carry out this section.

SEC. 388F. ENERGY AUDIT AND RENEWABLE ENERGY DEVELOPMENT PROGRAM.

(a) IN GENERAL.—The Secretary, acting through the Rural Business Cooperative Service, shall make competitive grants to eligible entities to enable the eligible entities to carry out a program to assist farmers and ranchers, and to rural small businesses (as determined by the Secretary) in becoming more energy efficient and in using renewable energy technology.

(b) ELIGIBLE ENTITIES.—Entities eligible to carry out a program under subsection (a) include—

(1) a State energy or agricultural office;

(2) a regional or State-based energy organization or energy organization of an Indian tribe (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b));

(3) a land-grant college or university (as defined in section 1404 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3103)) or other college or university;

(4) a farm bureau or organization;

(5) a rural electric cooperative or utility;

(6) a nonprofit organization; and

(7) any other entity, as determined by the Secretary.

(c) MERIT REVIEW.—

(1) MERIT REVIEW PANEL.—The Secretary shall establish a merit review panel to review applications for grants under subsection (a) that draws on the expertise of other Federal agencies (including the Department of Energy and the Environmental Protection Agency), industry, and nongovernmental organizations.

(2) SELECTION CRITERIA.—In reviewing applications of eligible entities to receive grants under subsection (a), the merit review panel shall consider—

(A) the ability and expertise of the eligible entity in providing professional energy audits and renewable energy assessments;

(B) the geographic scope of the program proposed by the eligible entity;

(C) the number of farmers, ranchers, and rural small businesses to be assisted by the program;

(D) the potential for energy savings and environmental and public health benefits resulting from the program; and

(E) the plan of the eligible entity for educating farmers, ranchers, and rural small businesses on the benefits of energy efficiency and renewable energy development.

(d) USE OF GRANT FUNDS.—A recipient of a grant under subsection (a) shall use the grant funds to—

(1)(A) conduct energy audits for farmers, ranchers, and rural small businesses to provide farmers, ranchers, and rural small businesses recommendations for energy efficiency and renewable energy development opportunities; and

(B) conduct workshops on that subject as appropriate;

(2) make farmers, ranchers, and rural small businesses aware of and ensure that they have access to—

(A) financial assistance under section 388G; and

(B) other Federal, State, and local financial assistance programs for which farmers, ranchers, and rural small businesses may be eligible; and

(3) arrange private financial assistance to farmers, ranchers, and rural small businesses on favorable terms.

(e) COST SHARING.—

(1) IN GENERAL.—A recipient of a grant under subsection (a) that conducts an energy audit for a farmer, rancher, or rural small business under subsection (d)(1) shall require that, as a condition to the conduct of the energy audit, the farmer, rancher, or rural small business pay at least 25 percent of the cost of the audit.

(2) IMPLEMENTATION OF RECOMMENDATIONS.—If a farmer, rancher, or rural small business substantially implements the recommendations made in connection with an energy audit, the Secretary may reimburse the farmer, rancher, or rural small business the amount that is equal to the share of the cost paid by the farmer, rancher, or rural small business under paragraph (1).

(f) REPORTS.—The Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Ag-

riculture, Nutrition, and Forestry of the Senate an annual report on the implementation of this section.

(g) FUNDING.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this subtitle, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary to carry out this section $15,000,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

SEC. 388G. LOANS, LOAN GUARANTEES, AND GRANTS TO FARMERS, RANCHERS, AND RURAL SMALL BUSINESSES FOR RENEWABLE ENERGY SYSTEMS AND ENERGY EFFICIENCY IMPROVEMENTS.

(a) IN GENERAL.—In addition to exercising authority to make loans and loan guarantees under other law, the Secretary shall make loans, loan guarantees, and grants to farmers, ranchers, and rural small businesses to—

(1) purchase renewable energy systems; and

(2) make energy efficiency improvements.

(b) ELIGIBILITY OF FARMERS AND RANCHERS.—To be eligible to receive a grant under subsection (a) for a fiscal year, a farmer or rancher shall have produced not more than $1,000,000 in market value of agricultural products during the preceding fiscal year, as determined by the Secretary.

(c) COST SHARING.—

(1) RENEWABLE ENERGY SYSTEMS.—

(A) IN GENERAL.—

(i) GRANTS.—The amount of a grant made under subsection (a) for a renewable energy system shall not exceed 15 percent of the cost of the renewable energy system.

(ii) LOANS.—The amount of a loan made or guaranteed under subsection (a) for a renewable energy system shall not exceed 35 percent of the cost of the renewable energy system.

(B) FACTORS.—In determining the amount of a grant or loan under subparagraph (A), the Secretary shall take into consideration—

(i) the type of renewable energy system to be purchased;

(ii) the estimated quantity of energy to be generated or displaced by the renewable energy system;

(iii) the expected environmental benefits of the renewable energy system;

(iv) the extent to which the renewable energy system will be replicable; and

(v) other factors as appropriate.

(2) ENERGY EFFICIENCY IMPROVEMENTS.—

(A) IN GENERAL.—

(i) GRANTS.—The amount of a grant made under subsection (a) for an energy efficiency improvement

shall not exceed 15 percent of the cost of the energy efficiency improvement.

(ii) LOANS.—The amount of a loan made or guaranteed under subsection (a) for an energy efficiency project shall not exceed 35 percent of the cost of the energy efficiency improvement.

(B) FACTORS.—In determining the amount of a grant or loan under subparagraph (A), the Secretary shall take into consideration—

(i) the estimated length of time it would take for the energy savings generated by the improvement to equal the cost of the improvement;

(ii) the amount of energy savings expected to be derived from the improvement; and

(iii) other factors as appropriate.

(d) INTEREST RATE.—A loan made or guaranteed under subsection (a) shall bear interest at a rate not exceeding 4 percent.

(e) ENERGY AUDIT AND RENEWABLE ENERGY DEVELOPMENT PROGRAM.—

(1) PREFERENCE.—In making loans, loan guarantees, and grants under subsection (a), the Secretary shall give preference to participants in the energy audit and renewable energy development program under section 388F.

(2) RESERVATION OF FUNDING.—The Secretary shall reserve at least 25 percent of the funds made available to carry out this section for each of fiscal years 2002 through 2006 to participants in the energy audit and renewable energy development program under section 388F.

(f) FUNDING.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this subtitle, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary to carry out this section $33,000,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

(3) LOAN AND INTEREST SUBSIDIES.—In the case of a loan or loan guarantee under subsection (a), the Secretary shall use funds under paragraph (1) to pay the cost of loan and interest subsidies necessary to carry out this section.

SEC. 388H. HYDROGEN AND FUEL CELL TECHNOLOGIES PROGRAM.

(a) IN GENERAL.—The Secretary of Agriculture, in consultation with the Secretary of Energy, shall establish a program under which the Secretary of Agriculture shall competitively award grants to, or enter into contracts or cooperative agreements with, eligible entities for—

(1) projects to demonstrate the use of hydrogen technologies and fuel cell technologies in farm, ranch, and rural applications; and

(2) as appropriate, studies of the technical, environmental, and economic viability, in farm and rural applications, of inno-

vative hydrogen and fuel cell technologies not ready for demonstration.

(b) ELIGIBLE ENTITIES.—Under subsection (a), the Secretary may make a grant to or enter into a contract or cooperative agreement with—

(1) a Federal research agency;

(2) a national laboratory;

(3) a college or university or a research foundation maintained by a college or university;

(4) a private research organization with an established and demonstrated capacity to perform research or technology transfer;

(5) a State agricultural experiment station; or

(6) an individual.

(c) SELECTION CRITERIA.—In selecting projects for grants, contracts, and cooperative agreements under subsection (a)(1), the Secretary shall give preference to projects that demonstrate technologies that—

(1) are innovative;

(2) use renewable energy sources;

(3) produce multiple sources of energy;

(4) provide significant environmental benefits;

(5) are likely to be economically competitive; and

(6) have potential for commercialization as mass-produced, farm-sized systems.

(d) COST SHARING.—The amount of financial assistance provided for a project under a grant, contract, or cooperative agreement under subsection (a) shall not exceed 50 percent of the cost of the project.

(e) FUNDING.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this subtitle, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary to carry out this section $5,000,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

SEC. 388I. TECHNICAL ASSISTANCE FOR FARMERS AND RANCHERS TO DEVELOP RENEWABLE ENERGY RESOURCES.

(a) IN GENERAL.—The Secretary, acting through the Cooperative State Research, Education, and Extension Service in consultation with the Natural Resources Conservation Service, regional biomass programs under the Department of Energy, and other entities as appropriate, may provide for education and technical assistance to farmers and ranchers for the development and marketing of renewable energy resources.

(b) ADMINISTRATIVE EXPENSES.—The Secretary may retain up to 4 percent of the amounts made available for each fiscal year to carry out this section to pay administrative expenses incurred in carrying out this section.

CHAPTER 3—CARBON SEQUESTRATION RESEARCH, DEVELOPMENT, AND DEMONSTRATION PROGRAM

SEC. 388J. RESEARCH.

(a) BASIC RESEARCH.—

(1) IN GENERAL.—Subject to the availability of appropriations, the Secretary shall carry out research to promote understanding of—

(A) the net sequestration of organic carbon in soils and plants (including trees); and

(B) net emissions of other greenhouse gases from agriculture.

(2) AGRICULTURAL RESEARCH SERVICE.—The Secretary, acting through the Agricultural Research Service, shall collaborate with other Federal agencies in developing data and carrying out research addressing carbon losses and gains in soils and plants (including trees) and net emissions of methane and nitrous oxide from cultivation and animal management activities.

(3) COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE.—

(A) IN GENERAL.—The Secretary, acting through the Cooperative State Research, Education, and Extension Service, shall establish a competitive grant program to carry out research on the matters described in paragraph (1) by eligible entities.

(B) ELIGIBLE ENTITIES.—Uner subparagraph (A), the Secretary may make a grant to—

(i) a Federal research agency;

(ii) a national laboratory;

(iii) a college or university or a research foundation maintained by a college or university;

(iv) a private research organization with an established and demonstrated capacity to perform research or technology transfer;

(v) a State agricultural experiment station; or

(vi) an individual.

(C) CONSULTATION ON RESEARCH TOPICS.—Before issuing a request for proposals for basic research under paragraph (1), the Cooperative State Research, Education, and Extension Service shall consult with the Agricultural Research Service and the Forest Service to ensure that proposed research areas are complementary with and do not duplicate research projects funded by the Department or other Federal agencies.

(D) ADMINISTRATIVE EXPENSES.—The Secretary may retain up to 4 percent of the amounts made available for each fiscal year to carry out this subsection to pay administrative expenses incurred in carrying out this subsection.

(b) APPLIED RESEARCH.—

(1) IN GENERAL.—The Secretary shall carry out applied research in the areas of soil science, agronomy, agricultural economics, forestry, and other agricultural sciences to—

(A) promote understanding of—

(i) how agricultural and forestry practices affect the sequestration of organic and inorganic carbon in soils

and plants (including trees) and net emissions of other greenhouse gases;

(ii) how changes in soil carbon pools in soils and plants (including trees) are cost-effectively measured, monitored, and verified; and

(iii) how public programs and private market approaches can be devised to incorporate carbon sequestration in a broader societal greenhouse gas emission reduction effort;

(B) develop methods for establishing baselines for measuring the quantities of carbon and other greenhouse gases sequestered; and

(C) evaluate leakage and performance issues.

(2) REQUIREMENTS.—To the maximum extent practicable, applied research under paragraph (1) shall—

(A) use existing technologies and methods; and

(B) provide methodologies that are accessible to a nontechnical audience.

(3) MINIMIZATION OF ADVERSE ENVIRONMENTAL IMPACTS.—All applied research under paragraph (1) shall be conducted with an emphasis on minimizing adverse environmental impacts.

(4) NATURAL RESOURCES AND THE ENVIRONMENT.—The Secretary, acting through the Natural Resources Conservation Service and the Forest Service, shall collaborate with other Federal agencies in developing new measuring techniques and equipment or adapting existing techniques and equipment to enable cost-effective and accurate monitoring and verification, for a wide range of agricultural and forestry practices, of—

(A) changes in carbon content in soils and plants (including trees); and

(B) net emissions of other greenhouse gases.

(5) COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE.—

(A) IN GENERAL.—The Secretary, acting through the Cooperative State Research, Education, and Extension Service and the Forest Service, shall establish a competitive grant program to encourage research on the matters described in paragraph (1) by eligible entities.

(B) ELIGIBLE ENTITIES.—Under subparagraph (A), the Secretary may make a grant to—

(i) a Federal research agency;

(ii) a national laboratory;

(iii) a college or university or a research foundation maintained by a college or university;

(iv) a private research organization with an established and demonstrated capacity to perform research or technology transfer;

(v) a State agricultural experiment station; or

(vi) an individual.

(C) CONSULTATION ON RESEARCH TOPICS.—Before issuing a request for proposals for applied research under paragraph (1), the Cooperative State Research, Education, and Extension Service and the Forest Service shall consult with the Natural Resources Conservation Service and the Agricultural Research Service to ensure that proposed research

areas are complementary with and do not duplicate research projects funded by the Department of Agriculture or other Federal agencies.

(D) ADMINISTRATIVE EXPENSES.—The Secretary, acting through the Cooperative State Research, Education, and Extension Service, may retain up to 4 percent of the amounts made available for each fiscal year to carry out this subsection to pay administrative expenses incurred in carrying out this subsection.

(c) RESEARCH CONSORTIA.—

(1) IN GENERAL.—The Secretary may designate not more than 2 research consortia to carry out research projects under this section, with the requirement that the consortia propose to conduct basic research under subsection (a) and applied research under subsection (b) .

(2) SELECTION.—The consortia shall be selected on a competitive basis by the Cooperative State Research, Education, and Extension Service.

(3) ELIGIBLE CONSORTIUM PARTICIPANTS.—Entities eligible to participate in a consortium include—

(A) a land grant college and university (as defined in section 1404 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3103));

(B) a private research institution;

(C) a State agency;

(D) an Indian tribe (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b));

(E) an agency of the Department of Agriculture;

(F) a research center of the National Aeronautics and Space Administration and the Department of Energy, or any other Federal agency;

(G) an agricultural business or organization with demonstrated expertise in areas covered by this section; and

(H) a representative of the private sector with demonstrated expertise in the areas.

(4) RESERVATION OF FUNDING.—If the Secretary designates 1 or 2 consortia, the Secretary shall reserve for research projects carried out by the consortium or consortia not more than 25 percent of the amounts made available to carry out this section for a fiscal year.

(d) STANDARDS FOR MEASURING CARBON AND OTHER GREENHOUSE GAS CONTENT.—

(1) CONFERENCE.—Not later than 3 years after the date of enactment of this subtitle, the Secretary shall convene a conference of key scientific experts on carbon sequestration from various sectors (including the government, academic, and private sectors) to—

(A) discuss and establish benchmark standards of precision for measuring the carbon content of soils and plants (including trees) and net emissions of other greenhouse gases;

(B) propose techniques and modeling approaches for measuring carbon content with a level of precision that is agreed on by the participants in the conference; and

(C) evaluate results of analyses on baseline, permanence, and leakage issues.

(2) REPORT.—Not later than 180 days after the conclusion of the conference under paragraph (1), the Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report on the results of the conference.

(e) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There are authorized to be appropriated to carry out this section $25,000,000 for each of fiscal years 2002 through 2006.

(2) ALLOCATION.—

(A) IN GENERAL.—Of the amounts made available to carry out this section for a fiscal year, at least 50 percent shall be allocated for competitive grants by the Cooperative State Research, Education, and Extension Service.

(B) ADMINISTRATIVE EXPENSES.—The Secretary may retain up to 4 percent of the amounts made available for each fiscal year to carry out this section to pay administrative expenses incurred in carrying out this section.

SEC. 388K. DEMONSTRATION PROJECTS AND OUTREACH.

(a) DEMONSTRATION PROJECTS.—

(1) DEVELOPMENT OF MONITORING PROGRAMS.—

(A) IN GENERAL.—The Secretary, in cooperation with local extension agents, experts from land grant universities, and other local agricultural or conservation organizations, shall develop user-friendly programs that combine measurement tools and modeling techniques into integrated packages to monitor the carbon sequestering benefits of conservation practices and net changes in greenhouse gas emissions.

(B) BENCHMARK LEVELS OF PRECISION.—The Secretary shall administer programs developed under subparagraph (A) in a manner that achieves, to the maximum extent practicable, benchmark levels of precision in the measurement in a cost-effective manner, of benefits and changes described in subparagraph (A).

(2) PROJECTS.—

(A) IN GENERAL.—The Secretary shall establish a program under which the monitoring programs developed under paragraph (1) are used in projects to demonstrate the feasibility of methods of measuring, verifying, and monitoring—

(i) changes in organic carbon content and other carbon pools in soils and plants (including trees); and

(ii) net changes in emissions of other greenhouse gases.

(B) EVALUATION OF IMPLICATIONS.—The projects under subparagraph (A) shall include evaluation of the implications for reassessed baselines, carbon or other greenhouse gas leakage, and the permanence of sequestration.

(C) SUBMISSION OF PROPOSALS.—Proposals for projects under subparagraph (A) shall be submitted by the appropriate agency of each State, in consultation with interested

local jurisdictions and State agricultural and conservation organizations.

(D) LIMITATION.—Not more than 10 projects under subparagraph (A) may be approved in conjunction with applied research projects under section 388J(b) until benchmark measurement and assessment standards are established under section 388J(d).

(b) OUTREACH.—

(1) IN GENERAL.—The Secretary, acting through the Cooperative State Research, Education, and Extension Service shall widely disseminate information about the economic and environmental benefits that can be generated by adoption of conservation practices that increase sequestration of carbon and reduce emission of other greenhouse gases.

(2) PROJECT RESULTS.—The Secretary, acting through the Cooperative State Research, Education, and Extension Service shall provide for the dissemination to farmers, ranchers, private forest landowners, and appropriate State agencies in each State of information concerning—

(A) the results of demonstration projects under subsection (a)(2); and

(B) the manner in which the methods demonstrated in the projects might be applicable to the operations of the farmers and ranchers.

(3) POLICY OUTREACH.—The Secretary, acting through the Cooperative State Research, Education, and Extension Service shall disseminate information on the connection between global climate change mitigation strategies and agriculture and forestry, so that farmers and ranchers may better understand the global implications of the activities of farmers and ranchers.

(c) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There is authorized to be appropriated to carry out this section $10,000,000 for each of fiscal years 2002 through 2006.

(2) ALLOCATION.—Of the amounts made available to carry out this section for a fiscal year, at least 50 percent shall be allocated for demonstration projects under subsection (a)(2).

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SEC. 21. FINANCIAL AND TECHNICAL ASSISTANCE FOR RENEWABLE ENERGY SYSTEMS.

(a) DEFINITION OF RENEWABLE ENERGY.—In this section, the term "renewable energy" means energy derived from a wind, solar, biomass, geothermal, or hydrogen source.

(b) LOANS, LOAN GUARANTEES, AND GRANTS.—The Secretary shall make loans, loan guarantees, and grants to rural electric cooperatives and other rural electric utilities to promote the development of economically and environmentally sustainable renewable energy projects to serve the needs of rural communities or for rural economic development.

(c) INTEREST RATE.—A loan made or guaranteed under subsection (b) shall bear interest at a rate not exceeding 4 percent.

(d) USE OF FUNDS.—

(1) GRANTS.—A recipient of a grant under subsection (a) may use the grant funds to pay up to 75 percent of the cost of an

economic feasibility study or technical assistance for a renewable energy project.

(2) LOANS.—If a renewable energy project is determined to be economically feasible, a recipient of a loan or loan guarantee under subsection (a) may use the loan funds to pay a percentage of the cost of the project determined by the Secretary.

(e) FUNDING.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this section, and on October 1, 2002, and each October 1 thereafter through October 1, 2005, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary to carry out this section $9,000,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

(3) LOAN AND INTEREST SUBSIDIES.—In the case of a loan or loan guarantee under subsection (a), the Secretary shall use funds under paragraph (1) to pay the cost of loan and interest subsidies necessary to carry out this section.

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(7 U.S.C. 7621 et seq.) is amended by adding at the end the following:

SEC. 409. CARBON SEQUESTRATION DEMONSTRATION PROGRAM.

(a) DEFINITIONS.—In this section:

(1) ELIGIBLE PROJECT.—The term "eligible project" means a project that is likely to result in—

(A) DEMONSTRABLE REDUCTIONS IN NET EMISSIONS OF GREENHOUSE GASES; OR

(B) demonstrable net increases in the quantity of carbon sequestered in soils and forests.

(2) ENVIRONMENTAL TRADE.—The term "environmental trade" means a transaction between an emitter of a greenhouse gas and an agricultural producer under which the emitter pays to the agricultural producer a fee to sequester carbon or otherwise reduce emissions of greenhouse gases.

(3) PANEL.—The term "panel" means the panel of experts established under subsection (b)(4)(A).

(4) SECRETARY.—The term "Secretary" means the Secretary of Agriculture, acting in consultation with—

(A) the Under Secretary of Agriculture for Natural Resources and Environment;

(B) the Under Secretary of Agriculture for Research, Education, and Economics;

(C) the Chief Economist of the Department; and

(D) the panel.

(b) DEMONSTRATION PROGRAM.—

(1) ESTABLISHMENT.—Subject to the availability of appropriations, the Secretary shall establish a program to provide grants, on a competitive, cost-shared basis, to agricultural producers to assist in paying the costs incurred in measuring, estimating, monitoring, verifying, auditing, and testing methodologies involved in environmental trades (including costs incurred in em-

ploying certified independent third persons to carry out those activities).

(2) CONDITIONS FOR RECEIPT OF GRANT.—As a condition of the acceptance of a grant under paragraph (1), an agricultural producer shall—

(A) establish a carbon and greenhouse gas monitoring, verification, and reporting system that meets such requirements as the Secretary shall prescribe; and

(B) under the system and through the use of an independent third party for any necessary monitoring, verifying, reporting, and auditing, measure and report to the Secretary the quantity of carbon sequestered, or the quantity of greenhouse gas emissions reduced, as a result of the conduct of an eligible project.

(3) CRITERIA FOR AWARD OF GRANT.—

(A) IN GENERAL.—In awarding a grant for an eligible project under paragraph (1), the Secretary shall take into consideration—

(i) the likelihood of the eligible project in succeeding in achieving greenhouse gas emissions reductions and net carbon sequestration increases; and

(ii) the usefulness of the information to be obtained from the eligible project in determining how best to quantify, monitor, and verify sequestered carbon or reductions in greenhouse gas emissions.

(B) PRIORITY CRITERIA.—The Secretary shall give priority in awarding a grant under paragraph (1) to an eligible project that—

(i) involves multiple parties, a whole farm approach, or any other approach, such as the aggregation of land areas, that would—

(I) increase the environmental benefits or reduce the transaction costs of the eligible project; and

(II) reduce the costs of measuring, monitoring, and verifying any net sequestration of carbon or net reduction in greenhouse gas emissions;

(ii) is designed to achieve long-term sequestration of carbon or long-term reductions in greenhouse gas emissions;

(iii) is designed to address concerns concerning leakage;

(iv) provides certain other benefits, such as improvements in—

(I) soil fertility;

(II) wildlife habitat;

(III) water quality;

(IV) soil erosion management;

(V) the use of renewable resources to produce energy;

(VI) the avoidance of ecosystem fragmentation; and

(VII) the promotion of ecosystem restoration with native species; or

(v) does not involve—

(I) the reforestation of land that has been deforested since 1990; or

(II) the conversion of native grassland.

(4) PANEL.—

(A) IN GENERAL.—The Secretary shall establish a panel to provide advice and recommendations to the Secretary with respect to criteria for awarding grants under this subsection.

(B) COMPOSITION.—The panel shall be composed of the following representatives, to be appointed by the Secretary:

(i) Experts from each of—

(I) the Department;

(II) the Environmental Protection Agency; and

(III) the Department of Energy.

(ii) Experts from nongovernmental and academic entities.

(5) PAYMENT OF GRANT FUNDS.—The Secretary shall provide a grant awarded under this section in such number of installments as is necessary to ensure proper implementation of an eligible project.

(c) METHODOLOGY GRANT PROGRAM.—

(1) ESTABLISHMENT.—The Secretary shall establish a program to provide grants to determine the best methodologies for estimating and measuring increases or decreases in—

(A) agricultural greenhouse gas emissions; and

(B) the quantity of carbon sequestered in soils, forests, and trees.

(2) ELIGIBLE RECIPIENTS.—The Secretary shall award a grant under paragraph (1), on a competitive basis, to a college or university, or other research institution, that seeks to demonstrate the viability of a methodology described in paragraph (1).

(d) DISSEMINATION OF INFORMATION.—As soon as practicable after the date of enactment of this section, the Secretary shall establish an Internet site through which agricultural producers may obtain information concerning—

(1) potential environmental trades; and

(2) activities of the Secretary under this section.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $20,000,000 for each of fiscal years 2002 through 2006.

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AGRICULTURAL MARKETING ACT OF 1946

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Subtitle C—Country of Origin Labeling

SEC. 271. DEFINITIONS.

In this subtitle:

(1) BEEF.—The term "beef" means meat produced from cattle (including veal).

(2) COVERED COMMODITY.—

(A) IN GENERAL.—The term "covered commodity" means—

(i) muscle cuts of beef, lamb, and pork;

(ii) ground beef, ground lamb, and ground pork;

(iii) farm-raised fish;

(iv) a perishable agricultural commodity; and

(v) peanuts.

(B) EXCLUSIONS.—The term "covered commodity" does not include—

(i) processed beef, lamb, and pork food items; and

(ii) frozen entrees containing beef, lamb, and pork.

(3) FARM-RAISED FISH.—The term "farm-raised fish" includes—

(A) farm-raised shellfish; and

(B) fillets, steaks, nuggets, and any other flesh from a farm-raised fish or shellfish.

(4) FOOD SERVICE ESTABLISHMENT.—The term "food service establishment" means a restaurant, cafeteria, lunch room, food stand, saloon, tavern, bar, lounge, or other similar facility operated as an enterprise engaged in the business of selling food to the public.

(5) LAMB.—The term "lamb" means meat, other than mutton, produced from sheep.

(6) PERISHABLE AGRICULTURAL COMMODITY; RETAILER.—The terms "perishable agricultural commodity" and "retailer" have the meanings given the terms in section 1(b) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499a(b)).

(7) PORK.—The term "pork" means meat produced from hogs.

(8) SECRETARY.—The term "Secretary" means the Secretary of Agriculture, acting through the Agricultural Marketing Service.

SEC. 272. NOTICE OF COUNTRY OF ORIGIN.

(a) IN GENERAL.—

(1) REQUIREMENT.—Except as provided in subsection (b), a retailer of a covered commodity shall inform consumers, at the final point of sale of the covered commodity to consumers, of the country of origin of the covered commodity.

(2) UNITED STATES COUNTRY OF ORIGIN.—A retailer of a covered commodity may designate the covered commodity as having a United States country of origin only if the covered commodity—

(A) in the case of beef, lamb, and pork, is exclusively from an animal that is exclusively born, raised, and slaughtered in the United States; and

(B) in the case of farm-raised fish, is hatched, raised, harvested, and processed in the United States; and

(C) in the case of a perishable agricultural commodities or peanut, is exclusively produced in the United States.

(b) EXEMPTION FOR FOOD SERVICE ESTABLISHMENTS.—Subsection (a) shall not apply to a covered commodity if the covered commodity is—

(1) prepared or served in a food service establishment; and

(2)(A) offered for sale or sold at the food service establishment in normal retail quantities; or

(B) served to consumers at the food service establishment.

(c) METHOD OF NOTIFICATION.—

(1) IN GENERAL.—The information required by subsection (a) may be provided to consumers by means of a label, stamp, mark, placard, or other clear and visible sign on the covered commodity or on the package, display, holding unit, or bin containing the commodity at the final point of sale to consumers.

(2) LABELED COMMODITIES.—If the covered commodity is already individually labeled for retail sale regarding country of origin, the retailer shall not be required to provide any additional information to comply with this section.

(d) AUDIT VERIFICATION SYSTEM.—The Secretary may require that any person that prepares, stores, handles, or distributes a covered commodity for retail sale maintain a verifiable recordkeeping audit trail that will permit the Secretary to ensure compliance with the regulations promulgated under section 274.

(e) INFORMATION.—Any person engaged in the business of supplying a covered commodity to a retailer shall provide information to the retailer indicating the country of origin of the covered commodity.

(f) CERTIFICATION OF ORIGIN.—

(1) MANDATORY IDENTIFICATION.—The Secretary shall not use a mandatory identification system to verify the country of origin of a covered commodity.

(2) EXISTING CERTIFICATION PROGRAMS.—To certify the country of origin of a covered commodity, the Secretary may use as a model certification programs in existence on the date of enactment of this Act, including—

(A) the carcass grading and certification system carried out under this Act;

(B) the voluntary country of origin beef labeling system carried out under this Act;

(C) voluntary programs established to certify certain premium beef cuts;

(D) the origin verification system established to carry out the child and adult care food program established under section 17 of the Richard B. Russell National School Lunch Act (42 U.S.C. 1766); or

(E) the origin verification system established to carry out the market access program under section 203 of the Agricultural Trade Act of 1978 (7 U.S.C. 5623).

SEC. 273. ENFORCEMENT.

(a) IN GENERAL.—Except as provided in subsection (b), section 253 shall apply to a violation of this subtitle.

(b) WARNINGS.—If the Secretary determines that a retailer is in violation of section 272, the Secretary shall—

(1) notify the retailer of the determination of the Secretary; and

(2) provide the retailer a 30-day period, beginning on the date on which the retailer receives the notice under paragraph (1) from the Secretary, during which the retailer may take necessary steps to comply with section 272.

(c) FINES.—If, on completion of the 30-day period described in subsection (c)(2), the Secretary determines that the retailer has willfully violated section 272, after providing notice and an opportunity for a hearing before the Secretary with respect to the violation, the

Secretary may fine the retailer in an amount determined by the Secretary.

SEC. 274. REGULATIONS.

(a) IN GENERAL.—The Secretary may promulgate such regulations as are necessary to carry out this subtitle.

(b) PARTNERSHIPS WITH STATES.—In promulgating the regulations, the Secretary shall, to the maximum extent practicable, enter into partnerships with States with enforcement infrastructure to carry out this subtitle.

SEC. 275. APPLICATION.

This subtitle shall apply to the retail sale of a covered commodity beginning on the date that is 180 days after the date of the enactment of this subtitle.

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Subtitle D—Commodity-Specific Grading Standards

SEC. 281. DEFINITION OF SECRETARY.

In this subtitle, the term "Secretary" means the Secretary of Agriculture.

SEC. 282. QUALITY GRADE LABELING OF IMPORTED MEAT AND MEAT FOOD PRODUCTS.

An imported carcass, part thereof, meat, or meat food product (as defined by the Secretary) shall not bear a label that indicates a quality grade issued by the Secretary.

SEC. 283. REGULATIONS.

The Secretary shall promulgate such regulations as are necessary to ensure compliance with, and otherwise carry out, this subtitle.

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FEDERAL CROP INSURANCE ACT

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SEC. 508. CROP INSURANCE.

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(e) PAYMENT OF PORTION OF PREMIUM BY CORPORATION.—

(1) IN GENERAL.—For the purpose of encouraging the broadest possible participation of producers in the catastrophic risk protection provided under subsection (b) and the additional coverage provided under subsection (c), the Corporation shall pay a part of the premium in the amounts provided in accordance with this subsection.

* * * * * * *

(3) PREMIUM REDUCTION.—If an approved insurance provider determines that the provider may provide insurance more efficiently than the expense reimbursement amount established by the Corporation, the approved insurance provider may reduce, subject to the approval of the Corporation, the premium charged the insured by an amount corresponding to the efficiency. The approved insurance provider shall apply to the Cor-

poration for authority to reduce the premium before making such a reduction, and the reduction shall be subject to the rules, limitations, and procedures established by the Corporation.

(4) [TEMPORARY PROHIBITION] *PROHIBITION* ON CONTINUOUS COVERAGE.—Notwithstanding paragraph (2), during each of the 2001 [through 2005] *and subsequent* reinsurance years, additional coverage under subsection (c) shall be available only in 5 percent increments beginning at 50 percent of the recorded or appraised average yield.

(5) PREMIUM PAYMENT DISCLOSURE.—Each policy or plan of insurance under this title shall prominently indicate the dollar amount of the portion of the premium paid by the Corporation.

(f) ELIGIBILITY.—

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(m) QUALITY LOSS ADJUSTMENT COVERAGE.—

(1) EFFECT OF COVERAGE.—If a policy or plan of insurance offered under this title includes quality loss adjustment coverage, the coverage shall provide for a reduction in the quantity of production of the agricultural commodity considered produced during a crop year, or a similar adjustment, as a result of the agricultural commodity not meeting the quality standards established in the policy or plan of insurance.

(2) ADDITIONAL QUALITY LOSS ADJUSTMENT.—

(A) PRODUCER OPTION.—Notwithstanding any other provision of law, in addition to the quality loss adjustment coverage available under paragraph (1), the Corporation shall offer producers the option of purchasing quality loss adjustment coverage on a basis that is smaller than a unit with respect to an agricultural commodity that satisfies each of the following:

(i) The agricultural commodity is sold on an identity-preserved basis.

(ii) All quality determinations are made solely by the Federal agency designated to grade or classify the agricultural commodity.

(iii) All quality determinations are made in accordance with standards published by the Federal agency in the Federal Register.

(iv) The discount schedules that reflect the reduction in quality of the agricultural commodity are established by the Secretary.

(B) BASIS FOR ADJUSTMENT.—Under this paragraph, the Corporation shall set the quality standards below which quality losses will be paid based on the variability of the grade of the agricultural commodity from the base quality for the agricultural commodity.

(3) REVIEW OF CRITERIA AND PROCEDURES.—[The Corporation]

(A) REVIEW.—The Corporation shall contract with a qualified person to review the quality loss adjustment procedures of the Corporation so that the procedures more accurately reflect local quality discounts that are applied to agricultural commodities insured under this title. [Based on]

(B) PROCEDURES.—Effective beginning not later than the 2003 reinsurance year, based on the review, the Corporation shall make adjustments in the procedures, taking into consideration the actuarial soundness of the adjustment and the prevention of fraud, waste, and abuse.

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CONTROLLED SUBSTANCES ACT (21 U.S.C. 889)

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SEC. 519. (a) As used in this section:

(1) The term "controlled substance" has the same meaning given such term in section 102(6) of the Controlled Substances Act (21 U.S.C. 801(6)).

(2) The term "Secretary" means the Secretary of Agriculture.

(3) The term "State" means each of the fifty States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, or the Trust Territory of the Pacific Islands.

(b) Notwithstanding any other provision of law, following the date of enactment of this Act, any person who is convicted under Federal or State law of planting, cultivation, growing, producing, harvesting, or storing a controlled substance in any crop year shall be ineligible for—

(1) as to any commodity produced during that crop year, and the four succeeding crop years, by such person—

[(A) any price support or payment made available under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), or any other Act;]

(A) contract payments under a contract, marketing assistance loans, and any type of price support or payment made available under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.), the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), or any other Act;

(B) a farm storage facility loan made under section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h));

[(C) crop insurance under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.);

[(D) a disaster payment made under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.); or]

(C) an indemnity payment under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.);

(D) a disaster payment; or

(E) a loan made, insured or guaranteed under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) or any other provision of law administered by the Farmers Home Administration; or

(2) a payment made under section 4 or 5 of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b or 714c) for the storage of an agricultural commodity that is—

(A) produced during that crop year, or any of the four succeeding crop years, by such person; and

(B) acquired by the Commodity Credit Corporation[.]; *or*

(3) during the crop year—

(A) a payment made pursuant to a contract entered into under the environmental quality incentives program under chapter 4 of subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3839aa et seq.);

(B) a payment under any other provision of subtitle D of title XII of that Act (16 U.S.C. 3830 et seq.);

(C) a payment under section 401 or 402 of the Agricultural Credit Act of 1978 (16 U.S.C. 2201, 2202); or

(D) a payment, loan, or other assistance under section 3 or 8 of the Watershed Protection and Flood Prevention Act (16 U.S.C. 1003 and 1006a).

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PACKERS AND STOCKYARDS ACT, 1921

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SEC. 318. UNLAWFUL STOCKYARD PRACTICES INVOLVING NONAMBULATORY LIVESTOCK.

(a) DEFINITIONS.—In this section:

(1) HUMANELY EUTHANIZED.—The term "humanely euthanized" means to kill an animal by mechanical, chemical, or other means that immediately render the animal unconscious, with this state remaining until the animal's death.

(2) NONAMBULATORY LIVESTOCK.—The term "nonambulatory livestock" means any livestock that is unable to stand and walk unassisted.

(b) UNLAWFUL PRACTICES.—

(1) IN GENERAL.—It shall be unlawful under section 312 for any stockyard owner, market agency, or dealer to buy, sell, give, receive, transfer, market, hold, or drag any nonambulatory livestock unless the nonambulatory livestock has been humanely euthanized.

(2) EXCEPTIONS.—

(A) NON-GIPSA FARMS.—Paragraph (1) shall not apply to any farm the animal care practices of which are not subject to the authority of the Grain Inspection, Packers, and Stockyards Administration.

(B) VETERINARY CARE.—Paragraph (1) shall not apply in a case in which nonambulatory livestock receive veterinary care intended to render the livestock ambulatory.

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ANIMAL WELFARE ACT

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SEC. 26. (a) It shall be unlawful for any person to knowingly sponsor or exhibit an animal in any animal fighting venture to which any animal was moved in interstate or foreign commerce.

(b) It shall be unlawful for any person to knowingly sell, buy, transport, or deliver to another person or receive from another person for purposes of transportation, in interstate or foreign commerce, any dog or other animal for purposes of having the dog or other animal participate in an animal fighting venture.

(c) It shall be unlawful for any person to knowingly use the mail service of the United States Postal Service or any interstate instrumentality for purposes of promoting or in any other manner furthering an animal fighting venture except as performed outside the limits of the State of the United States.

[(d) Notwithstanding the provisions of subsections (a), (b), or (c) of this section, the activities prohibited by such subsections shall be unlawful with respect to fighting ventures involving live birds only if the fight is to take place in a State where it would be in violation of the laws thereof.**]**

(d) ACTIVITIES NOT SUBJECT TO PROHIBITION.—This section does not apply to the selling, buying, transporting, or delivery of an animal in interstate or foreign commerce for any purpose, so long as the purpose does not include participation of the animal in an animal fighting venture.

(e) *PENALTIES*.—Any person who violates subsection (a), (b), or (c) shall be fined not more than **[**$5,000**]** *$15,000* or imprisoned for not more than **[**1 year**]** *2 years*, or both, for each such violation.

(f) The secretary or any other authorized by him shall make such investigations as the Secretary deems necessary to determine whether any person has violated or is violating any provision of this section, and the Secretary may obtain the assistance of the Federal Bureau of Investigations, the Department of the Treasury, or other law enforcement agencies of the United States, and State and local governmental agencies, in the conduct of such investigations, under cooperative agreements with such agencies. A warrant to search for and seize any animal which there is probable cause to believe was involved in any violation of this section may be issued by any judge of the United States or of a State court of record or by a United States magistrate within the district wherein the animal sought is located. Any United States marshal or any person authorized under this section to conduct investigations may apply for and execute any such warrant, and any animal seized under such a warrant shall be held by the United States marshal or other authorized person pending disposition thereof by the court in accordance with this paragraph (f). Necessary care including veterinary treatment shall be provided while the animals are so held in custody. Any animal involved in any violation of this section shall be liable to be proceeded against and forfeited to the United States at any time on complaint filed in any United States district court or other court of the United States for any jurisdiction in which the animal is found and upon a judgment of forfeiture shall be disposed of by sale for lawful purposes or by other humane means, as the court may direct. Costs incurred by the United States for care of animals seized and forfeited under this section shall be recoverable from the owner of the animals if he appears in such forfeiture proceeding or in a separate civil action brought in the jurisdiction in which the owner is found, resides, or transacts business.

(g) For purposes of this section—

(1) the term "animal fighting venture" means any event which involves a fight between at least two animals and is conducted for purposes of sport, wagering, or entertainment except that the term "animal fighting venture" shall not be deemed to include any activity the primary purpose of which involves the use of one or more animals in hunting another animal or animals, such as waterfowl, bird, raccoon, or fox hunting;

(2) the term "interstate or foreign commerce" means—

(A) any movement between any place in a State to any place in another State or between places in the same State through another State; or

(B) any movement from a foreign country into any State *or from any State into any foreign country*;

(3) the term "interstate instrumentality" means telegraph, telephone, radio, or television operating in interstate or foreign commerce;

(4) the term "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States;

(5) the term "animal" means any live bird, or any live dog or other mammal, except man; and

(6) the conduct by any person of any activity prohibited by this section shall not render such person subject to the other sections of this Act as a dealer, exhibitor, otherwise.

(h)(1) The provisions of this Act shall not supersede or otherwise invalidate any such State, local, or municipal legislation or ordinance relating to animal fighting ventures except in case of a direct and irreconcilable conflict between any requirements thereunder and this Act or any rule, regulation, or standard hereunder.

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FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990

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SEC. 2501. OUTREACH AND ASSISTANCE FOR SOCIALLY DISADVANTAGED FARMERS AND RANCHERS.

[(a) OUTREACH AND ASSISTANCE.—

[(1) IN GENERAL.—The Secretary of Agriculture (hereafter referred to in this section as the "Secretary") shall provide outreach and technical assistance to encourage and assist socially disadvantaged farmers and ranchers to own and operate farms and ranches and to participate in agricultural programs. This assistance should include information on application and bidding procedures, farm management, and other essential information to participate in agricultural programs.

[(2) GRANTS AND CONTRACTS.—The Secretary may make grants and enter into contracts and other agreements in the furtherance of this section with the following entities—

[(A) any community based organization that—

[(i) has demonstrated experience in providing agricultural education or other agriculturally related services to socially disadvantaged farmers and ranchers;

[(ii) provides documentary evidence of its past experience of working with socially disadvantaged farmers and ranchers during the two years preceding its application for assistance under this section; and

[(iii) does not engage in activities prohibited under section 501(c)(3) of the Internal Revenue Code of 1986; and

[(B) 1890 Land-Grant Colleges including Tuskegee Institute, Indian tribal community colleges and Alaska native cooperative colleges, Hispanic serving post-secondary educational institutions, and other post-secondary educational institutions with demonstrated experience in providing agriculture education or other agriculturally related services to socially disadvantaged family farmers and ranchers in their region.

[(3) FUNDING.—There are authorized to be appropriated $10,000,000 for each fiscal year to carry out this section.]

(a) OUTREACH AND ASSISTANCE.—

(1) DEFINITIONS.—In this subsection:

(A) DEPARTMENT.—The term "Department" means the Department of Agriculture.

(B) ELIGIBLE ENTITY.—The term "eligible entity" means—

(i) any community-based organization, network, or coalition of community-based organizations that—

(I) has demonstrated experience in providing agricultural education or other agriculturally related services to socially disadvantaged farmers and ranchers;

(II) has provided to the Secretary documentary evidence of work with socially disadvantaged farmers and ranchers during the 2-year period preceding the submission of an application for assistance under this subsection; and

(III) has not engaged in activities prohibited under section 501(c)(3) of the Internal Revenue Code of 1986;

(ii)(I) an 1890 institution (as defined in section 2 of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7601)), including West Virginia State College;

(II) a 1994 institution (as defined in section 2 of that Act);

(III) an Indian tribal community college;

(IV) an Alaska Native cooperative college;

(V) a Hispanic-serving institution (as defined in section 1404 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3103)); and

(VI) any other institution of higher education (as defined in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001)) that has demonstrated experience in providing agriculture education or other agriculturally related services to socially disadvantaged farmers and ranchers in a region; and

(iii) an Indian tribe (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)) or a national tribal organization that has demonstrated experience in providing agriculture education or other agriculturally related services to socially disadvantaged farmers and ranchers in a region.

(C) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

(2) PROGRAM.—The Secretary shall carry out an outreach and technical assistance program to encourage and assist socially disadvantaged farmers and ranchers—

(A) in owning and operating farms and ranches; and

(B) in participating equitably in the full range of agricultural programs offered by the Department.

(3) REQUIREMENTS.—The outreach and technical assistance program under paragraph (2) shall—

(A) enhance coordination of the outreach, technical assistance, and education efforts authorized under various agriculture programs; and

(B) include information on, and assistance with—

(i) commodity, conservation, credit, rural, and business development programs;

(ii) application and bidding procedures;

(iii) farm and risk management;

(iv) marketing; and

(v) other activities essential to participation in agricultural and other programs of the Department.

(4) GRANTS AND CONTRACTS.—

(A) IN GENERAL.—The Secretary may make grants to, and enter into contracts and other agreements with, an eligible entity to provide information and technical assistance under this subsection.

(B) RELATIONSHIP TO OTHER LAW.—The authority to carry out this section shall be in addition to any other authority provided in this or any other Act.

(5) FUNDING.—

(A) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection $25,000,000 for each of fiscal years 2002 through 2006.

(B) INTERAGENCY FUNDING.—In addition to funds authorized to be appropriated under subparagraph (A), any agency of the Department may participate in any grant, contract, or agreement entered into under this section by contributing funds, if the agency determined that the objectives of the grant, contract, or agreement will further the authorized programs of the contributing agency.

(b) DESIGNATION OF FEDERAL PERSONNEL.—

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SEC. 2506. PSEUDORABIES ERADICATION.

(a) FINDINGS.—Congress finds that efforts to eradicate pseudorabies in United States swine populations by the Department of Agriculture in cooperation with State agencies and the pork industry have a high priority and should be continued until pseudorabies is completely eradicated in the United States.

(b) ESTABLISHMENT OF PROGRAM.—The Secretary of Agriculture shall establish and carry out a program for the eradication of pseudorabies in United States swine populations.

(c) USE OF FUNDS FOR TESTING AND CONTROL OF PSEUDORABIES.—The Secretary shall ensure that not less than 65 percent of the funds appropriated for the program established under subsection (b) shall be used for testing and screening of animals and for other purposes directly related to the eradication or control of pseudorabies. This requirement on the use of appropriated funds for this program shall not be implemented in a manner that would adversely affect any other animal or plant disease or pest eradication or control program.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for each of the fiscal years 1991 through [2002] *2006* such sums as may be necessary for the purpose of carrying out the program established under subsection (b).

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AGRICULTURAL MARKET TRANSITION ACT

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SEC. 194. ESTABLISHMENT OF OFFICE OF RISK MANAGEMENT.

[(a) ESTABLISHMENT.—

[(b) FISCAL YEAR 1996 FUNDING.—From funds appropriated for the salaries and expenses of the Consolidated Farm Service Agency in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1996 (Public Law 104–37), the Secretary of Agriculture may use such sums as necessary for the salaries and expenses of the Office of Risk Management established under subsection (a).

[(c) CONFORMING AMENDMENT.—]

SEC. 194. TREE ASSISTANCE PROGRAM.

(a) DEFINITIONS.—In this section:

(1) ELIGIBLE ORCHARDIST.—The term "eligible orchardist" means a person that produces annual crops from trees for commercial purposes,

(2) NATURAL DISASTER.—The term "natural disaster" means plant disease, insect infestation, drought, fire, freeze, flood, earthquake, and other natural occurrences, as determined by the Secretary.

(3) TREE.—The term "tree" includes trees, bushes, and vines.

(4) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

(b) ELIGIBILITY.—

(1) LOSS.—Subject to paragraph (2), the Secretary shall provide assistance in accordance with subsection (c) to eligible orchardists that, as determined by the Secretary—

(A) planted trees for commercial purposes; and

(B) lost those trees as a result of a natural disaster.

(2) LIMITATION.—An eligible orchardist shall qualify for assistance under subsection (c) only if the tree mortality rate of the orchardist, as a result of the natural disaster, exceeds 15 percent (adjusted for normal mortality), as determined by the Secretary.

(c) ASSISTANCE.—

(1) IN GENERAL.—Assistance provided by the Secretary to eligible orchardists for losses described in subsection (b) shall consist of—

(A) reimbursement of 75 percent of the cost of replanting trees lost due to a natural disaster, as determined by the Secretary, in excess of 15 percent mortality (adjusted for normal mortality); or

(B) at the discretion of the Secretary, sufficient tree seedlings to reestablish the stand.

(2) LIMITATION ON ASSISTANCE.—

(A) LIMITATION.—The total amount of payments that a person may receive under this section shall not exceed—

(i) $100,000; or

(ii) an equivalent value in tree seedlings.

(B) REGULATIONS.—The Secretary shall promulgate regulations that—

(i) define the term "person" for the purposes of this section (which definition shall conform, to the extent practicable, to the regulations defining the term 'person' promulgated under section 1001 of the Food Security Act of 1985 (7 U.S.C. 1308); and

(ii) prescribe such rules as the Secretary determines are necessary to ensure a fair and reasonable application of the limitation established under this section.

(d) AUTHORIZATION OF APPROPRIATIONS.—Notwithstanding section 161, there is authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 2002 through 2006.

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§ 473a. Cotton classification services; fees for costs of services, adjustments, and announcement; sales of samples; disposition of moneys

Effective for each of fiscal years 1992 through **[**2002**]** *2006*, the Secretary of Agriculture shall make cotton classification services available to producers of cotton and shall provide for the collection of classification fees from participating producers, or agents who voluntarily agree to collect and remit the fees on behalf of producers. Such fees, together with the proceeds from the sales of samples submitted under this section, shall cover as nearly as practicable the cost of the services provided under this section, including administrative and supervisory costs: *Provided,* That (1) the uniform per bale classification fee to be collected from producers, or their agents, for the classification service in any year shall be the fee established in the previous year for the prevailing method of classification service, exclusive of adjustments to the fee made in the previous year under clauses (2), (3), and (4), and as may be adjusted by the percentage change in the implicit price deflator for the gross national product as indexed during the most recent 12-month period for which statistics are available; (2) the fee calculated in accordance with clause (1) for

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§ 1631. Protection for purchasers of farm products

(a) CONGRESSIONAL FINDINGS.—Congress finds that—

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(c) DEFINITIONS.—For the purposes of this section—

* * * * * * *

(4) The term "effective financing statement" means a statement that—

(A) is an original or reproduced copy of the statement, or, in the case of a State which (under the applicable State law provisions of the Uniform Commercial Code) allows the electronic filing of financing statements without the signature of the debtor, is an electronically reproduced copy of the statement;

(B) other than in the case of an electronically reproduced copy of the statement, is [signed] *signed, authorized, or otherwise authenticated by the debtor,* and filed with the Secretary of State of a State by the secured party;

[(C) other than in the case of an electronically reproduced copy of the statement, is signed by the debtor;]

* * * * * * *

[(D)] *(C)* contains—

(i) the name and address of the secured party;

(ii) the name and address of the person indebted to the secured party;

(iii) the social security number of the debtor or, in the case of a debtor doing business other than as an individual, the Internal Revenue Service taxpayer identification number of such debtor; and

(iv) a description of the farm products subject to the security interest created by the debtor, including the amount of such products where [applicable; and a reasonable description of the property, including[3] county or parish in which the property is located;] *applicable, and the name of each county or parish in which the farm products are growing or located;*

[(E)]*(D)* must be amended in writing, within 3 months, similarly signed and filed, to reflect material changes;

[(F)]*(E)* remains effective for a period of 5 years from the date of filing, subject to extensions for additional periods of 5 years each by refiling or filing a continuation statement within 6 months before the expiration of the initial 5 year period;

[(G)]*(F)* lapses on either the expiration of the effective period of the statement or the filing of a notice signed by the secured party that the statement has lapsed, whichever occurs first;

[(H)]*(G)* is accompanied by the requisite filing fee set by the Secretary of State; and

[(I)]*(H)* substantially complies with the requirements of this subparagraph even though it contains minor errors that are not seriously misleading.

* * * * * * *

(e) PURCHASES SUBJECT TO SECURITY INTEREST.—A buyer of farm products takes subject to a security interest created by the seller if—

(1)(A) within 1 year before the sale of the farm products, the buyer has received from the secured party or the seller written notice of the security interest organized according to farm products that—

(i) is an original or reproduced copy thereof;

(ii) contains—

(I) the name and address of the secured party;

(II) the name and address of the person indebted to the secured party;

(III) the social security number of the debtor or, in the case of a debtor doing business other than as an individual, the Internal Revenue Service taxpayer identification number of such debtor; *and*

(IV) a description of the farm products subject to the security interest created by the debtor, including the amount of such products where applicable, [crop year, county or parish, and a reasonable description of the property; and] *crop year, and the name of each county or parish in which the farm products are growing or located;*

* * * * * * *

(V) *contains* any payment obligations imposed on the buyer by the secured party as conditions for waiver or release of the security interest; and

* * * * * * *

(3) in the case of a farm product produced in a State that has established a central filing system, the buyer—

(A) receives from the Secretary of State of such State written notice is provided in [subparagraph] *subsection* (c)(2)(E) or (c)(2)(F) that specifies both the seller and the farm product being sold by such seller as being subject to an effective financing statement or notice; and

(B) does not secure a waiver or release of the security interest specified in such effective financing statement or notice from the secured party by performing any payment obligation or otherwise; [and]

* * * * * * *

secured party or the seller written notice of the security interest; organized according to farm products, that—

(i) is an original or reproduced copy thereof;

(ii) contains—

(I) the name and address of the secured party;

(II) the name and address of the person indebted to the secured party;

(III) the social security number of the debtor or, in the case of a debtor doing business other than as an individual, the Internal Revenue Service taxpayer identification number of such debtor; and

(IV) a description of the farm products subject to the security interest created by the debtor, in-

cluding the amount of such products, where applicable, [crop year, county or parish, and a reasonable description of the property, etc.; and] *crop year, and the name of each county or parish in which the farm products are growing or located;*

(iii) must be amended in writing, within 3 months, similarly signed and transmitted, to reflect material changes;

(iv) will lapse on either the expiration period of the statement or the transmission of a notice signed by the secured party that the statement has lapsed, whichever occurs first; and

(v) contains any payment obligations imposed on the commission merchant or selling agent by the secured party as conditions for waiver or release of the security interest; and

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SEC 1027. PUBLIC DISCLOSURE REQUIREMENTS FOR COUNTY COMMITTEE ELECTIONS.

§ 590h. Payments and grants of aid

(a) Repealed.

(b) CONSERVATION AND ENVIRONMENTAL ASSISTANCE.—

(1) ENVIRONMENTAL QUALITY INCENTIVES PROGRAM.—The Secretary shall provide technical assistance, cost-share payments, and incentive payments to operators through the environmental quality incentives program in accordance with part IV of subchapter IV of chapter 58 of this title.

(2) to (4) Repealed.

(5) STATE, COUNTY, AND AREA COMMITTEES.—

(A) APPOINTMENT OF STATE COMMITTEES.—The Secretary shall appoint in each State a State committee composed of not fewer than 3 nor more than 5 members who are fairly representative of the farmers in the State. The members of a State committee shall serve at the pleasure of the Secretary for such term as the Secretary may establish.

[(B) ESTABLISHMENT OF COUNTY, AREA, OR LOCAL COMMITTEES.—

[(i) In each county or area in which activities are carried out under this section, the Secretary shall establish a county or area committee.

[(ii) Any such committee shall consist of not fewer than 3 nor more than 5 members who are fairly representative of the agricultural producers in the county or area and who shall be elected by the agricultural producers in such county or area under such procedures as the Secretary may prescribe.

[(iii) The Secretary may designate local administrative areas within the county or larger area covered by a committee established under clause (i). Only agricultural producers within a local administrative area who participate or cooperate in programs administered within their area shall be eligible for nomination and

election to the local committee for that area, under such regulations as the Secretary may prescribe.

[(iv) The Secretary shall solicit and accept nominations from organizations representing the interests of socially disadvantaged groups (as defined in section 355(e)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 2003(e)(1)).

[(v) Members of each county, area, or local committee shall serve for terms not to exceed 3 years.

(B) ESTABLISHMENT AND ELECTIONS FOR COUNTY, AREA, OR LOCAL COMMITTEES.—

(i) ESTABLISHMENT.—

(I) IN GENERAL.—In each country or area in which activities are carried out under this section, the Secretary shall establish a county or area committee.

(II) LOCAL ADMINISTRATIVE AREAS.—The Secretary may designate local administrative areas within a county or a larger area under the jurisdiction of a committee established under subclause (I).

(ii) COMPOSITION OF COUNTY, AREA, OR LOCAL COMMITTEES.—A committee established under clause (i) shall consist of not fewer than 3 nor more than 5 members that—

(I) are fairly representative of the agricultural producers within the area covered by the county, area, or local committee; and

(II) are elected by the agricultural producers that participate or cooperate in programs administered within the area under the jurisdiction of the county, area, or local committee.

(iii) ELECTIONS.—

(I) IN GENERAL.—Subject to subclauses (II) through (V), the Secretary shall establish procedures for nominations and elections to county, area, or local committees.

(II) NONDISCRIMINATION STATEMENT.—Each solicitation of nominations for, and notice of elections of, a county, area, or local committee shall include the nondiscrimination statement used by the Secretary.

(III) NOMINATIONS.—

(aa) ELIGIBILITY.—To be eligible for nomination and election to the applicable county, area, or local committee, as determined by the Secretary, an agricultural producer shall be located within the area under the jurisdiction of a county, area, or local committee, and participate or cooperate in programs administered within that area.

(bb) OUTREACH.—In addition to such nominating procedures as the Secretary may prescribe, the Secretary shall solicit and accept nominations from organizations representing

the interests of socially disadvantaged groups (as defined in section 355(e)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 2003(e)(1)).

(IV) OPENING OF BALLOTS.—

(aa) PUBLIC NOTICE.—At least 10 days before the date on which ballots are to be opened and counted, a county, area, or local committee shall announce the date, time, and place at which election ballots will be opened and counted.

(bb) OPENING OF BALLOTS.—Election ballots shall not be opened until the date and time announced under item (aa).

(cc) OBSERVATION.—Any person may observe the opening and counting of the election ballots.

(V) REPORT OF ELECTION.—Not later than 20 days after the date on which an election is held, a county, area, or local committee shall file an election report with the Secretary and the State office of the Farm Service Agency that includes—

(aa) the number of eligible voters in the area covered by the county, area, or local committee;

(bb) the number of ballots cast in the election by eligible voters (including the percentage of eligible voters that cast ballots);

(cc) the number of ballots disqualified in the election;

(dd) the percentage that the number of ballots disqualified is of the number of ballots received;

(ee) the number of nominees for each seat up for election;

(ff) the race, ethnicity, and gender of each nominee, as provided through the voluntary self-identification of each nominee; and

(gg) the final election results (including the number of ballots received by each nominee).

(VI) NATIONAL REPORT.—Not later than 90 days after the date on which the first election of a county, area, or local committee that occurs after the date of enactment of the Agriculture, Conservation, and Rural Enhancement Act of 2001 is held, the Secretary shall complete a report that consolidates all the election data reported to the Secretary under subclause (V).

(VII) ELECTION REFORM.—

(aa) ANALYSIS.—If determined necessary by the Secretary after analyzing the data contained in the report under subclause (VI), the Secretary shall promulgate and publish in the Federal Register proposed uniform guidelines for conducting elections for members and al-

ternate members of county, area, and local committees not later than 1 year after the date of completion of the report.

(bb) INCLUSION.—The procedures promulgated by the Secretary under item (aa) shall ensure fair representation of socially disadvantaged groups described in subclause (III)(bb) in an area covered by the county, area, or local committee, in cases in which those groups are underrepresented on the county, area, or local committee for that area.

(cc) METHODS OF INCLUSION.—Notwithstanding clause (ii), the Secretary may ensure inclusion of socially disadvantaged farmers and ranchers through provisions allowing for appointment of additional voting members to a county, area, or local committee or through other methods.

(iv) TERM OF OFFICE.—The term of office for a member of a county, area, or local committee shall not exceed 3 years.

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