

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The Managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2559), to amend the Federal Crop Insurance Act to strengthen the safety net for agricultural producers by providing greater access to more affordable risk management tools and improved protection from production and income loss, to improve the efficiency and integrity of the Federal crop insurance program, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck out all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment which is a substitute for the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.¹ In the case where a provision of the House bill or the Senate amendment is adopted under the Conference substitute, report language appurtenant to such provision of the House bill or Senate amendment, respectively, stands.

Short Title

The *House* bill provides that this Act may be cited as the "Agricultural Risk Protection Act of 1999." (Section 1)

The *Senate* amendment provides that this Act may be cited as the "Risk Management for the 21st Century Act." (Section 1)

The *Conference* substitute adopts the *House* provision providing that the Act be cited as the "Agricultural Risk Protection Act of 2000." (Section 1)

Title I—Crop Insurance Coverage Subtitle A – Crop Insurance Coverage

Premium Schedule for Additional Coverage

The *House* bill amends section 508(d)(2) by striking subparagraphs (B) and (C) and inserts a new subparagraph (B).

Paragraph (B) requires that the premium for insurance coverage equal to or greater than 50/100 (or an equivalent coverage) be sufficient to cover anticipated losses and a reasonable reserve and include operating and administrative expenses, as determined by FCIC based on an industry-wide percentage of the amount of premium used to define loss ratio.

¹ In general, the Statement of Managers is arranged in order by title of the conference substitute, and by the House bill within the title.

Amends section 508(e)(2) by striking paragraphs (B) and (C) that provide the amount of premium to be paid by FCIC for coverage of less than 65/100 but greater than 50/100, and for coverage greater than 65/100, respectively.

Adds new paragraphs (B) through (G) that provide for the new amount to be paid by FCIC for coverage levels ranging from 50 percent coverage to 85 percent coverage.

Provides that the amount to be paid by FCIC for each coverage level (or equivalent coverage) is the sum of the percent of premium provided below (plus an amount of administrative and operating expenses determined under another section).

50-54% coverage = 67%

55-59% coverage = 64%

60-64% coverage = 64%

65-69% coverage = 59%

70-74% coverage = 59%

75-79% coverage = 54%

80-84% coverage = 40.6%

85% coverage = 30.6%

(Producers may choose any price election up to 100 percent of the price election, and coverage in 1 percent increments is authorized as under current law.

Provides that each policy or plan of insurance contain a disclosure of the portion of premium paid by FCIC.

The *House* bill amends section 508(d) by adding a new paragraph (3) to authorize FCIC to provide performance-based discounts to producers with good production or insurance experience.

Authorizes a 20 percent premium discount for the 2000 crop year for certain producers of specific crops that received a discounted price due to Scab or Vomitoxin damage.

The *House* bill amends section 508(c)(5) to provide that in the case of a cost of production or similar plan of insurance, the expected market price (price election) is the projected cost of producing the crop. (Section 101, 106 and 107)

The *Senate* amendment amends section 508(d)(2) by striking subparagraph (C) and inserting a new (C) and (D) establishing premium amounts.

Paragraph (C) requires that the premium for insurance coverage equal to or greater than 65/100 but less than 75/100 (or a comparable coverage for a plan of insurance not based on yield) be sufficient to cover anticipated losses and a reasonable reserve and include operating and administrative expenses, as determined by FCIC based on an industry-wide percentage of the amount of premium used to define loss ratio.

Paragraph (D) requires that the premium for insurance coverage equal to 75/100, 80/100, and 85/100 (or a comparable coverage for a plan of insurance not based on yield) is established at a level as indicated under paragraph (C).

Amends section 508(e) by striking paragraph (1) providing that FCIC pay a portion of premium and inserts a new paragraph relative to the same.

Provides under paragraph (1)(A) that FCIC pay a portion of the premium as established in section 508(e)(2).

Amends section 508(e)(2) by striking paragraphs (B) and (C) that provide for the amount of premium to be paid by FCIC for coverage of less than 65/100 but greater than 50/100, and for coverage greater than 65/100, respectively.

Adds new paragraphs (B) through (G) that provide for the new amount to be paid by FCIC for coverage levels ranging from 50/100 to 85/100.

Provides that the amount to be paid by FCIC for each coverage level (or comparable coverage for a plan of insurance not based on yield) is the sum of the percent of premium provided below (plus an amount of administrative and operating expenses determined under another section).

50/100% coverage = 60%

55/100% coverage = 45%

60/100% coverage = 45%

65/100% coverage = 50%

70/100% coverage = 50%

75/100% coverage = 55%

80/100% coverage = 38%

85/100% coverage = 28%

(Producers must choose 100 percent price election to receive correlating percentage of assistance, and availability of coverage is limited to 5 percent increments).

Provides under new paragraph (H) that paragraphs (A) through (G) are applicable for the 2001 through 2004 fiscal years.

Amends section 508(a) by striking paragraph (3) relative to exclusions for coverage and inserting a new paragraph (3) relative to the same.

Provides conforming amendments amending section 508(e) by striking paragraph (4) requiring individual and area crop insurance coverage and by striking reference to such authority under section 508(g)(2)(D).

The *Senate* amendment amends section 508(c) by striking paragraph (5) relative to price levels and inserts a new paragraph relative to price elections.

Requires FCIC to establish or approve a price level, or expected market price, for each commodity insured.

Provides that the expected market price (1) not be less than the projected market price of the crop; (2) may be based on the actual market price of the crop at the time of harvest; (3) in the case of revenue or similar policies be the actual market price of the crop; or (4) in the case of cost of production or similar policies be the cost of producing the crop. (Section 103)

The *Conference* substitute adopts the *Senate* provision relative to the expected market price with minor changes to clarify intent. The *Conference* substitute adopts the *House* provisions relative to premium amounts, performance-based discounts, payment schedule, and premium payment disclosure with certain changes. Language with respect to premium amounts and payment schedule has been modified to clarify intent. The provision providing discounts for producers of crops damaged by scab is omitted. Premium assistance at the 75, 80, and 85 percent coverage levels are increased to 55 percent, 48 percent, and 38 percent, respectively, of the amount of premium used to define loss ratio. Current statutory authority to offer coverage in one percent increments is temporarily suspended. (Section 101)

Premium Schedule for Other Plans of Insurance

The *House* bill amends section 508(h)(2) by striking the second sentence limiting the portion of premium FCIC may pay for innovative policies and by creating paragraphs (A) and (B).

Subparagraph (B) requires that in the case of a policy submitted under section 508(h) (except paragraph (10) or subsection (m)(4)), FCIC shall pay a portion of the premium equal to the percentage, prescribed under section 508(e) for a similar level of coverage, of the total amount of the premium used to define loss ratio, and the dollar amount of the administrative and operating expenses that would be paid by FCIC under section 508(e) for a similar level of coverage. (Section 102)

The *Senate* amendment amends section 508(e) by striking paragraph (1) relative to requiring FCIC to pay a portion of premiums and inserts a new paragraph (1) related to the same.

Provides under the new paragraph (1)(B) that FCIC may pay a portion of the premium as established in 508(e)(2) for innovative plans of insurance approved by FCIC under section 508(h). (Section 103)

The *Conference* substitute adopts the *House* provision relative to premium assistance for all policies or plans of insurance developed and approved under section 508(h) or 522 or conducted under section 523 (except livestock pilot programs) with certain changes. The administrative and operating costs associated with all such policies or plans of insurance must comply with section 508(k)(4), including any proportional reductions that may apply. Section 508(k)(4), including any proportional reductions, applies to all such policies or plans of insurance whether developed and approved on, before, or after the date of enactment of this Act. However, the effective date of the amendments made by section 102 are delayed until after the reinsurance year 2001 with respect to policies or plans of insurance developed and approved subsequent to the date of enactment. During the reinsurance year 2001, the portion of the premium paid by the Corporation for such policies or plans of insurance developed and approved subsequent to the date of enactment may not exceed the dollar amount authorized under the new payment schedule for multiple peril crop insurance. Administrative and operating costs associated with such policies during the reinsurance year 2001 are adjusted accordingly, subject to section 508(k)(4), including any proportional reductions that may apply. (Section 102)

Catastrophic Risk Protection

The *House* bill amends section 508(b) by striking paragraph (3) relative to yield and loss basis and inserts a new paragraph (3) relative to the same.

Provides that, beginning with the 2000 crop year, FCIC must offer producers a choice between the current CAT coverage and an alternative CAT coverage that indemnifies the producer on an area yield and loss basis, provides a higher combination of yield and price election, and that FCIC determines is comparable to "CAT."

The *House* bill amends section 508(b)(5) by adding a new subparagraph (F) relative to payment of fees on behalf of producers. Authorizes a cooperative association or nonprofit trade association to pay "CAT" fees on behalf of consenting producers.

Provides that licensing fees or other payments made by approved insurance providers to a cooperative association or nonprofit trade association in connection with the sale of "CAT" or "buy-up" insurance shall not be construed as a rebate providing the producer receives prior notice of the fee.

Provides that nothing in the subparagraph limits the ability of a producer to choose an agent or an insurance provider or refuse "CAT" coverage purchased pursuant to this subparagraph. Further requires that "CAT" policies sold under such an arrangement must be through a licensed agent or approved insurance provider.

Requires that participating cooperative associations, nonprofit trade associations, and approved insurance providers that operate under this subparagraph to encourage producer members to purchase appropriate coverage.

The *House* bill amends section 508(b)(11) reducing loss adjustment expense reimbursements relative to CAT policies to approved insurance providers from 11 percent of imputed premium to 8 percent of the same.

Amends section 508(k)(4)(A)(ii) by reducing administrative and operating expense reimbursements to approved insurance providers from 24.5 percent of premium used to define loss ratio to 24 percent of the same.

Provides that amendments are applicable with respect to the 2001 and subsequent reinsurance years. (Sections 108, 109 and 310(a)(1))

The *Senate* amendment requires any person that sells or solicits the purchase of a policy or adjusts losses under the FCIA in any state must be licensed and qualified to do business in that state, and must comply with all state regulations (including commission and *anti-rebating regulations*) as required under state law. (Sections 313)

The *Conference* substitute adopts the *House* provisions relative to the provision of alternative catastrophic risk protection and the reimbursement rate change for loss adjustments associated with catastrophic risk protection. The reduction in administration and operating cost reimbursement is omitted. The *Conference* substitute further adopts the *House* provision relative to the payment of catastrophic risk protection fees by associations on behalf of member producers, and the treatment of licensing fees received by associations in connection with the issuance of insurance with changes. Rebating in connection with the issuance of crop insurance coverage is subject to the State laws in which the rebate is made. If a cooperative association or trade association is located in a State that permits rebating in connection with the issuance of crop insurance coverage, the association may pay catastrophic risk protection (CAT) fees on behalf of members in that State or in a contiguous State. A report to Congress on the operation and impact of this provision is required. Finally, the *Conference* substitute increases the fees associated with catastrophic risk protection from \$60 to \$100 per crop per county. (Section 103)

Administrative Fee for additional coverage

The *Conference* substitute provides for an administrative fee of \$30 per crop per county to be paid by producers electing coverage in excess of catastrophic risk protection. (Section 104)

Assigned yields and actual production history adjustments

The *House* bill amends section 508(g) by adding paragraph (4) relative to adjustment in actual production history to establish insurable yields.

Provides that this paragraph shall apply when FCIC uses the APH of a producer to establish insurable yields for a crop for the 2001 and subsequent crop years.

Provides that, if, for one or more of the crop years used by a producer to establish APH, the producer's yield is less than 60 percent of the applicable "T" yield, the producer may exclude each of such crop years and replace the excluded yield with a yield equal to 60 percent of "T". This section applies retroactively to already recorded yields and prospectively to future yields.

Amends section 508(g) by adding paragraph (5) relative to APH adjustment to reflect participation in major pest control efforts.

Requires FCIC to develop a methodology for adjusting the APH of a producer's crop when the producer's farm is located in an area where efforts have been undertaken to eradicate or retard plant pests and disease, where the presence of the pest or disease has been found to reduce applicable crop yields, and where the efforts undertaken have been effective. Requires APH adjustments to reflect the success of the effort undertaken. (Section 103)

The *Senate* amendment amends section 508(g)(2)(B) by requiring FCIC to assign a producer a yield for a crop where the producer has not had a share of the production of the crop for more than 2 years; has not before farmed the land; or rotates to a crop that has not before been produced on the farm.

The *Senate* amendment amends section 508(g) by adding paragraph (4) relative to transitional adjustments for disasters.

Defines "a producer that has suffered a multiyear disaster" as a producer or successor entity that has suffered a natural disaster during at least 3 of the immediately preceding 5 crop years that resulted in a cumulative reduction of at least 25 percent in APH of a crop.

Provides that, beginning with the 2001 crop year, a producer of an insured crop that has suffered a multiyear disaster may exclude 1 year of the crop's production history for each 5 years included in the crop's APH.

Requires FCIC to pay for any increased premiums, indemnities, and administrative and operating expenses that result from the exercise of a producer to exclude 1 year of a crop's production history.

Prohibits FCIC from limiting any increase in a producer's APH due to the producer's actual production of the crop in succeeding years until such time that the producer's APH has recovered to the level obtained in the year before the first year of multiyear disaster.

Rescinds FCIC authority allowing eligible producers to exclude any 1 crop year in the first crop year where a policy is available to adequately address natural disasters occurring in multiple crop years.

Makes the paragraph applicable for the 2001 through 2004 reinsurance years. (Sections 104 & 105)

The *Conference* substitute adopts the *Senate* provision relative to assigned yields and the *House* provision relative to adjustments to actual production history with minor changes to clarify intent. (Section 105)

Review and Adjustment in Rating Methodologies

The *House* bill amends section 508(a) by adding a new paragraph (7) relative to the review and adjustment in rating methodologies.

Requires FCIC to periodically review the methodologies employed for rating plans of insurance consistent with section 507(c)(2) relative to contracting for such services. Requires FCIC to analyze the rating and loss history of policies and plans of insurance for crops by area and make appropriate adjustments for the 2000 crop year or as soon as possible where premium rates are found to be excessive. (Section 104)

The *Senate* amendment requires FCIC to contract for the study and development of alternative rating methodologies for rating plans of insurance for "CAT" and "buy-up" coverage, taking into account producers not electing to participate in crop insurance and those electing only "CAT" coverage.

Requires that, with respect to such rating studies, a priority be given to crops with the largest average acreage nationwide but lowest percentage of producer participation at buy-up coverage levels.

Requires FCIC to provide funding for rating studies from the account established under section 516(b)(2)(A) of the FCIA, and specifically authorizes \$1 million for fiscal years 2001 and 2002 and \$250,000 in fiscal years 2003 and 2004.

Provides that the paragraph relative to funding be applicable for the fiscal years 2001 through 2004. (Section 202)

The *Conference* substitute adopts the *House* provision relative to review and adjustment in rating methodologies with a change to require such adjustments take place in the 2002 crop year and thereafter, rather than in the 2000 crop year and thereafter. (Section 106)

The *Managers* urge the Corporation to complete the process of developing alternative rating methodologies for all insurable crops. The *Managers* also urge the Corporation to base Multi-Peril Crop Insurance (MPCI) cotton rates in Texas on the results of the analysis prepared on their behalf by researchers at Montana State University and to adopt these rates beginning with the 2001 crop year on the same basis as the Corporation implemented revised MPCI Premium rates in the Mid-South and Far West regions.

Quality Adjustment

The *House* bill amends section 508(a) by adding a new paragraph (9) relative to quality grade loss adjustment.

Requires that, consistent with subsection (m)(4) relative to contracting for research requirements, FCIC enter into a contract by the 2000 crop year to analyze quality loss adjustment procedures and make adjustments necessary to more accurately reflect local quality discounts, taking into account actuarial soundness requirements and prevention of fraud, waste, and abuse. (Section 112)

The *Senate* amendment strikes 508(a)(6) requiring guidelines, reports, studies, and pilot programs relative to the addition of new and specialty crops, and inserts a new paragraph (6) relative to quality adjustment.

Requires FCIC to offer coverage that permits a reduction in production for purposes of determining a loss to reflect any production not meeting quality standards.

Allows producers to opt-out of quality adjustment coverage and receive a reduction in premium equal to the cost of the coverage.

Requires FCIC to contract for the study of quality loss adjustment procedures and, based on the study, to adjust the coverage to better reflect local quality discounts, taking into consideration actuarial soundness and the prevention of fraud, waste, and abuse. (Section 101)

The *Conference* substitute adopts the *Senate* provision relative to quality adjustments with certain changes. Language to permit producers to opt-out of such coverage and receive a premium reduction is omitted. Language is included to permit producers to elect such coverage, under limited circumstances, on a basis smaller than a unit, and a provision relative to the manner in which the Corporation sets quality standards is also included. (Section 107)

Double Insurance and Prevented Planting

The *House* bill amends section 508(a) by adding a new paragraph (8) relative to prevented planting.

Allows producers to opt-out of prevented planting coverage and receive a reduction in premium equal to the cost of the prevented planting coverage.

Requires FCIC to provide an equal percentage level of prevented planting coverage for each crop.

Limits prevented planting payments to producers prevented from planting due to conditions generally affecting the area in which the producer farms.

Authorizes a producer who received a prevented planting payment to plant a second crop other than the crop prevented from being planted on the same acreage, except that the second crop is not eligible for NAP or crop insurance coverage.

Provides that a producer who elects to plant a second crop which is not insurable or NAP eligible still qualifies for AMTA loans and payments, CRP, and guaranteed and direct loans and other benefits under the ConAct.

Requires FCIC to assign a producer who receives a prevented planting payment and who elects to plant a second crop a yield for the prevented crop for that year equal to 60 percent of the producer's actual production history for purposes of future APH.

Denies a prevented planting payment to a producer who plants a second crop before the latest planting date for the crop prevented from being planted.

The *House* bill amends section 508(a) by adding a new paragraph (10) relative to limitations on double insurance.

Prohibits a policy or plan of insurance for more than one crop planted on the same acreage in the same crop year unless the coverage for the additional crop is "CAT" coverage.

Provides an exception to the limitation on double insurance where both crops are normally harvested within the same crop year on the same acreage; there is an established practice of double-cropping in the area and the additional crop is customarily double-cropped in the area with the first crop; a policy of insurance is offered for both crops; and the additional crop is planted on or before the final or late planting date for that crop. (Sections 110 and 201)

The *Senate* amendment is substantially the same as the H.R. 2559 except the following additional provisions.

Makes the prevented planting paragraph applicable for the 2001 through 2004 crop years.

Requires that changes made to prevented planting coverage be reflected in the rates for coverage not later than the 2001 reinsurance year. (Section 102)

The *Senate* amendment amends section 508(m) (subsection (n) designated as (m) under section 207 of Senate amendments.

Requires that FCIC may only offer insurance or reinsurance on 1 crop produced on specific acreage during a crop year, unless there is an established practice of double-cropping in an area, the additional insurance is offered to a crop that is customarily double-cropped in the area, and the producer has a history of double-cropping or the acreage has historically been double-cropped. (Section 308)

The *Conference* substitute provides limitations with respect to double insurance and prevented planting coverage.

The Conference substitute establishes a new Section 508A for both double insurance and prevented planting and provides the following definitions:

"First Crop" means the first crop of the first agricultural commodity insured and planted for harvest, or prevented from being planted, on specific acreage during a crop year.

"Second Crop" means a second crop of the same or different agricultural commodity following the first crop that is planted for harvest on the same acreage as the first crop in the same crop year. However, the term does not include a replanted crop.

"Replanted Crop" means the second planting of the first crop on the same acreage in the same crop year, if the replanting is required by the terms of the policy of insurance on the first crop.

In the case of double insurance, the Conference substitute provides a producer with two options if a first crop has a total or partial insurable loss. If the producer chooses not to plant a second crop, then the producer is entitled to 100 percent of the indemnity payment for the first crop.

If the producer plants a second crop, then the producer will receive an initial indemnity payment up to 35 percent of the total calculated indemnity payment for the first crop. The Managers intend that the Secretary adjust the percentage paid as necessary to prevent abuse of the program. If the producer is not paid an indemnity on the second crop, then the producer will receive an additional indemnity payment equal to the total calculated indemnity on the first crop less the initial indemnity payment. If an indemnity is paid with respect to the second crop, then the producer is not entitled to receive the additional indemnity payment with respect to the first crop.

In the case of a producer who chooses to plant a second crop, the premium owed for insurance on the first crop will be reduced commensurate with any reduction in indemnity payment received on the first crop. If no indemnity is paid on the second crop, then the producer owes the full premium for insurance on the first crop.

With regard to prevented planting, the Conference substitute provides a producer with two options if a first crop is prevented from being planted. If the producer chooses not to plant a second crop, then the producer may collect 100 percent of the prevented planting guarantee for the first crop.

If the producer plants a second crop, then the producer will receive up to 35 percent of the prevented planting guarantee for the first crop. The Managers intend that the Secretary adjust the percentage paid as necessary to prevent abuse of the program. In addition, except for producers who double crop in a double cropping area, a producer who plants a second crop will be assigned a recorded yield of 60 percent of the producer's actual production history for the crop on which a prevented planting guarantee payment is received. This will be used in determining a producer's actual production history for subsequent crop years for the first crop. The Corporation may only pay the prevented planting guarantee to a producer if the conditions that prevented the first crop from being planted have also generally affected other producers in the area. In addition, the Corporation may not make a prevented planting guarantee payment for the first crop in the case of any producer who plants a second crop before the latest planting date for the first crop.

In the case of a producer who chooses to plant a second crop, the producer's premium for the first crop will be reduced commensurate with any reduction in indemnity payment received on the first crop.

The Conference substitute provides that, notwithstanding the restrictions placed on double insurance and prevented planting, a producer will receive full indemnity payments and prevented planting guarantees on 2 or more crops in a double cropping area. There must be an established practice of planting 2 or more crops for harvest in the same crop year in the area, as determined by the Corporation, and an additional coverage policy or plan of insurance must be offered with respect to the commodities planted on the same acreage in the same crop year. In addition, the producer must have a history of planting 2 or more crops in the same year; the applicable acreage must have historically been planted to 2 or more crops in the same year; and the second or subsequent crops must be customarily planted after the first crop on the same acreage in the same year. The Managers intend that in determining when an agricultural commodity is customarily double cropped in a double cropping area, that the Corporation consider the farming and irrigation practices applicable to the crops in the area. (Section 108)

Noninsured Crop Disaster Assistance Program

The *House* bill amends section 196(i) of the AMTA in paragraph (1) by striking "gross revenues" wherever it appears and inserting "gross income" and by striking paragraph (4) and adding a new paragraph (4).

Paragraph (4) provides that a person with a qualifying adjusted gross income of greater than \$2 million during the taxable year is ineligible to receive NAP assistance.

The *House* bill also amends section 196(b) of the FAIR Act of 1996 to require that to be eligible for NAP, producers must provide annually to the Secretary, acting through the agency, records of crop acreage, acreage yields, and production for each eligible crop. (Sections 111 and 205)

The *Senate* amendment amends section 196(a)(2) of AMTA by adding a new subparagraph (C) allowing the Secretary to consider all varieties of a crop eligible for NAP as a single eligible crop for program purposes.

Amends section 196(b)(1) relative to when a producer must apply for NAP assistance, striking discretionary authority for the Secretary to determine the application deadline and inserting the requirement that producers apply not later than March 15.

Strikes paragraph 196(b)(2) providing the Secretary discretionary authority pertaining to what production records a producer must submit, and inserting a requirement that, to be eligible for NAP, producers must annually submit crop acreage, acreage yields, and production for each crop.

Amends paragraph 196(b)(3) to require annual reporting of acreage planted or prevented from being planted.

Strikes section 196(c) relating to loss requirements and inserts a new subsection (c) relative to the same.

Provides that a producer of an eligible crop must have suffered a loss of a noninsured crop as a result of drought, flood, or other natural disaster as determined by the Secretary.

Authorizes the Secretary to make payments under NAP once a drought, flood, or other natural disaster determination is made.

Changes the prevented planting payment trigger for eligible crops from a 35 percent acreage threshold to a 15 percent acreage threshold.

Authorizes the Secretary to make a NAP payment irrespective of any area loss trigger.

Amends section 196 by inserting a new subsection (j) and (k) relative to new eligible crops and service fees, respectively, and designating the current subsection (j) as subsection (l).

Provides under section 196(j)(1) that the NAP payment to a producer of an eligible crop that is new to an area will be equal to 35 percent of the established yield for the first year the crop is produced.

Provides that the NAP payment to a producer of an eligible crop that is new to an area will be equal to 45 percent of the established yield for the second through fourth years the crop is produced, except where a NAP payment was made in the first year in which case the payment is 35 percent.

Makes a producer of an eligible crop ineligible for a NAP payment where the producer collects a NAP payment in the first 2 crop years, until such time that the crop is produced for 3 consecutive crop years with no reported losses.

Provides for a service fee for NAP eligibility under section 196(k), requiring producers to pay the Secretary an amount equal to the fee for a CAT policy (\$60 per crop per county) or \$200 per producer per county, not to exceed \$600 per producer. Provides for the waiver of NAP fees for limited resource producers.

Provides that NAP fees collected by the Secretary be deposited in the CCC Fund. Makes amendments under this section applicable for the 2001 through 2004 crop years. (Section 106)

The *Conference* substitute adopts the *Senate* provision relative to the Noninsured Crop Disaster Assistance Program with changes. Producers are required to make an application for NAP eligibility not later than 30 days before the beginning of the coverage period. Changes relative to prevented planting and yields for new NAP eligible crops provided under the *Senate* amendment are omitted. The NAP fee provided in the *Senate* amendment is modified to require producers to pay the lesser of \$100 per crop per

county or \$300 per producer per county, but not to exceed \$900 per producer. (Section 109)

Subtitle B – Improving Program Integrity

Improving Program Compliance and Integrity

The *House* bill amends section 506(q) by designating paragraphs (1) and (2) as (2) and (3), creating paragraph (1) relative to purposes, and creating new paragraphs (4) through (7) relative to certain compliance requirements.

Paragraph (4) requires the Secretary to develop and implement a coordinated plan for FCIC and FSA to reconcile information received from producers and, beginning with the 2000 crop year, requires FCIC and FSA to annually conduct such reconciliation to identify and address any discrepancies.

Paragraph (5) requires the Secretary to develop and implement a coordinated plan for FSA to assist FCIC in ongoing monitoring of FCIA programs, including conducting fact findings relative to allegations of fraud, waste or abuse at the request of FCIC or on its own initiative after consultation with FCIC; reporting fraud, waste, abuse, and program vulnerabilities to FCIC; assisting FCIC in auditing a statistically appropriate number of claims. Also provides that the Secretary ensure that FSA personnel are appropriately trained and, at minimum, receive the same training and testing as loss adjusters.

Requires maintenance of effort on the part of approved insurance providers in conducting audits of claims, requires FCIC to respond within 90 days of receiving notice by approved insurance providers of intentional violations, and requires a coordinated response to violations by FCIC and approved insurance providers.

Paragraph (6) requires the Secretary to establish a mechanism under which state FSA committees are consulted concerning policies and plans of insurance offered in the state.

Paragraph (7) requires the Secretary to submit an annual report to the House and Senate Agriculture Committees containing findings relative to the efforts undertaken in paragraphs (4) and (5), identifying specific incidences of fraud, waste, and abuse along with actions taken to eliminate the same.

The *House* bill amends section 506(n) by striking "penalties" where it occurs and inserting "sanctions" and redesignating paragraph (2) as paragraph (3).

Strikes paragraph (1) relative to false information and inserts new paragraph (1) relating to the same.

Provides that a producer, agent, loss, adjuster, approved insurance provider, or other person that intentionally provides false or inaccurate information to FCIC or to an approved insurance provider with respect to a policy may, after notice and opportunity for a hearing, be subject to sanctions.

Provides that sanctions include a civil fine not to exceed the greater of the amount of the pecuniary gain obtained by the violator or \$10,000; debarment of a producer from specified farm programs for up to 5 years; and debarment of other persons from benefits under the FCIA for up to 5 years. Also provides that FCIC may require the producer to

forfeit any premium owed notwithstanding denial of a claim or collection of overpayment if the violation is material.

Requires sanctions be disclosed on each policy. (Sections 202 and 203)

The *Senate* amendment strikes section 506(n), relative to penalties for false information, and provides a new subsection (n) relative to sanctions for program noncompliance and fraud.

Provides that a producer, agent, loss adjuster, approved insurance provider, or other person that intentionally provides false or inaccurate information to FCIC or to an approved insurance provider with respect to a policy may, after notice and opportunity for a hearing, be subject to a sanction under this subsection.

Provides that a producer, agent, loss adjuster, approved insurance provider, or other person that intentionally fails to comply with an FCIC requirement is subject to sanctions, and that any such person (other than a producer) intentionally failing to comply with an SRA is also subject to sanctions.

Provides sanctions for material violations relative to providing false information and compliance failure. Sanctions include a civil fine not to exceed the greater of the amount of the pecuniary gain obtained by the violator or \$10,000; debarment of a producer from all farm programs for up to 5 years; and debarment of other persons from benefits under the FCIA for up to 5 years.

Requires the Secretary to consider the gravity of the violation in determining whether to impose a sanction and the amount or degree of any sanction imposed. Also requires disclosure of sanctions on each policy of insurance.

Requires that funds collected under this subsection be deposited into the insurance fund provided under section 516(c)(1) of the FCIA (general FCIA insurance fund). Amends section 516(c)(1) of the FCIA by striking paragraph (1) and inserting a new paragraph (1) providing that, along with premium income and amounts under section 516(a)(2), sanctions fees are to be deposited in this fund.

The *Senate amendment* amends section 506(q) of the FCIA, relative to program compliance, by adding at the end paragraphs (3) and (4).

Paragraph (3) requires FCIC to develop procedures for an annual review of each agent and loss adjuster by approved insurance providers, oversee such review, and consult with approved insurance providers relative to any remedial action required.

Requires FCIC to file a report with the House and Senate Agriculture Committees by the end of each fiscal year relative to compliance, along with recommendations for any necessary legislative or administrative changes. (Sections 303 and 304)

The *Conference* substitute adopts the *House* provisions relative to improving compliance and integrity with modifications. Procedures with respect to FSA inquiries into fraud, waste, and abuse as well as notice and response requirements concerning allegations of fraud, waste, and abuse are clarified. The Secretary is required to establish procedures by which the Corporation will be able to identify agents and loss adjusters with disparate performance records in order to conduct a review and take remedial action where appropriate. Certain information, including the name and identification number of each insured and the crop to be insured, the elected coverage level, and price election selected must be received by the Corporation approximately 30 days subsequent to the sales closing date. The *Conference* substitute also adopts the *Senate* provision relative to sanctions for program noncompliance and fraud, with a minor change to exclude the

failure to comply with a Standard Reinsurance Agreement from the class of activities that would trigger the imposition of sanctions enumerated under this section. The *Conference* substitute further adopts the Senate provision to require the Corporation to develop procedures for approved insurance providers to review the performance of agents and loss adjusters. Finally, the *Conference* substitute adopts provisions to require the Secretary to upgrade information management systems and use data mining and data warehousing technologies, including contracting with private entities with expertise in this area, in implementing compliance provisions. Limited funding is authorized for fiscal years 2001 through 2005 to carry out these compliance activities, excluding salaries. (Section 121)

In an effort to combat fraud and abuse in the crop insurance program, the *Managers* direct the Secretary to develop and implement a coordinated plan for the Farm Service Agency to assist the Corporation in monitoring and reporting on crop insurance program activity at the local field level. In addition, the Corporation must establish a working relationship with insurance providers in order that information regarding fraud, waste, and abuse may be reported to the Corporation without fear of legal reprisal to the insurance providers. The *Managers* expect the Secretary to ensure that each of the agency roles are clearly defined with the Corporation responsible for implementing all rules and regulations relating to the insurance program.

The *Managers* expect that the Corporation will make full use of the capabilities of information management systems, specifically data warehousing and data mining technologies, both within or outside of the Federal government, to fulfill the requirements of this section to improve the compliance and integrity of the Federal crop insurance program. The *Managers* expect the Corporation to use funds made available by this Act, or otherwise available, to contract with the Center for Agribusiness Excellence at Tarleton State University and the Center for Agribusiness and Agrotechnologies at Bradley University for management and development of a system to implement the requirements of this section.

The *Managers* direct the Corporation to place the highest financial priority and emphasis on the interactive computer operations to ensure that participating insurance companies are able to accurately transmit financial data back to the agency.

Protection of Confidential Information

The *House* bill amends section 502 by adding a new subsection (c) relative to the protection of confidential information.

Prohibits the Secretary, any other officer, employee, or agency of USDA, an approved insurance provider and its employees and contractors, and any other person from disclosing producer-derived information to the public unless it is transformed into a statistical or aggregate form that does not reveal the producer's identity.

Provides for penalties consistent with section 1770(c) of the Food Security Act of 1985, including fines up to \$10,000 and or imprisonment for up to 1 year. (Section 204)

The *Senate* amendment has no comparable provision.

The *Conference* substitute adopts the *House* provision protecting producer confidentiality with a minor change to allow producers to consent to the release of otherwise protected information as long as program eligibility is not conditioned upon the release. (Section 122)

Good Farming Practices

The *House* bill amends section 508(a)(3)(C) relative to losses excluded from coverage by clarifying that scientifically sound sustainable and organic farming practices are good farming practices. (Section 309)

The *Senate* amendment is substantially the same as the *House* bill.

The *Conference* substitute adopts the *Senate* provision relative to the inclusion of scientifically sound sustainable and organic farming practices as good farming practices for purposes of what constitutes an insurable loss under the Federal Crop Insurance Act. The *Conference* substitute further requires that producers be provided with an informal administrative review of a determination regarding good farming practices but proscribes any such review pursuant to the National Appeals Division. Producers have a right to judicial review relative to a determination regarding good farming practices without having to exhaust any informal administrative review. However, any determination regarding good farming practices may not be reversed under a judicial review unless it is found to be arbitrary or capricious. (Section 123)

The *Managers* understand that producers of organic cotton who destroy their crop when it has been exposed to chemicals used in boll weevil eradication are currently being penalized relative to their actual production history despite the fact that they do not qualify for a crop insurance indemnity. The *Managers* expect the Corporation to immediately rectify this inequity with respect to any producer of an organic crop who must destroy that crop in order to maintain organic certification. To the extent that no indemnity is received for a lost crop under these circumstances, no penalty relative to actual production history should obtain.

Records and Reporting

The *House* bill amends section 508(f)(3)(A) of the FCIA relative to producer reporting requirements.

Requires producers participating in the crop insurance program to annually report records acceptable to the Secretary regarding crop acreage, acreage yields, and production for each crop insured.

Amends section 506(h) of the FCIA by requiring the coordination of records kept under the FCIA and under the NAP program to avoid duplication, to streamline submission procedures, and to enhance accuracy.

Provides that such records collected under NAP and the FCIA be made available to appropriate state and federal agencies to carry out these programs and other agricultural programs and related responsibilities.

Amends section 196(b) of the FAIR Act of 1996 to require that to be eligible for NAP, producers must provide annually to the Secretary, acting through the agency, records of crop acreage, acreage yields, and production for each eligible crop. (Section 205)

The *Senate* amendment amends section 508(f)(3)(A) of the FCIA relative to producer reporting requirements.

Requires producers participating in the crop insurance program to annually report records acceptable to the Secretary regarding crop acreage, acreage yields, and production for each crop insured.

Amends section 506(h) of the FCIA by requiring the coordination of records kept under the FCIA and under the NAP program to avoid duplication, to streamline submission procedures, and to enhance accuracy.

Provides that such records collected under NAP and the FCIA be made available to appropriate state and federal agencies to carry out these programs and other agricultural programs and related responsibilities.

The *Senate* amendment also strikes paragraph 196(b)(2) providing the Secretary discretionary authority pertaining to what production records a producer must submit, and inserting a requirement that, to be eligible for NAP, producers must annually submit crop acreage, acreage yields, and production for each crop. Amends paragraph 196(b)(3) to require annual reporting of acreage planted or prevented from being planted. (Sections 306 and 106)

The *Conference* substitute adopts the *House* provision with changes to omit provisions dealt with elsewhere in the Act. (Section 124)

Subtitle C—Research and Pilot Programs

Research and Development

The *House* bill amends section 508(h) by adding a new paragraph (6) relative to reimbursement of research, development, and maintenance costs.

Requires FCIC to reimburse an applicant for research, development, and maintenance costs directly related to a policy submitted to and approved by the Board and, if applicable, sold to producers.

Authorizes payments to applicants beginning with fiscal year 2001 and limits reimbursement for maintenance to no more than 4 reinsurance years from approval, after which FCIC assumes maintenance of successful policies.

Provides that payments under this paragraph be considered payment in full for research and development and any property rights.

Requires FCIC to determine the amount of reimbursement based upon the complexity of the policy or material and the size of the area to be served. Requires FCIC to issue final regulations not later than October 1, 2000.

The *House* bill also authorizes \$55 million for each fiscal year for reimbursement and direct contracting for research and development of new policies.

The *House* bill amends section 508(m) by adding a new paragraph (4).

Paragraph (4) requires FCIC to make full use of the reimbursement provisions of section 508(h) to encourage and promote private research and development of new policies and plans of insurance.

Provides that where FCIC determines that a crop, including a specialty crop, is not adequately served by crop insurance, FCIC may enter into contracts directly with any person or entity with experience in crop insurance or farm or ranch risk management, including universities, approved insurance providers, and trade and research organizations, to conduct research and development, without regard to the limitations contained in the FCIA.

Provides that the authority of FCIC to contract for the research and development of policies, includes research and development for policies based on adjusted gross

income, cost of production, quality losses, and an intermediate base program with a higher coverage and cost than "CAT".

Delays effective date of contracting authority until October 1, 2000.

Provides that FCIC may offer any policy developed under this subparagraph that is approved by the Board.

Requires FCIC to contract for research and development regarding one or more revenue coverage plans involving current or new market instruments. Requires FCIC to report the results of the contract within 15 months from enactment of this paragraph.

Amends section 508(m)(2) relative to the prohibition of FCIC research with respect to risk protection generally available from the private sector, to prohibit FCIC from conducting its own research and development of new policies on or after October 1, 2000. Provides that FCIC may continue to offer any policies developed by FCIC before that date.

Amends section 508(m) by adding a new paragraph (5), relative to partnerships for risk management development and implementation.

Authorizes FCIC to enter into partnerships with public and private entities to increase the availability of loss mitigation, financial, and risk management tools for producers of crops covered under NAP and other under-served and specialty crop producers.

Authorizes FCIC to enter into partnerships with CSREES, ARS, NOAA, and other appropriate public and private entities with demonstrated ability in developing and implementing risk management and marketing options for specialty and under-served crops.

Provides a list of objectives to be obtained as a result of any partnerships.

Provides that funds not used for reimbursements or for direct contracting for specialty and under-served crops may be used by FCIC to enter into such partnerships.

Provides that funding for partnerships during fiscal years 2001 through 2004 are available where amounts used for reimbursements and direct contracting are less than \$44 million, \$47 million, \$50 million, and \$52 million for fiscal years 2001 through 2004, respectively, and where the amount for partnerships does not exceed the difference between the amounts provided above and the amount actually spent thereon.

This paragraph is applicable beginning on October 1, 2000.

The *House* bill amends section 508(h)(6) by adding a new subparagraph (E) relative to expenditures on reimbursements and direct contracting for research and development.

Provides that of the amounts made available for reimbursements and direct contracting for research and development, \$25 million shall be reserved for direct contracting for specialty and under-served crops. Provides that any unused portions of the reserved amount may be used for reimbursements, with priority for under-served crops. Also provides that of the amounts made available for reimbursements and direct contracting for research and development, more than \$25 million may be used for contracting for specialty and under-served crops where necessary.

Authorizes \$55 million for each fiscal year for reimbursement and direct contracting for research and development of new policies.

Amends section 516(a)(2) by adding a new subparagraph (D) authorizing appropriations for costs associated with research, development, and maintenance costs.

Amends section 516(b)(1) by adding a new subparagraph (E) authorizing reimbursements, research, and development costs to be paid by the FCIA Fund. (Section 302, 303 and 304)

The *Senate* amendment provides that with respect to research and analysis concerning any crop insurance issue, including outreach, education, pilot programs, or the development of new plans of insurance, FCIC is limited to the authority provided under the newly created section 522 and the funds made available under section 516(b)(2)(A) of the FCIA when contracting or reimbursing research costs related to policy development or modification. Newly created section 523 relative to specialty crops is exempted from this limitation.

Requires that FCIC establish the development of a pasture, range, and forage program to promote land stewardship as "1 of the highest research and development priorities."

Requires FCIC to contract for a study to determine whether the development of a plan of insurance providing coverage for multiple years would curb fraud and abuse, and requires a report on findings to the House and Senate Agriculture Committee within 1 year of enactment.

The *Senate* amendment also amends the FCIA by adding at the end section 523, relative to specialty crops.

Authorizes the Specialty Crops Coordinator to make grants or enter into contract for research and development of policies to serve under-served specialty crops and reimburse costs associated with such research and development.

Authorizes the Specialty Crops Coordinator to enter into partnerships with public and private entities to increase the availability of risk management tools for specialty crop producers.

Authorizes \$20 million in funding from section 516(c)(1) (FCIA Fund) for each of fiscal years 2001 through 2004 to enter into cooperative agreements with public and private entities to develop and implement risk management tools for specialty crop producers. Provides that such amounts may not come from section 516(b)(2)(A).

Provides a list of objectives to be obtained as a result of any partnerships.

Prohibits FCIC from establishing a sales closing date for specialty crops that is before the end of the 120-day period beginning on the date of the final release of materials for policies from RMA and the Specialty Crops Coordinator.

Allows producers of specialty crops to purchase new coverage or increase coverage levels at any time during the insurance period, subject to a 30-day waiting period and an inspection by FCIC to verify acceptability of the approved insurance provider, provided FCIC is able to adequately rate the risk.

Requires FCIC and the Specialty Crop Coordinator to jointly conduct feasibility studies for developing new policies for specialty crops, and requires a progress report to Congress not later than 1 year from the date of enactment.

The authority for the Specialty Crops Coordinator to enter into partnerships and the extension of the sales closing date and time for purchase of coverage is applicable for the 2001 through 2004 fiscal years.

Requires that not later than 180 days after enactment, the Secretary must submit a report to the President and the House and Senate Agriculture Committees assessing

USDA's progress in expanding coverage to specialty crops and USDA's plans to continue that progress.

Also requires that the report include an assessment of whether "CAT" has resulted in uniform quality of protection for all regions of the country and fulfilled the goal of increased participation, especially in states with traditionally low participation rates and high proportion of specialty crops. The report should also address the question of whether USDA should resume offering CAT and performing loss adjustments.

The *Senate* amendment strikes subsection (m) providing FCIC its current authority to conduct research, surveys, pilot programs, and investigations relating to crop insurance and agriculture-related risks and losses. Subsection (n) is designated as subsection (m).

Amends section 516(b)(2)(A) to increase mandatory funding for research and development expenses from not to exceed \$3.5 million for each fiscal year to \$4.5 million in fiscal years 2001 and 2002, \$3.75 million in fiscal years 2003 and 2004, and returning to \$3.5 million for each subsequent fiscal year.

Provides a conforming amendment relative to section references in section 518, defining agricultural commodity. (Section 202, 207 and 309)

The *Conference* substitute adopts the *House* provisions relative to reimbursements, contracting, and partnership for policy research and development with certain changes. The provision includes authority to reimburse research and development costs associated with policies developed before enactment. Reimbursement for research and development costs is limited to policies that are determined to be marketable. Reimbursement for maintenance is limited to 4 reinsurance years from the date of Board approval after which the provider responsible for maintenance has three options. The provider may transfer maintenance responsibility to the Corporation, charge a Board-approved fee to be paid by other providers electing to offer the policy, or continue to maintain the policy and absorb the appurtenant costs. The provision authorizes the Corporation to enter into contracts for research and development on policies in order to (1) increase participation in States where the Corporation determines there is low crop insurance participation or availability, and the State is under-served by the program; (2) increase participation in areas that are under-served by the program; and (3) increase participation by producers of under-served agricultural commodities, including specialty crops. The provision requires the Corporation to consult with groups representing producers that would be served by a policy that is the subject of the research and development before entering into a contract. The *Conference* substitute adopts the *Senate* provisions to require the Corporation to establish the development of a pasture, range, and forage program as one of the highest priorities and to require the Corporation to contract for a study relative to offering coverage for multiple years to reduce fraud, waste, and abuse. Provisions are included to make partnership authority under this section eligible for funding for contracting, and to reserve \$5 million of such funding for contracting for policy development to increase participation in States where the Corporation determines there is low crop insurance participation or availability and the State is under-served by the program. The *Managers* consider it a high priority to develop policies that work for producers and products in these low participation states. The provision also requires the Corporation to contract for research and development

relative to a cost of production policy. Finally, funding for reimbursements and contracting are limited to new levels. (Section 131)

The *Managers* recognize that it is difficult to predict the range of new and innovative approaches to the private development of insurance products under the new environment created under this bill. There is no reason to believe all policies will necessarily fit under the current structure of yield-based or revenue-based products; some may focus on a narrower array of perils than are now included in available coverage. These could include plans to protect against the uncontrollable risks associated with the use of certain conservation techniques such as integrated pest management, best management practices, or conservation tillage systems. The Corporation should take such factors into account when considering approval of such proposals.

The *Managers* expect the Corporation to study the feasibility of offering a vine and tree replacement program as an option for growers of grapes, citrus, tree fruit, nut, kiwi, blueberries, and other high-value, permanent crops.

Pilot Program

The *House* bill amends section 508(h) by repealing obsolete pilot programs contained in paragraphs (6) and (8) relative to cost of production and assigned yields, respectively.

Authorizes FCIC to offer pilot programs on a regional, state, or national basis after considering the interests of producers and the interests and risks of FCIC, and to operate the pilot program, including any modifications, for up to 3 years with authority to extend for additional periods.

Amends section 508(h)(4) to require FCIC to promulgate regulations within 180 days of enactment to establish guidelines for the submission and Board review of policies submitted under section 508(h), including streamlined guidelines governing the submission and Board review of pilot programs that the Board determines are limited in scope and duration and involve a reduced level of liability to the government and an increased level of liability to the approved insurance provider.

Provides that FCIC must notify the applicant of its intent to disapprove a low risk pilot program within 60 days of the submission.

Requires FCIC to approve or not approve a low risk pilot program within 90 days of submission, and requires a detailed explanation for any disapproval.

Provides that where FCIC fails to make a timely determination with respect to a low risk pilot program, the pilot is approved for the initial reinsurance year unless an extension is agreed to.

Amends section 508(h) by striking paragraph (10) relative to time limits for submission of new policies and inserts a new paragraph (10) relative to livestock pilot programs.

Requires FCIC to conduct 1 or more livestock pilot programs to evaluate risk management tools, including futures and options contracts and policies and plans of insurance, including protection for environmental liability, and requires that the greatest number and variety of programs be evaluated.

Requires FCIC to begin the conduct of livestock pilot programs during the 2001 fiscal year and without regard to the limitations in the FCIA, except that no coverage may be offered where that coverage is generally available from private insurance.

Requires FCIC to conduct the livestock pilot programs in a number of counties that will facilitate comprehensive evaluation, and provides that any producer of eligible livestock owning a farm or ranch in a selected county is eligible to participate.

Defines livestock as cattle, sheep, swine, goats, and poultry.

Requires FCIC to operate all livestock pilot programs so that, to the maximum extent practicable, associated costs (other than for research and development) are not expected to exceed \$20 million for fiscal year 2001, \$30 million for fiscal year 2002, \$40 million for fiscal year 2003, and \$55 million for fiscal year 2004 and each subsequent fiscal year.

Amends section 518 of the FCIA by striking the livestock exclusion from insurance. (Section 105)

The *Senate* amendment authorizes FCIC to conduct research, surveys, pilot programs, and investigations relating to crop insurance and agriculture-related risks and losses based on proposals developed by FCIC and others to determine their suitability to meet producer needs.

Provides an exception that FCIC may not conduct such research activity to provide risk protection where such protection is generally available from the private sector.

Provides under newly created section 522(a)(3) a list of eligible activities for research activity, including after October 1, 2000, livestock and livestock products, wild salmon, and loss or damage to trees or fruit due to "sharka."

Clarifies the scope of pilot programs under newly created section 522(a)(4). Authorizes FCIC to offer pilot programs on a regional, state, or national basis after considering the interests of producers and the interests and risks of FCIC, and to operate the pilot program, including any modifications, for up to 4 years with authority to extend for additional periods. Also authorizes FCIC to provide premium discounts to producers using whole farm or single crop units of insurance and to cross state and county boundaries to form units.

Requires under newly created section 522(a)(5) that FCIC evaluate each pilot program and submit a report to the Senate and House Agriculture Committees with a recommendation on whether to offer the pilot on a national basis.

Authorizes under newly created section 522(a)(6) funds to carry out research and pilot programs (except for research related to alternative rating methodologies authorized under section 202 of the *Senate* amendment). Authorized amounts may not exceed \$10 million in FY2001, \$30 million in FY2002, \$50 million in FY2003, and \$60 million in FY2004.

Provides that provisions under section 201 of the *Senate* amendment that require funding are applicable for fiscal years 2001 through 2004, including authority for timber, wild salmon, and livestock coverage, general pilot authority, and general research funding.

The *Senate* amendment provides that the purpose of the pilot program is to determine what incentives are necessary for approved insurance providers to develop and offer risk management products, rate premiums, and competitively market such products.

Requires FCIC to establish a pilot program under which approved insurance providers may propose to the FCIC Board loss of yield or revenue insurance coverage for 1 or more commodities, including commodities not insurable (but excluding livestock), rates of premium, and underwriting systems.

Requires FCIC to approve the risk management product before it can be marketed.

Provides that the FCIC Board may approve a risk management product submitted if the Board determines that the interests of producers are protected; premium rates are actuarially appropriate and underwriting systems are actuarially appropriate and adequate; the product is reinsured under the FCIA, through private reinsurance, or self-insured; the size of the pilot is adequate; the product is not generally available through private insurance plans; and any other requirements imposed by FCIC.

Requires that all information concerning a risk management product be considered confidential commercial or financial information, and provides the standard that if the Secretary could withhold such information, the information may not be released.

Defines original provider as an approved insurance provider that submits a product for approval under this section. Provides that risk management products approved under this section may only be sold by the original provider, unless another approved insurance provider desiring to offer the product pays a fee established by the original provider. (Sections 201 and 205)

The *Conference* substitute adopts the *Senate* provisions relative to the scope of pilot programs and to a pilot program for insurance coverage on wild salmon. Pilot authority for insurance coverage for timber due to drought, flood, fire or other natural disaster and for trees or fruit affected by plum pox (including quarantined trees or fruit) are omitted because statutory authority currently exists to insure the crops against these perils. The *House* bill language relative to expedited consideration of low risk pilot programs is omitted. The *Conference* substitute adopts the *House* bill's provision relative to livestock pilot programs, except that pilot authority to offer insurance coverage for environmental liability is omitted and the definition of livestock is modified to include but not be limited to the livestock referenced in the *House* bill. Funding for all livestock programs is also limited to new levels. The provision authorizes a premium-rate reduction pilot program. Finally, *House* bill language clarifying regulatory jurisdiction over policies or plans of insurance is included but in a separate section of the Act. (Section 132)

The *Managers* intend for the Corporation to proceed with crop insurance coverage for sorghum silage beginning with the 2001 crop year by implementing the pilot program that was drafted and presented to grain sorghum producers in October of 1999. The Corporation shall develop the program in a way that provides sorghum silage the same coverage as corn silage with the program to be fully developed by September 30, 2000.

The *Managers* are aware of proposals to implement a pilot insurance policy to provide coverage on timber losses resulting from drought, flood, fire, or other natural disaster. The *Managers* expect the Corporation to implement this pilot under current authority, with special consideration given to Florida.

The *Managers* are aware of the serious concerns the plum pox virus is causing in several states, including Pennsylvania. The *Managers* believe the Corporation has the

same authority to develop a policy to provide coverage for plum pox as has been developed for citrus canker. The *Managers* expect the Corporation to develop an insurance policy that provides coverage for trees against losses associated with plum pox virus.

The *Managers* intend that the premium rate reduction pilot program authorized by this provision explore whether premium rate competition can benefit producers without harming program integrity or the crop insurance delivery system. The *Managers* hope and expect that the Corporation will approve proposed premium reductions, as long as such proposed reductions meet the standards of approval contained in Section 132(d) of the Conference substitute.

The *Managers* are aware that Section 508(e)(3) of the Federal Crop Insurance Act already authorizes premium reductions if an approved insurance provider can demonstrate to the Corporation that it can provide crop insurance more efficiently than the expense reimbursement provided by the Corporation. The 508(e)(3) standard, however, is too limiting because an approved insurance provider's gross income includes underwriting gain as well as the expense reimbursement. As a result, the *Managers* intend that the limitations on premium reductions contained in Section 508(e)(3) of the Federal Crop Insurance Act not apply to the premium rate reduction pilot program authorized by this provision.

Education and Risk Management Assistance

The *Senate* amendment requires FCIC to establish two programs for the fiscal years 2001 through 2004, not to exceed the available funding limitations.

Requires FCIC to establish a program of education and information for states in which there is traditionally and continues to be a low level of program participation and coverage availability, and which the Secretary determines is under-served.

Requires FCIC to establish a program of research and development to develop new approaches to increasing participation in states in which there is traditionally and continues to be a low level of program participation and coverage availability, and which the Secretary determines is under-served. Requires that \$10 million in each of fiscal years 2001 through 2004 be made available for the Education, Information, and Insurance Provider Recruitment program from the account provided under section 516(a)(2)(C) (mandatory funding account for risk management payments).

Requires that \$5 million in each of fiscal years 2001 through 2004 be made available for the Research and Development program from the account provided under section 516(a)(2)(C) (mandatory funding account for risk management payments). (Section 206)

The *House* bill has no comparable provision.

The *Conference* substitute adopts the *Senate* provision relative to education and research with certain changes. The provision authorizing the Corporation to establish a program of research and development for new approaches to increase program participation in specified states is omitted and partnerships for risk management education is authorized. The Secretary, acting through the CSREES, is required to establish a program under which competitive grants are made to qualified persons for the purpose of educating producers about risk management activities. Funding for the

education and information program provided under the Senate amendment and the partnerships for risk management education program are each limited to \$5 million for each fiscal year beginning with 2001. The provision also provides for an agricultural management assistance program under which the Secretary is to offer cost share assistance to producers located in states with historically low crop insurance participation for the uses as specified in the Act. Funding for this program is limited to \$10 million for each fiscal year beginning with 2001. (Section 133)

Farmers have voiced support for marketing clubs, supported through small grants from USDA. The clubs provide an opportunity for farmers to improve their understanding of marketing and managing price risk by sharing their marketing experiences with their peers. The *Managers* encourage the Secretary to continue to support development of marketing clubs for farmers.

Options Pilot Program

The *Senate* amendment amends section 191 of the AMTA relative to options pilot program authority by extending such authority until December 31, 2004.

Expands authority to operate options pilot programs from not more than 100 counties with a limit of 6 counties per state, to not more than 300 counties with a limit of 25 counties per state.

Authorizes the Secretary to enter into a contract with any producer who 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 authorized to operate the pilot program.

Requires FCIC transfer \$27 million for each of fiscal years 2002 through 2004 from section 516(a)(2)(C) (mandatory funds for risk management payments) to the Secretary to fund the operation of the expanded options pilot program. (Section 204)

The *House* bill has no comparable provision.

The *Conference* substitute adopts the *Senate* provision relative to the options pilot program with certain changes. Authority to conduct the options pilot program is expanded to include an increased number of counties with such authority continuing until the expiration of the 1996 Farm Bill. Finally, funding is limited under this section. (Section 134)

Subtitle D—Administration

Relation to Other Laws

The *House* bill provides that any policy or plan of insurance offered under the FCIA is not subject to the jurisdiction of the CFTC or SEC. Provides a savings clause that states that the provision does not affect the jurisdiction of the CFTC with respect to transactions conducted on a contract market.

The *Senate* amendment provides that any policy or plan of insurance offered under the FCIA is not subject to the jurisdiction of the CFTC, but does not affect the jurisdiction of the CFTC with respect to transactions conducted on a contract market.

The *Conference* substitute adopts the provision included in section 105 of the House Bill relative to jurisdiction over policies or plans of insurance and over any underlying instrument utilized in such a policy or plan of insurance. (Section 141)

Management of Corporation

The *House* bill strikes section 505(a) relative to the Board of Directors of FCIC and inserts a new section 505(a) and (b), relative to the same.

Provides that the management of FCIC is to be vested in the Board of Directors, subject to the supervision of the Secretary.

Provides that the Board consist of the manager of FCIC (serving as a non voting ex officio member), 1 member active in the crop insurance business, 1 member active in the regulation of insurance, the Under Secretary for Farm and Foreign Agricultural Services, 1 additional Under Secretary for Agriculture, USDA's Chief Economist, and 4 active producers who are policy holders, are from different geographic regions, represent a cross-section of commodities grown, with 1 producer being a specialty crop producer.

Provides that the private sector members of the Board be appointed and serve at the pleasure of the Secretary, and not otherwise be employed by the government.

Requires that a private-sector member of the Board serve as its Chairman and be elected by the Board.

Provides that the amendment made by section 301 takes effect 30 days from enactment, allowing current Board members to continue to serve until the earlier of their replacement date or 180 days after enactment. (Section 301)

The *Senate* amendment strikes section 505(a) relative to the Board of Directors of FCIC and inserts a new section 505(a).

Provides that the management of FCIC is to be vested in the Board of Directors, subject to the supervision of the Secretary.

Provides that the Board consist of 4 producers from each region of the country, 1 member active in the crop insurance business, 1 member active in the reinsurance business, the Under Secretary for Farm and Foreign Agricultural Services, the Under Secretary for Rural Development, and USDA's Chief Economist.

Provides that the private sector members of the Board be appointed and serve at the pleasure of the Secretary, not be employed by the government, be appointed to staggered 4 year terms, and serve no more than 2 consecutive terms.

Requires that a private sector member of the Board serve as its Chairman and be elected by the Board.

Requires RMA to assist the Board in developing, reviewing, and recommending new plans of insurance and pilot projects, terms of the SRA, and with other issues involved in the administration of the program.

Provides for the appointment of an Executive Director by the Secretary to assist the Board and report to the Secretary.

Provides for a staff of 4 to report to the Executive Director, all 4 having knowledge and experience in quantitative mathematics and actuarial rating.

Requires the Executive Director and staff to assist the Board in reviewing and approving policies and plans of insurance submitted under sections 508, 522, or 523, and report at least monthly to the Board on crop insurance issues.

Requires the Executive Director and staff to review subsidized and unsubsidized insurance, make recommendations for approval or disapproval, make recommendations to encourage cooperation between the U.S. attorneys, FCIC, and approved insurance providers to minimize fraud, and make recommendations with respect to rating methodologies.

Provides \$500,000 for fiscal year 2001 from the FCIA Fund to pay the salaries and expenses of the Executive Director and staff.

Requires that RMA transfer \$500,000 for fiscal year 2001, and \$1 million for each subsequent fiscal year to the Executive Director for salaries and expenses, subject to the availability of appropriations. (Section 301)

The *Conference* substitute adopts the *House* provision relative to the composition of the Corporation Board of Directors with changes to permit the Secretary the option of appointing 1 person experienced in reinsurance or 1 person experienced in the regulation of insurance, requiring that Board members be limited to two consecutive terms and be appointed for staggered 4-year terms. The new Board is to be appointed during the period beginning February 1, 2001 and ending April 1, 2001. Finally, the Board of Directors is required to contract with persons experienced as actuaries and in underwriting for expert reviews of policies and plans of insurance offered under the Federal Crop Insurance Act. Funding for such reviews is authorized from mandatory funds formerly dedicated to research and development. The authority provided under this section, including funding dedicated to carry out this section, is in addition to the general management authority over the Corporation, including any other contracting authority under the title, that is vested in the Board of Directors. (Section 142)

Contracting for Rating of Plans of Insurance

The *House* bill amends section 507(c)(2) relative to requiring FCIC to contract for certain services by including the contracting for actuarial services, services relating to loss adjustment, and rating plans of insurance. Underscores that FCIC should concentrate on the regulation of insurance and on the evaluation process for newly developed policies under section 508(h). (Section 306)

Section 202 of the *Senate* amendment corresponds with sections 306 and 104 of *House* bill

The *Conference* substitute adopts the *House* provision relative to contracting for rating plans of insurance. (Section 143)

Electronic Availability of Crop Insurance Information

The *House* bill amends section 508(a)(5) by making technical amendments and adding a new subparagraph (B) relative to electronic availability of crop insurance information.

Requires FCIC to make general insurance information electronically available to producers and insurance providers, and also requires, where practicable, that FCIC allow producers and providers to provide insurance information electronically. (Section 307)

The *Senate* amendment has no comparable provision.

The *Conference* substitute adopts the *House* provision relative to the electronic availability of crop insurance information. (Section 144)

Adequate Coverage for States

The *Senate* amendment amends section 508(a) adding paragraph (9) relative to adequate coverage for states.

Defines adequately served as having a participation rate that is at least 50 percent of the national average.

Requires FCIC to review policies offered by approved insurance providers to determine if each state is adequately served.

Requires that not later than 30 days after completion of the review, FCIC must submit to Congress a report of the results along with recommendations to increase participation in states not adequately served. (Section 305)

The *House* bill has no comparable provision.

The *Conference* substitute adopts the *Senate* provision relative to adequate coverage for states. (Section 145)

Submission of Policies and Materials to Board

The *House* bill amends section 508(h)(1) to clarify that a "person" that may propose a policy to the Board for approval includes an approved insurance provider, a college or university, a cooperative or trade association, or other persons. Clarifies that policies are to be sold to producers by approved insurance providers.

Requires FCIC to consider any modified policy proposal within 30 days from the submission of the modifications, and requires that any decision to disapprove a policy must be accompanied by a complete explanation.

Requires that FCIC make a determination to approve or disapprove a policy proposal within 120 days from submission, and any decision to disapprove a policy must be accompanied by a complete explanation. Provides that the proposed policy is approved for the initial reinsurance year where FCIC fails to provide a timely determination unless the parties agree to an extension.

Amends section 516(b)(2) to authorize the current \$3.5 million in mandatory funds for research and development to be used for costs associated with considering and contracting for assistance in considering policies submitted for approval and carrying out policies resulting from direct contracting.

The *House* bill also requires FCIC to issue regulations establishing guidelines within 180 days of enactment to govern the submission of policies. (Sections 305 and 105)

The *Senate* amendment amends section 508(h) by striking paragraphs (1) through (4) relative to the submission, review and approval, and guidelines for the same of new policies, plans of insurance, or related materials, and inserts new paragraphs (1) through (4) related to the same.

Permits persons to propose to the Board loss of yield or revenue insurance coverage on an individual, area, or a combination of individual and area basis for 1 or

more crops and rates of premium and underwriting systems for proposed or existing policies.

Provides that a proposal submitted under this subsection may be prepared without regard to FCIA limitations, including actuarial soundness, levels of coverage, rates of premium, that the price level equal the expected market price and that an approved insurance provider must provide coverage for all crops throughout the state where the provider elects to provide any coverage in the state.

Provides, however, that FCIC may not pay a portion of the premium for a policy submitted under this subsection that exceeds the amount otherwise authorized under subsection (e).

Requires the Board to approve a proposal submitted under this subsection for subsidy and reinsurance where the Board determines the proposal adequately ensures the interests of producers are protected, premiums are actuarially appropriate, underwriting systems are actuarially appropriate and adequate, and is reinsured under this title, privately reinsured, or self-insured.

Provides that rates of premium are actuarially appropriate where the rate is sufficient to cover projected losses and expenses, a reasonable reserve, and an amount of operating and administrative expenses of the approved insurance provider under subsection (d)(2).

Provides that proposed underwriting plans may be on an area or individual farm basis and must, at a minimum, specify factors such as yield history for the farm or region, soils and resource quality for the farm, and farm production practices.

Requires FCIC to provide reinsurance to approved insurance providers to the maximum extent practicable, and allows such providers to obtain private reinsurance, reinsurance under the FCIA, or to self-insure.

Requires FCIC to prescribe standards for determining whether premium rates are actuarially appropriate.

Establishes guidelines with respect to any policy or other material submitted to the Board after October 1, 2000.

Allows FCIC to enter into more than 1 reinsurance agreement simultaneously with an approved insurance provider to facilitate the offering of the new policy.

Requires FCIC to promulgate regulations establishing the procedure for the submission of policies under this subsection, including the standards applicable to a proposal, procedures concerning the time limits and for opportunity to present the proposal to the Board in person.

Provides that a proposal submitted to the Board is considered approved unless the Board disapproves the proposal by the date 60 business days after the later of submission of the proposal or the date on which the applicant provides the Board notice of intent to modify.

Requires FCIC to provide notice by registered mail of intent to disapprove a proposal not later than 15 days before the date the Board intends to disapprove such proposal.

Provides an applicant with the right to modify a proposal and provides that any modified proposal be considered the original. Requires an applicant to provide notice to the Board of intent to modify a proposal within 5 days of notice by the Board to disapprove such proposal.

Requires FCIC to prescribe a reasonable deadline for submission of proposals that approved insurance providers expect to market during the reinsurance year.

Requires that proposals submitted to the Board be considered confidential commercial information, and further requires that if information concerning a proposal could be considered confidential, the information may not be released.

Provides an exception to the standard of confidentiality where an approved insurance provider agrees to pay a fee (prescribed under section 307 of the *Senate* amendment) to offer a policy developed by another provider.

Provides that in lieu of publication in the Federal Register, a general summary of a proposal must be made available to other providers upon approval of the proposal by the Board, including the identity of the provider, the coverage provided, and the area to be served.

Strikes paragraphs (6), (8), and (10) of section 508(h), related to a pilot cost of production plan, a pilot program of assigned yields for new producers, and time limits for submission of proposals, and designates paragraphs (7) and (9) as (6) and (7), respectively.

Amends section 516(b)(1) by adding a paragraph (D) authorizing FCIC to pay salaries and expenses of the Executive Director and staff for fiscal year 2001 from the FCIA fund, but not to exceed \$500,000. (Section 301)

The *Conference* substitute adopts the *House* provision relative to the submission of policies and materials to the Board with changes regarding confidentiality requirements governing policies. The requirement that policies be printed in the Federal Register is also stricken from the Federal Crop Insurance Act. Funding provided under the *House* provision is incorporated into the Act but under another section of the Title. (Section 146)

Funding

The *House* bill amends section 516(a)(2) authorizing mandatory funds to be used for costs associated with the conduct of livestock pilot programs subject to the limitations above.

Amends section 516(b)(1) authorizing FCIC to fund livestock pilot programs from the FCIA Fund.

Amends section 516(a)(2) authorizing mandatory funds to be used for cost associated with reimbursement and contracting for research and development.

Amends section 516(b)(1) authorizing FCIC to fund reimbursement and contracting from the FCIA fund.

Amends section 516(b)(2) authorizing mandatory funds for costs associated with considering policies and other materials and implementing such policies. (Section 105, 304 and 305)

The *Senate* amendment amend section 516(c)(1) of the FCIA by striking paragraph (1) and inserting a new paragraph (1) providing that, along with premium income and amounts under section 516(a)(2), sanctions fees are to be deposited in this fund.

Amends 516(b)(2)(a) increasing the authorization of mandatory funds to be used for research and development. (Sections 207 and 303)

The *Conference* substitute adopts a funding section that incorporates funding authorized under various sections of the *House* bill and the *Senate* amendment, including funding to cover costs associated with the consideration and implementation of policies. (Section 147)

Standard Reinsurance Agreement

The *House* bill authorizes FCIC to renegotiate the SRA effective for the 2002 reinsurance year. (Section 310(b))

The *Senate* amendment has no comparable provision.

The *Conference* substitute adopts the *House* provision relative to the Standard Reinsurance Agreement with changes to allow 1 re-negotiation during the 2001 through 2005 reinsurance years. (Section 148)

Subtitle E—Miscellaneous

Limitation on Revenue Coverage for Potatoes

The *Senate* amendment restates the exclusions in current law in subparagraph (A) and adds another exclusion for coverage under new subparagraph (B) prohibiting the coverage of losses due to a decline in revenue from potato production, except as provided under a whole farm plan of insurance.

The *House* bill has no comparable provision.

The *Conference* substitute adopts the *Senate* provision relative to limitations on revenue coverage for potatoes. (Section 161)

Crop Insurance Coverage for Cotton and Rice

The *Senate* amendment requires that, beginning with the 2001 rice crop, FCIC offer plans of insurance, including prevented planting and replanting coverage, to cover the loss of rice due to the failure of irrigation water supplies from drought and saltwater intrusion. (Section 107)

The *House* bill has no comparable provision

The *Conference* substitute adopts the *Senate* provision relative to crop insurance coverage for rice with a change to include extra long staple cotton and upland cotton. (Section 162)

Indemnity Payments for Certain Producers

The *Senate* amendment requires that notwithstanding section 508(c)(5) relative to price elections, a producer of durum wheat that purchased a 1999 CRC wheat policy by the sales closing date shall receive an indemnity payment in accordance with the policy. Requires that the base and harvest price under the policy be in accord with the Commodity Exchange Endorsement for wheat published by FCIC on July 14, 1998, and that FCIC provide reinsurance under the SRA for the policy. Voids the Bulletin MGR-99-004 issued by the Administrator. This provision is effective on October 1, 2000. (Section 501)

The *House* bill has no comparable provision.

The *Conference* substitute adopts the *Senate* provision relative to providing indemnity payments to certain producers with technical changes. (Section 163)

Sense of Congress on Regarding the Federal Crop Insurance Program

The *Senate* amendment expresses the sense of the Senate regarding the federal crop insurance program and the role of farmer-owned cooperatives. Expresses the sense of the Senate that, not later than 180 days after the date of enactment, the Federal Crop Insurance Corporation should complete promulgation of the proposed rule entitled "General Administrative Regulations; Premium Reductions; Payment of Rebates, Dividends, and Patronage Refunds; and Payments to Insured-Owned and Record – Controlling Entities."

The *House* bill has no comparable provision.

The *Conference* substitute adopts the *Senate* provision relative to the Sense of Congress regarding the Federal Crop Insurance Program. (Section 164)

Sense of Congress on Rural America, Including Minority and Limited-Resources Farmers

The *Senate* amendment provides findings relative to a rally for rural America held in Washington on March 20-21, 2000, the purpose of the rally, and a sense of Congress with respect to the rally, its participants, and its purpose. (Section 403)

The *House* bill has no comparable provision.

The *Conference* substitute adopts the *Senate* provision relative to the Sense of Congress on Rally for Rural America and Rural Crisis with changes. The *Conference* substitute also adopts the *House* provision relative to minority and limited resource farmers and ranchers with changes. (Section 165)

Subtitle F—Effective Dates and Implementation

Effective Dates

The *House* bill provides that with the exception of sections 301(b) and 305(d), the amendments made by *House* bill take effect upon enactment.

Provides that the implementation depends on the terms of the particular amendment or, in the absence of an express implementation date, in accordance with section 402. (Section 401)

The *Senate* amendment provides that with the exception of certain provisions, the *Senate* amendment is effective upon enactment. (Section 501)

The *House* bill requires implementation of sections 104, 106, 107, 202, 203, 204, 205, 206, and 309 for the 2000 crop year.

Requires implementation of sections 105(a); 305(a), (b), and (c); 306; and 307 for the 2000 fiscal year.

Requires implementation of sections 101, 102, 103(b), 109, 110, 111, and 201 for the 2001 crop year. Requires implementation of sections 105(b) and 304 for the fiscal year 2001. (Section 402)

The *Senate* amendment prohibits FCIC from obligating funds to carry out sections 102, 103, 105, 106, 201 through 207, 309, and 310 until October 1, 2000.

The *Conference* substitute provides that this Act take effect on the date of enactment with certain exceptions. Subtitle C, section 146 and 163 take effect on October 1, 2000. Subsections (a), (b), and (c) of section 101, section 102(a), subsections (a), (b), and (c) of section 103, section 104, section 105(b), section 108, section 109, and section 162 take effect beginning with the 2001 crop year. Section 101(d), section 102(b), and section 103(d) take effect beginning with the 2001 reinsurance year. (Section 171)

Regulations

The *Senate* amendment requires FCIC to promulgate regulations not later than 60 days after the date of enactment.

The *House* bill has no comparable provision.

The *Conference* substitute adopts the *Senate* provision requiring the Corporation to promulgate regulations to carry out this Act with a change from requiring regulations within 60 days after enactment to 120 days after enactment. (Section 172)

Savings Clause

The *House* bill provides a savings clause with respect to current law, to the extent that application of an amendment is delayed. (Section 403)

The *Senate* amendment has no comparable provision.

The *Conference* substitute adopts the *House* provision relative to the savings clause. (Section 173)

Compliance with State Licensing Requirements

The *House* bill amends section 508 by adding a new subsection (o) relative to compliance with state licensing requirements.

Requires that any person who sells or solicits the purchase of a policy in a state must be licensed and qualified to do business in that state. (Section 206)

The *Senate* amendment amends section 508 of the FCIA adding at the end a new paragraph (n), relative to compliance with state licensing requirements.

Requires any person that sells or solicits the purchase of a policy or adjusts losses under the FCIA in any state must be licensed and qualified to do business in that state, and must comply with all state regulations (including commission and anti-rebating regulations) as required under state law. (Section 313)

The *Conference* substitute deletes both the *House* and *Senate* provisions because such licensing requirements are dealt with under a separate section.

Choice of Risk Management Options

The *Senate* amendment defines an agricultural commodity as a crop specified in section 518 of the FCIA for which "CAT" or "buy-up" coverage is available.

The section further defines an agricultural commodity as a crop that is selected by the Secretary to maximize the number of participating producers, provides for a mixture of program, specialty, and regional crops, gives consideration to crops with low crop

insurance participation, and results in not less than 15 percent of payments going to states with traditionally low program participation that the Secretary determines are underserved.

Defines applicable crop to mean the 2002 through 2004 crops, and applicable year to mean the year in which the crop is produced on the farm and the producer elects to receive a risk management payment or crop insurance premium subsidy. Also defines a regulated exchange as a board of trade designated as a contract market.

Requires FCIC to offer either to make risk management payments or to provide crop insurance premium subsidies for each of the 2002 through 2004 crops.

Requires each producer to make an election between the two options before the sales closing date for the applicable crop.

Requires FCIC to make a risk management payment for an applicable crop to a producer electing to receive such a payment providing the producer engages in at least 1 prescribed risk management practice from at least 2 of 5 categories. The categories include, (1) the Crop Insurance Category (buying unsubsidized or private coverage), (2) the Marketing Risk Category, (3) the Financial Risk Category, (4) the Farm Resources Risk Category, or (5) the Other Category (as prescribed by the Secretary).

Requires the Secretary to determine the amount of any risk management payment taking into consideration the expenditure by the producer on the risk management activities in which the producer engaged.

Provides that no risk management payment may be made in an amount greater than equal to the national average of the previous year's liability for all "CAT" policies.

Authorizes \$500 million for fiscal years 2002 through 2004 from the account established in section 516(a)(2)(C) of the FCIA, except that payments in any one fiscal year may not exceed \$200 million. (Sections 204 and 206 of the *Senate* amendment reduce this amount to fund options pilot programs and education and research.)

Requires producers receiving a risk management payment to certify compliance with qualifying risk management practices and associated costs for the applicable year.

Authorizes FCIC to conduct random compliance audits.

Requires the producer to refund a risk management payment where the producer fails to certify compliance or fails to comply with qualifying risk management practices and subjects the producer to possible debarment for up to 5 years from farm programs cited in section 506(n)(3)(B) of the FCIA.

Provides that any assignment of benefits be carried out consistent with section 8(g) of the Soil Conservation and Domestic Allotment Act, and requires the producer give notice of such assignment where FCIC requires.

Requires FCIC to provide for the fair and equitable sharing of benefits among all producers at risk in the production of a crop.

Amends section 516(a) by striking paragraph (1) relative to discretionary expenses and inserts a new paragraph (1) relating to the same, providing that there authorized to be appropriated for fiscal year 1999 and each subsequent fiscal year such sums as are necessary to cover the salaries and expenses of the FCIC, and the expenses of approved insurance providers in carrying out section 522(c).

Amends section 516(a) relative to mandatory expenses by adding at the end authorization for risk management payments in an amount not to exceed \$500 million for

fiscal years 2001 through 2004, with not more than \$200 million for any 1 fiscal year. (Section 203)

The *House* bill has no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

Fees for Use of New Policies and Plans of Insurance

The *House* bill amends section 508(h) by adding a new paragraph (11) relative to fees for new policies and plans of insurance.

Provides that beginning with fiscal year 2001, a person that develops a policy that does not apply for reimbursement has the right to receive a fee from another approved insurance provider electing to sell that policy.

Provides that the second provider may not sell such policy without first reaching a fee agreement with the developer.

Provides that "new policy" under the paragraph means a policy that was approved by the Board on or after October 1, 2000 and was not available at the time of approval. Provides that the fee be determined by the developer subject to the approval of the Board, except the Board shall approve the fee unless it is unreasonable in relation to research and development costs or it unnecessarily inhibits the use of the policy. (Section 308)

The *Senate* amendment amends section 508(h) of the FCIA by striking paragraph (5) relative to required publication of submissions in the Federal Register and inserts a new paragraph (5) relative to fees for plans of insurance.

Provides that, beginning with the 2001 reinsurance year, an approved insurance provider electing to offer a policy that was developed by another provider and was approved before January 1, 2000 must pay the developer \$2 per policy for each of the first 5 crop years, \$1 per policy for each of the next 3 crop years, and 50 cents for each policy in each succeeding crop year.

Provides that, beginning with the 2001 reinsurance year, an approved insurance provider electing to offer a policy that was developed by another provider and was approved by the Board on or after January 1, 2000 must pay the developer an amount determined by the developer, such fee subject to the approval of the Board. FCIC may not approve fees that would unnecessarily inhibit the use of a policy.

Requires FCIC to collect and credit fees to approved insurance providers.

Provides an exception to the general rule relative to fees where an approved insurance provider electing to offer a policy in a state where the developer of the policy does not do business may pay a fee to offer the policy and that fee may not be refused.

Amends section 516(b)(1) by adding a new paragraph allowing FCIC to pay fees collected from the insurance fund, and amends section 516(c)(1)(A) to provide for the deposit of such fees collected into the fund. (Section 307)

The *Conference* substitute deletes both the *House* and *Senate* provisions.

Federal Crop Insurance Improvement Commission

The *Senate* amendment provides in lieu of the current section 515 of the FCIA a new section 515 relative to the establishment of a Federal Crop Insurance Improvement Commission.

Defines commission as the Federal Crop Insurance Improvement Commission and establishes the same.

Provides that the commission have 15 members, including the Under Secretary for Farm and Foreign Agricultural Services, the FCIC manager, the USDA Chief Economist, an employee of OMB appointed by the OMB Director, a representative of the National Association of Insurance Commissioners, 4 approved insurance providers appointed by the Secretary, 2 agricultural economists from academia appointed by the Secretary, and 4 representatives of major farm organizations or farmer-owned cooperatives.

Provides that members be appointed not later than 60 days from enactment and serve for the life of the commission.

Provides that the commission review and make recommendations relative to the amount of risk approved insurance providers should bear, whether current reinsurance practices should be continued, the extent to which development of new policies should be undertaken by private entities, how to focus research and development to include new types of products and products for specialty crops, the progress in reducing administrative and operating expenses, etc.

Requires the Under Secretary serving on the commission to serve as chairman and vote in the event of a tie.

Requires the commission to meet at least 6 times per year and make public records of the commission available at the Office of the RMA. Requires that not later than 2 years after enactment the commission submit a report to the House and Senate Agriculture Committees, with copies to the Secretary and the FCIC Board. Also, authorizes the commission to make 1 or more interim reports.

Provides that authority for the commission terminates at the earlier of 60 days after the final report is issued or on September 30, 2004.

Authorizes to be appropriated such sums as may be necessary. (Section 310)

The *House* bill has no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

Highly Erodible Land and Wetland Conservation

The *Senate* amendment amends sections 1211(3) and 1221(b)(3) of the Food Security Act of 1985 to make producers who fail to comply with highly erodible land and wetland conservation requirements, respectively, ineligible for crop insurance benefits. (Section 311)

The *House* bill has no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

Projected Loss Ratio

The *Senate* amendment strikes paragraph (2) of section 506(o) of the FCIA relative to loss ratio requirements and inserts a new paragraph related to the same.

Requires FCIC to take such actions as are necessary, including the establishment of adequate premiums, to improve the actuarial soundness of the crop insurance program to achieve a 1.075 loss ratio from October 1, 1998 through the 2001 crop year, and a 1.00 loss ratio beginning with the 2002 crop year. (Section 312)

The *House* bill has no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

Improved Risk Management Education

The *Senate* amendment amends Title IV of the Agricultural Research, Extension, and Education Reform Act of 1998 by adding at the end section 409 relative to improved risk management education for agricultural producers and provides definitions.

Requires the Secretary to carry out a program to improve the risk management skills of agricultural producers, to help producers understand the financial health of their operations, marketing alternatives available, and relevant legal, governmental, environmental, and human resource issues.

Requires the Secretary to establish Risk Management Education Coordinating Centers in each of the 5 regions in the country.

Requires the Secretary to locate a region's center at risk management coordinating office of the Cooperative State Research, Education, and Extension Service in existence at a land grant college or an appropriate alternative land grant college in the region.

Requires the land grant college to demonstrate the capacity to carry out program priorities, funding distribution, and reporting requirements.

Requires each center to establish a coordinating council consisting of 5 members, including public and private organizations, producers, and a representative of the regional RMA office.

Requires centers to coordinate the offering of intensive risk management instructional activities for professionals who work with producers, the provision of educational programs for producers, and the dissemination of risk management education materials.

Requires centers to make use of emerging risk management information and materials, after an evaluation of suitability is conducted with the assistance of land grant college personnel and others.

Requires each center to reserve a portion of funds provided under the section to make special grants to land grant colleges and private entities in the region to conduct such activities, and requires the reservation of funds to award competitive grants to public and private entities for such purposes.

Requires that the National Agriculture Risk Education Library serve as the central agency for coordination and distribution of education material and provide for the electronic delivery of the same.

Authorizes to be appropriated \$30 million for fiscal year 2001 and each subsequent fiscal year, requiring 2.5 percent of funds available be distributed to the Library with the residual funding reserved for the centers.

Requires the land grant colleges hosting a regional center to administer the funds for the region. Requires that each center be located in an existing facility and prohibits the use of funds for new construction.

Requires the Secretary, acting through the CSREES, to evaluate each center.
(Section 401)

The *House* bill has no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

Termination of Authority

The *Senate* amendment provides that the termination of certain authority is effective on September 30, 2004.

Repeals *Senate* amendment provided in sections 102, 103, 105, 106, 203(b), and 310 on September 30, 2004, and provides that the FCIA and NAP shall after this date be administered as if these provisions had not been enacted.

Provides further conforming amendments to repeal any funding authority provided under the Senate Amendments and prohibits the Secretary or FCIC from carrying out the provisions after September 30, 2004.

The *House* bill has no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

TITLE II—AGRICULTURAL ASSISTANCE

The *Conference* substitute includes a new title (Title II) providing agricultural assistance to producers of the 2000 crops and other assistance:

Subtitle A—Market Loss Assistance

Sec. 201. Market loss assistance.

To ensure timely delivery of market loss payments to eligible producers and owners, the *Managers* expect the Secretary to make the payments available under the same terms and conditions as the 2000 AMTA contract payments. Market loss payments made under authority of this legislation shall not be treated as a contract (AMTA) payment for purposes of section 115 of Title I of the Federal Agriculture Improvement and Reform Act of 1996, or section 1001, paragraphs (1) through (4) of the Food Security Act of 1985. Further, it should not be necessary to require eligible owners and operators to file new contracts or redesignate shares in order to receive market loss payments.

Sec. 202. Oilseeds.

The *Managers* expect the Secretary to deliver oilseed economic assistance payments to producers in the same manner used to deliver the 1999 oilseed payments authorized under Title VIII, section 803 of P.L. 106-354. The *Managers* note that the Department has taken over seven months to make payments to eligible producers. Such delays in delivering crop year 2000 payments are unacceptable.

The *Managers* expect that sesame seed will be eligible for assistance under this section. The *Managers* note that the Federal Agricultural Improvement Act of 1996 makes other oilseeds eligible for assistance under section 131 of the FAIR Act. The *Managers* direct the Secretary, using his authority under section 102 of the FAIR Act and

any other applicable authorities, to ensure that sesame seed producers may participate in this program under section 202.

Sec. 203. Specialty crops.

This section provides for infrastructure improvements for growers of specialty crops. Specifically, the section provides \$59.45 million for the PACA reserve fund and the inspection service reserve fund to maintain the cost of licensing and inspection fees at the current level. The section also provides \$11.55 million to make improvements to the system used for inspecting fruits and vegetables, including the program and facilities used to train inspectors; the technological tools used by inspectors; expanding digital imaging technology capabilities; and improving office space and grading tables.

This section also provides \$200 million to be used by the Secretary to purchase specialty crops that experienced low prices in the 1998 and 1999 crop years, including apples, black-eyed peas, cherries, citrus, cranberries, onions, melons, peaches, potatoes and others. The Managers expect the Secretary to ensure that, as provided in subsection (d) of this section, purchases with this funding are in addition to other purchases made by the Secretary under other authorities. To the extent practicable, the Managers expect the Secretary to purchase a significant portion of the commodities purchased under this section directly from farmers or agricultural cooperatives rather than processors.

This section also provides \$25 million to compensate growers for losses resulting from plum pox virus, Pierce's disease and citrus canker.

With respect to the plum pox virus, the Managers expect the Secretary to use at least \$5.1 million to compensate growers whose trees were destroyed as part of the Secretary's "Declaration of Extraordinary Emergency" dated March 2, 2000, in a manner that covers: net returns that would have been earned over the remaining life of all the destroyed trees; producers being prevented from replanting for three years; and lost value of nursery stock.

With respect to Pierce's disease, the Managers expect the Secretary to utilize at least \$7,140,000 in a manner that enables the California Department of Food and Agriculture to utilize such funding for state and local efforts to contain and control Pierce's disease which is devastating agricultural areas in Southern California, and is moving northward into other regions. Funds are needed immediately to monitor for the earliest signs of the disease and to inspect nursery stock prior to shipment. The disease is spread by a vigorous and difficult to control insect called the glassy-winged sharpshooter. This insect is a major problem, but the elimination of the insect would not eliminate the disease.

The Managers are disappointed by the federal response to this outbreak. It is clear that efforts to control the spread of the disease must be increased. It is also clear that there is an immediate need for additional research efforts to study near and long term alternatives for controlling the bacterium common to Pierce's disease. The Managers expect the Secretary to initiate such efforts immediately, within existing resources.

With respect to citrus canker, the Managers expect the Secretary to utilize remaining funding to compensate citrus growers who have suffered economic losses due to the disease.

This section also requires the Secretary, in conjunction with USDA's Inspector General, to submit a report to Congress that analyzes the economic losses associated with

falsified inspection certificates issued at the Hunts Point Terminal Market, including an analysis of how the Secretary intends to provide restitution.

This section also provides loans, up to three years in term, for apple producers that are suffering economic losses resulting from low prices for apples.

Sec. 204. Other commodities

Subsec. (a) Peanuts.

This subsection provides economic assistance to peanut producers. The *Managers* expect the Secretary to deliver the peanut economic assistance payments to producers in the same manner used to deliver the 1999 peanut assistance authorized under Title VIII, section 803 of P.L. 106-354. The *Managers* also expect that the same rules that were used and applied to a peanut quota lessor and lessee with respect to 1999 assistance will be used with respect to the delivery of the monies made available under this Act.

Subsec. (b) Tobacco

This subsection—

Provides \$340 million to the Secretary to make payments to States from October 1, 2000, to October 20, 2000. The States shall divide the funds between quota owners, quota lessees, and tobacco producers;

Includes language requested from the State of Georgia requiring the State to match the portion of funds provided from this title by the Federal Government;

Allows an increase for acreage transfers for dark-fire cured tobacco;

Allows for an adjustment in the burley noncommitted pool stocks;

Places limitations on burley carry forward pounds and lease and transfer due to natural disasters;

Makes a technical correction in the cross county leasing definition of the 1938 Agricultural Adjustment Act; and

Requires that the Secretary establish a computerized recordkeeping system for burley tobacco quota and acreage.

Subsec. (c) Honey

This subsection provides recourse loans for honey producers on the 2000 crop of honey. The loan rate would equal 85 percent of the average price of honey during the 5-crop year period preceding the 2000 crop, dropping the year with the highest price and the year with the lowest price in calculating the average.

Subsec. (d) Wool and Mohair

This subsection provides direct payments to producers of wool and mohair for the 1999 marketing year. The payment rates would be 20 cents per pound for wool and 40 cents per pound for mohair. The *Managers* expect the Secretary to make payments under this section in an equitable manner without regard to size of operation.

Subsec. (e) Cottonseed

This subsection provides cottonseed assistance to producers and first handlers. The *Managers* expect the Secretary to provide additional assistance to cotton producers and first handlers through direct payments or other means to help alleviate the problems caused by the unusually low prices.

Sec. 205. Payments in lieu of loan deficiency payments.

The *Managers* intend for crop year 2001 producers of wheat, oats and barley on a farm with an AMTA contract who graze the acreage and forego mechanical harvesting to be eligible for a payment under the same terms and conditions as a producer who harvests a crop and applies for a loan deficiency payment. The *Managers* intend for the producer to enter into a payment agreement with CCC at the loan deficiency payment rate for the applicable crop in effect on the date of such agreement, at such time as the producer chooses, but not earlier than the date a producer who normally harvests a crop would make application for a loan deficiency payment and no later than September 30, 2001. The *Managers* expect the Secretary to require adequate producer certifications to protect the program from fraud and abuse. Producers that certify wheat, oats or barley for grain with either the Farm Service Agency (FSA) or the Risk Management Agency (RMA) and fail to harvest the crop because of weather conditions and subsequently graze the acreage are not intended to be covered by this provision. The *Managers* expect the Department to immediately publicize this provision in FSA county newsletters.

Sec. 206. Expansion of producers eligible for loan deficiency payments.

The *Managers* intend for producers growing an AMTA contract commodity on a farm with no AMTA contract to be eligible for loan deficiency payments on 2000 crop production subject to the same terms and conditions as applicable to producers on a farm with an AMTA contract. Producers eligible for payment under this section are afforded an exception to the beneficial interest provisions for a period of time that extends for 30 days after the promulgation of regulations. The *Managers* expect the Department to immediately publicize this provision in FSA county newsletters.

Subtitle B—Conservation

Sec. 211. Conservation assistance.

Subsection (a) directs USDA to use \$10 million for the Farmland Protection Program and allows nonprofit conservation organizations to hold easements in those states that do not have a state defined farmland protection program. Subsection (b) directs USDA to use \$40 million to provide soil, water and natural resource conservation assistance for farmers in the form of cost share or incentive payments. The *Managers* believe that farmers and ranchers need additional assistance to address these natural resource problems.

The *Managers* agree there is a great demand among the states to keep prime and unique farmland in agricultural production. The farmland protection authorization in the 1996 farm bill was immediately over-subscribed, and the \$35 million in funds were exhausted in two years. Thus, the *Managers* have provided a \$10-million infusion of funds to the farmland protection program. In addition, new program participants, such as nonprofit land resource conservation councils, are now able to take part in this initiative.

This section also provides \$40 million to assist farmers and ranchers through cost-share or incentive payments to get proven soil and water conservation practices on their farms and ranches. In making these funds available, the *Managers* recognize that the Environmental Quality Incentives Program (EQIP) has left certain producers in areas of states and regions of the country with little or no federal help. Although the funds made available in the conference report are limited, they will be directed at areas that are outside conservation priority areas, where most of the EQIP funds have been used. The *Managers* expect for these funds to be focused on practices that conserve water or improve water quality. The *Managers* believe many water quality concerns can be handled without the time-consuming and expensive development and writing of whole farm plans. One or two practices properly completed are the best conservation, which can be applied to the land for water quality or water conservation. In that regard, the *Managers* emphasize that the funds included in this program are only for financial assistance through cost-share and incentive payments to farmers and ranchers. It is the intent of the *Managers* that this program will be carried out using the conservation operations account funded in annual agriculture appropriations acts.

Sec. 212. Inclusion of farmland in conservation-related areas.

This section requires the Secretary of the Interior, acting through the Director of the U.S. Fish and Wildlife Service, to prepare an Environmental Impact Statement (EIS) under the National Environmental Policy Act of 1969 on the proposed National Wildlife Refuge (NWR) on the Little Darby Creek in Madison and Union Counties, Ohio. This EIS must be completed before any further development may proceed on the Little Darby Creek NWR.

Subtitle C—Research

Sec. 221. Carbon cycle research.

This section directs USDA to provide \$15 million in Fiscal Year 2001 to the Consortium for Agricultural Soils Mitigation of Greenhouse Gases for carbon cycle research at the national, regional and local levels. Additional research is needed in the sequestration of carbon as it relates to agricultural best management practices and how these practices convert carbon dioxide into soil organic carbon that in turn reduces soil erosion, improves water quality and increases yields. Producers and policymakers need a better understanding of the link between the carbon cycle and agricultural best management practices. The *Managers* believe that the storage of carbon may provide additional income to farmers and ranchers and provide ancillary environmental benefits.

Sec. 222. Tobacco research for medicinal purposes.

This section directs USDA to provide \$3 million in Fiscal Year 2001 to Georgetown University and North Carolina State University for research regarding the extraction and purification of proteins from genetically altered tobacco that can be used as a vaccine for cervical cancer.

Sec. 223. Research on soil science and forest health management.

This section directs USDA to provide a grant to the University of Nebraska-Lincoln for laboratories and equipment for research on soil science and forest health and management.

Sec. 224. Research on waste streams from livestock production.

This section provides \$3.5 million to expand research related to livestock production waste streams. The Managers expect the Secretary to utilize this funding to focus on technology for reducing, modifying, recycling, and utilizing livestock waste streams in a manner that will allow scientists to develop and utilize integrated components required for a systems approach to livestock waste and odor research and development. This is required to deal with the complex interactions among variables influencing nutrient/contaminant production and flow-through livestock production systems. The Managers expect the research goals to include: reducing waste and odor production and emission; reducing health hazards and improving working conditions in production facilities; improving efficiency of manure handling and utilization; increasing recycling of nutrients and water; and making livestock production compatible with neighboring individuals and communities.

Sec. 225. Improved storage and management of livestock and poultry waste.

This section provides \$5,000,000 in fiscal year 2001 for the Secretary to review and assess potential problems associated with livestock and poultry waste management systems and to study and demonstrate appropriate market-oriented solutions to these potential problems. As provided in this section, the Managers expect the Secretary to carry out this review and assessments through grants, contracts, and cooperative agreements with producers, associations of producers, and foundations supported by producers.

Sec. 226. Ethanol research pilot plant.

Authorizes and appropriates \$14 million to the Secretary for the construction of a corn-based ethanol research pilot plant.

Sec. 227. Bioinformatics Institute for Model Plant Species.

Authorizes the Secretary to enter into a cooperative agreement with the National Center for Genome Resources in Santa Fe, New Mexico, New Mexico State University and Iowa State University for the establishment and operation of an institute to be known as the Bioinformatics Institute for Model Plant Species for the purpose of enhancing the accessibility and utility of genomic information for plant genetic research.

Subtitle D—Agricultural Marketing

Sec. 231. Value-added Agricultural Product Market Development Grants.

This section directs the Secretary to use \$15 million to award competitive grants to eligible producers for the purpose of facilitating greater participation in markets for value-added agricultural commodities. The *Managers* expect these grants to fund ventures for a variety of agricultural commodities. It is the intent of the *Managers* that the grants would be made for the purpose of developing business plans for viable

marketing opportunities and the creation of a pilot project resource center to coordinate assistance including research, data, business, legal, financial and logistical operations. The *Managers* expect that the grants would only be awarded if the projects, business ventures, and other authorized activities are determined to be economically viable and sustainable. Further, the *Mangers* expect that grants awarded under this section will facilitate the opening of new markets for value-added products. It is not the intention of the Managers that grants made under this section will interfere with existing markets or be used to fund construction, acquisition, rental, leasing, or any other means of obtaining physical capacity to produce or process agricultural commodities.

Subtitle E—Nutrition Programs

Sec. 241. Calculation of Minimum Amount of Commodities for School Lunch Requirements.

Section 241 directs the Secretary to purchase additional food commodities in fiscal years 2000 and 2001 for distribution to schools participating in the School Lunch program.

Sec. 242. School Lunch Data

Section 242 provides that information obtained for determining eligibility for free and reduced-price school meals in the School Lunch program may be shared to aid in the enrollment of lower-income children in the State Children's Health Insurance Program (SCHIP). This section also authorizes a pilot project using local agencies operating the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program) to help enroll children in the SCHIP.

Sec. 243. Child and Adult Care Food Program Integrity

Section 243 reforms the Child and Adult Care Food Program (CACFP) to address problems of fraud, abuse, and deficient management identified in investigations by the General Accounting Office and the Agriculture Department's Office of Inspector General. This section also expands the availability of Federal nutrition assistance for after-school programs and authorizes an additional State to increase participation in the CACFP by for-profit child care organizations serving lower-income children.

Sec. 244. Adjustments to WIC Program

Section 244 provides adjustments to the WIC program to increase participation by residents of remote Indian or Native villages and provide a program structure that better serves these communities.

Subtitle F—Other Programs

Sec. 251. Authority to provide loan in connection with boll weevil eradication.

Section 251 requires the Secretary using the Commodity Credit Corporation to make a loan to the Texas Boll Weevil Eradication Foundation, Inc., in the amount of \$10,000,000. This loan is to enable the Foundation to retire debt associated with boll weevil eradication zones that have ended their participation, in whole or in part, in the boll weevil eradication program.

Repayment for the loan will begin on January 1 of the year following the first year that a boll weevil eradication zone, or any part of the zone, responsible for the debt retired using the loan resumes participation in the boll weevil eradication program.

The cost of the credit subsidy of this loan will be the amount necessary to provide the full \$10,000,000 loan to the Foundation. The Managers expect that the credit subsidy necessary to implement the total \$10,000,000 loan will be approximately 51%. However, the Managers expect USDA to use whatever amount of subsidy is necessary to make the \$10,000,000 loan.

The Managers expect that this loan to the Texas Boll Weevil Eradication Foundation, Inc., will retire its debt to Farm Credit System institutions associated with the Lower Rio Grande Valley Boll Weevil Eradication Zone and that portion of the debt associated with the South Texas Winter Garden Zone apportioned to Austin, Brazoria, Colorado, Fort Bend, Jackson, Matagorda, and Wharton Counties by the Texas Commissioner of Agriculture. This loan will provide funds to be used by the Foundation for full and final satisfaction, on a pro-rata basis, of the notes relating to the debt held by those Production Credit Associations and the Farm Credit Bank of Texas. The Managers expect that upon payment of the notes from the funds provided by this loan, that the Texas Boll Weevil Eradication Foundation, Inc., will be released from any and all claims, liabilities, or obligations associated with or evidenced by the notes.

Sec. 252. Animal disease control.

Subsection (a) directs USDA to spend \$7 million in Fiscal Year 2001 for pseudorabies vaccination costs incurred by pork producers. Subsection (b) directs USDA to spend \$6 million in Fiscal Year 2001 on bovine tuberculosis in Michigan. Funding shall be used for surveillance and testing of cattle; surveillance and testing of wildlife; research at ARS and Michigan State University; increases in indemnity payments to encourage depopulation of infected herds; diagnostic testing and treatment of humans; slaughter surveillance; controlling and preventing exposure of livestock to wildlife; fencing to minimize contact between wildlife and domestic livestock; and risk communications and improvements in technology for communications. Current laws stipulate that funding for Animal and Plant Health Inspection Service of the U.S. Department of Agriculture eradication programs is to be withdrawn from existing Commodity Credit Corporation funds. The *Managers* intend for eradication program funding to continue to be extracted from Commodity Credit Corporation funds.

Sec. 253. Emergency loans for seed producers.

This section directs USDA to provide non-interest loans to producers of 1999 crop grass, forage, vegetable and sorghum seed that have not received payments from AgriBiotech (ABT) as a result of bankruptcy proceedings involving ABT. ABT, one of the largest single turf, forage, and alfalfa seed companies in the country, filed Chapter 11 bankruptcy affecting over 1200 farmer growers in 39 states. ABT cannot pay growers for

their 1999 produced crop and the growers are the largest segment of creditors in the bankruptcy. This section directs the Secretary to create an emergency no-interest loan program for those producers involved in the bankruptcy proceedings. For the producer to be eligible, the seed producer must have a claim in the bankruptcy proceeding. The *Managers* believe that this situation is unique as ABT is an organization of numerous small family producers who will be adversely impacted financially by this bankruptcy proceedings.

Sec. 254. Temporary suspension of authority to combine certain offices.

The *Managers* expect the Secretary to submit a detailed report regarding the justification used to select a state office collocation site in each of the applicable states. The *Managers* expect the Secretary to notify all applicable Agencies that no agency or agency employee shall take any action to solicit office space or renovate current leased space for the purpose of accommodating collocated agencies or take any other action to collocate state offices from the date of enactment of this Act through June 1, 2001. The *Managers* expect those state agencies that are scheduled for collocation and located in the same county on the date of enactment to continue to pursue efforts to collocate. The *Managers* expect the report to be inclusive of all factors used in the selection of the site, including the methodology used in the site selection.

Sec. 255. Farm operating loan eligibility.

This section affects the Secretary of Agriculture's administration of the loan eligibility limitations of sections 311 and 319 of the Consolidated Farm and Rural Development Act. Current law makes borrowers who have had a number of direct or guaranteed operating loans from the Farm Service Agency (FSA) ineligible for additional seasonal operating loans.

The *Managers* understand that previous policy was intent on limiting loans to long-time borrowers in an effort to graduate them to other sources of credit. The intent was to free up credit resources for beginning, socially-disadvantaged and minority farmers and ranchers during a period when fewer appropriations were being made for federal farm loan programs. However, because of the recent downturn in the farm economy caused by low prices, the *Managers* are concerned that some farmers may be turned away from the FSA. The only reason that otherwise efficient farmers cannot get credit from FSA is because of an arbitrary term limit in the law. While the *Managers* believe this change is needed at this time, the amendment extends only through December 31, 2002, which should provide ample time for the Congress to fully reexamine this matter in the context of the next farm bill.

Sec. 256. Water systems for rural and Native villages in Alaska.

This section amends section 306D of the Consolidated Farm and Rural Development Act by increasing the authorization of appropriations from \$20,000,000 to \$30,000,000 for water and wastewater systems for rural and native villages in Alaska. Also authorizes a transfer of up to two percent of the funds for training and technical assistance programs that are related to the operation and management of the systems.

Sec. 257. Crop and pasture flood compensation program.

Directs the Secretary to compensate producers for the loss of cropland or pastureland due to unusual flooding. This assistance is targeted to producers who are still experiencing flooding, but have not been compensated for losses between time of enactment and the Flood Compensation Program authorized by the 1998 omnibus appropriations bill, using that program's framework and base year. The section sets a specific framework on the compensation. Acres on which crops were planted but failed are not eligible. A payment limitation of \$40,000 is included.

The *Managers* encourage the Department to take all necessary administrative actions to ensure the availability of no less than 4 million acres for partial field conservation buffer enrollments within the existing Conservation Reserve Program. Also, the Committee encourages the Department to extend stewardship incentive payments to contour grass strips and cross wind trap strips, as well as any additional conservation practices that may be made eligible for the continuous sign-up or conservation reserve enhancement programs

This section also includes a technical correction to the fiscal year 2000 agricultural appropriations act to specifically include Lake County, Oregon as being eligible for assistance that was made available under that act. The Managers are aware that producers in Lake County have faced a similar disastrous situation, but were inadvertently left out of the fiscal year 2000 agriculture appropriations section. The Managers are also aware that, under the fiscal year 2000 agricultural appropriations act, there are still funds available in this fiscal year to assist ranchers in Lake County, and this section provides the necessary authority for the Secretary of Agriculture to move forward with that assistance. The Managers expect the Secretary to provide that assistance as soon as possible.

Sec. 258. Flood Mitigation Near Pierre, South Dakota.

This section requires the Army Corps of Engineers to, as soon as practicable after enactment, begin acquiring land and property from willing sellers; relocate individuals located on the land, improve infrastructure, and take other necessary actions with respect to such property.

This section also conditions winter releases of the Oahe Powerplant on the Secretary of the Army completing an amendment to his economic analysis and identifying mitigation benefits with respect to existing ground water flooding.

Sec. 259. Restoration of Eligibility for Crop Loss Assistance.

This section restores the eligibility for individuals otherwise eligible for disaster assistance under section 1102 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (as contained in section 101(a) of division A of Public Law 105-277; 7 U.S.C. 1421, solely because the individual or entity changed the legal structure of the individual's or entity's farming operation.

Subtitle G—Administration

Sec. 261. Funding.

Includes the funding amount for various sections in the bill.

Sec. 262. Obligation period.

Provides that the Commodity Credit Corporation shall obligate and spend the funds made available under section 261(a)(1) (funding for school lunch commodities) only during fiscal year 2000 and funds made available to fund other provisions of the bill shall be obligated and spent only during fiscal year 2001.

Sec. 263. Regulations.

Directs the Secretary and the Commodity Credit Corporation, whichever is appropriate, to promulgate regulations to implement Title II of the legislation without regard to notice and comment rulemaking.

The Managers have provided the Secretary relief from several statutory provisions relating to the promulgation of regulations needed to carry out title II. This language is the same as provisions passed by Congress in prior legislation for farmers. The Managers are particularly troubled by the fact that, even with these waivers, the Department has been unable to implement programs in a timely manner in prior years, most notably the oilseed assistance that was provided by Congress in October of 1999 but has yet to be distributed. In order to assist Congress in future deliberations the Managers expect the Inspector General to complete a report for submission to both Agriculture Committees with 60 days of enactment of this Act addressing the reasons for the inability of the Department to implement programs in a timely manner.

Sec. 264. Paygo adjustment.

Prohibits the Director of the Office of Management and Budget from making any estimates of changes in direct spending outlays and receipts in fiscal year 2000 resulting from enactment of Title II of the legislation.

Sec. 265. Commodity Credit Corporation Reimbursement.

This section specifically directs the Secretary of the Treasury to reimburse the Commodity Credit Corporation for net realized losses sustained, but not previously reimbursed, under this title.

Title III--The Biomass Research and Development Act of 2000

The *Conference* substitute adopts a new title which authorizes research to promote the conversion of biomass into biobased industrial products:

Section 301. Short Title

The Biomass Research and Development Act.

Section 302. Findings.

States the need for a focused, integrated and innovation-driven research effort to develop technologies for the production of biobased industrial products

Section 303. Definitions.

Defines the terms Advisory Committee, Biobased Industrial Product, Biomass, Board, Initiative, Institution of Higher Education, National Laboratory, Point of Contact, Processing, and Research and Development.

Section 304. Cooperation and Coordination in Biomass Research and Development.

Requires that the Secretaries of Agriculture and Energy shall cooperate and coordinate policies and procedures that promote biomass research and development leading to the production of biobased industrial products. Specifies the purpose and areas for coordination.

Section 305. Biomass Research and Development Board.

Establishes a board to coordinate programs, to maximize benefits and to bring coherence to strategic planning within and among departments and agencies of the Federal Government to promote the use of biobased industrial products. The Board shall be comprised of a minimum of six members. The Board shall be cochaired by the points of contact appointed by the Secretaries of Agriculture and Energy by and with the advice and consent of the Senate.

Section 306. Biomass Research and Development Technical Advisory Committee.

Establishes an advisory committee to advise the Secretaries of Agriculture USDA and the Department of Energy DOE and the Biomass Research and Development Board, to facilitate consultations and partnerships, and to evaluate and perform strategic planning for the Biomass Research and Development Initiative. The Committee shall be comprised of a minimum of ten members, all appointed by the points of contact. The Committee will meet at least quarterly. Lengths of terms are specified.

Section 307. Biomass Research and Development Initiative.

Provides that the Secretaries of Agriculture and Energy, in consultation with the Board, shall establish 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 and development of low cost and sustainable biobased industrial products. Provides that funds appropriated for biomass research and development under the general authority of the Secretary of Energy to conduct research and development programs may be used to carry out this title. Also authorizes \$ 49,000,000 within USDA for each of fiscal years 2000 through 2005 to carry out this title.

Section 308. Administrative Support and Funds.

Provides the Secretaries of Agriculture and Energy, and other agencies, the authority to give administrative support and funds to the Board and Advisory Committee if needed.

Section 309. Reports.

Requires that an initial report be jointly submitted by the Secretaries of Agriculture and Energy within 180 days of enactment of the Act and that an annual report be submitted to Congress for each fiscal year for which funds are made available.

Section 310. Termination of Authority.

Authority granted by this title shall terminate on December 31, 2005.

TITLE IV – Plant Protection

The *Conference* substitute adopts a new provision which consolidates and enhances the authority of the Secretary to regulate in interstate and foreign commerce, the movement of any plant, plant product, biological control organism, or noxious weed if the Secretary determines the action is necessary to prevent the introduction or dissemination of a plant pest or noxious weed:

Sec. 401. Short Title and Table of Contents.

The short title of this Act is the “Plant Protection Act.” This section also contains the table of contents for the Act.

Sec. 402. Findings.

Sec. 403. Definitions.

Sections 3(1), (3)-(8), (11), (17), and (19) are all new definitions, but are commonly accepted definitions for the words, “article,” “enter and entry,” “export and exportation,” “import and importation,” “interstate,” “interstate commerce,” “means of conveyance,” “permit,” “State,” and “this Act.”

Sec. 403(2) is new. Defining biological control organisms separately makes our authority over these organisms explicit when they present a potential plant pest risk.

Sec. 403(9), (12), (13), (15), (16), and (20), “move and related terms,” “person,” “plant,” “plant product,” “Secretary,” and “United States” have all been derived from existing law with little or no modification.

Sec. 403(10), “noxious weed,” has been expanded from existing law.

Sec. 403(14), “plant pest,” has been expanded to include all vertebrate and invertebrate animals, except humans.

Sec. 403(18), “systems approach,” is new.

Subtitle A – Plant Protection

Sec. 411. Regulation of Movement of Plant Pests.

Prohibits the importation, entry, exportation, or movement in interstate commerce, mailing, or delivery (from any post office or by any mail carrier) of any plant pest unless the movement is in accordance with regulations issued by the Secretary. All processes used to develop such regulations will be transparent and accessible and the regulations will be based on sound science. This provision does not authorize the opening of any mail unless such action is authorized under postal laws. This section would authorize the Secretary to issue regulations that allow the movement of a plant pest

in interstate commerce without restriction. Also provides for a petition process to add or remove plant pests from regulation.

Sec. 412. Restrictions on Movement.

Authorizes the Secretary to prohibit or restrict the importation, entry, exportation, or movement in interstate commerce of any plant, plant product, biological control organism, noxious weed, article, or mean of conveyance if the Secretary determines the action is necessary to prevent the introduction or dissemination of a plant pest or noxious weed. Within 1 year after the Act is enacted, the Secretary shall publish for public comment a notice describing the processes governing such import requests. Requires the Secretary to conduct a study of the effectiveness of using systems approaches to guard against the introduction into the United States of plant pathogens associated with proposals for imported plants or plant products. Not later than 2 years after the Act is enacted, the Secretary shall report to Congress on the results of this study. Authorizes the Secretary to determine by regulation those noxious weeds and biological control organisms that may or may not freely move within interstate commerce. A person may petition the Secretary to add or remove individual plant species or biological control organisms from such regulations.

Sec. 413. Notification and Holding Requirements Upon Arrival.

Requires the Secretary of Treasury to notify promptly the Secretary of Agriculture of the arrival of plants, plant products, biological control organisms, plant pests, or noxious weeds at the port of entry. It also requires the Secretary of Treasury to hold the articles until the Secretary of Agriculture has inspected or otherwise released them.

Further, section 413 requires persons responsible for articles for which a permit under sections 411 or 412 to notify the Secretary of Agriculture or appropriate official in the State of destination of relevant information concerning the shipment before moving it from the port of entry. Finally, section 413 prohibits the movement of any imported plant, plant product, biological control organism, plant pest, noxious weed, article, or means of conveyance from the port of entry or interstate unless it has been inspected or otherwise released by the Secretary of Agriculture.

Sec. 414. Remedial Measures.

Section 414 authorizes the Secretary to hold, seize, quarantine, treat, apply other remedial measures to, destroy, or dispose of any plant; plant pest; noxious weed; biological control organism; plant product; article; or means of conveyance; and progeny of any plant product, plant pest, biological control organisms, or noxious weed in interstate or foreign commerce under various circumstances in order to prevent the dissemination of any plant pest or noxious weed new to or not known to be widely prevalent or distributed in the United States. Authorizes the Secretary to order an owner (including the owner's agent) of any item subject to action under subsection (a) to treat, apply other remedial measures, to destroy, or otherwise dispose of such item without cost to the Federal Government in a manner the Secretary deems appropriate. If the owner fails to take action as ordered, the Secretary may take the action and recover the costs of the actions from the owner or his agent. The Secretary is authorized to develop a

classification system and integrated management plan regarding noxious weeds. Requires the Secretary to take the least drastic action to prevent the dissemination of a plant pest or noxious weed.

Sec. 415. Declaration of Extraordinary Emergency.

Authorizes the Secretary to declare an extraordinary emergency in certain situations. Once an extraordinary emergency is declared, the Secretary can take actions to prohibit or restrict movement or require that other actions be taken concerning regulated items regardless of whether the items are moving in interstate commerce. Action can be taken only if the Secretary finds that the actions taken by the State are not adequate and the Secretary publishes those findings in the Federal Register. Actions the Secretary takes must also be the least drastic actions that are feasible to deal with the plant pest or noxious weed problem. Finally, the Secretary is authorized to pay compensation for economic losses.

Sec. 416. Recovery of Compensation for Unauthorized Activities.

Authorizes the owners of plants, biological control organisms, plant products, plant pests, noxious weeds, articles, or means of conveyance destroyed or disposed of under section 414 or 415 to bring an action not later than 1 year after the destruction or disposal in U.S. district court and for the owner to recover just compensation for an unauthorized destruction or disposal of such property.

Sec. 417. Control of Grasshoppers and Mormon Crickets.

Subject to the availability of funding, the Secretary shall carry out control programs for grasshoppers and Mormon crickets on Federal, State, and private lands to protect rangeland. Authorizes the pooling of funds between the Department of Agriculture and the Department of the Interior to conduct such programs on Federal lands controlled by the Department of the Interior. This section also provides the formula for the Federal cost share for treatment programs.

Sec. 418. Certification for Exports.

Authorizes the Secretary to certify for export plants, plant products, and biological control organisms as to freedom from plant pests or noxious weeds or exposure to plant pests or noxious weeds according to phytosanitary or other requirements of the exporting country.

Subtitle B – Inspection and Enforcement

Sec. 421. Inspections, Seizures, Warrants.

Authorizes warrantless inspections based on guidelines approved by the Attorney General: (1) of persons or means of conveyance moving into the United States to determine whether they are carrying any regulated material; (2) of persons or means of conveyance moving interstate upon probable cause to believe that they are carrying regulated material; and (3) of any person or means of conveyance moving intrastate under extraordinary emergency conditions (see section 415) upon probable cause to

believe that they are carrying regulated material. The Secretary is also authorized to enter premises with a warrant issued by a Federal judge to make inspections and seizures necessary under the Act.

Sec. 422. Collection of Information.

Authorizes the Secretary to gather and compile information and to conduct investigations necessary for the administration and enforcement of the Act.

Sec. 423. Subpoena Authority. Authorizes the Secretary to require the attendance of witnesses and production of documentary evidence through the use of subpoenas to aid in investigations and proceedings. This provision also authorizes the Secretary to request the Attorney General to take actions to enforce such subpoenas.

Sec. 424. Penalties for Violation.

Allows for criminal penalties as provided under Title 18 of the U.S. Code for knowing violations of the Act or any misuse of a permit, certificate, or other document. It also provides for civil penalties for violations of the Act, including forging, counterfeiting, using in an unauthorized manner, altering, defacing, or destroying any certificate, permit, or document provided for under the Act not to exceed the greater of: (1) \$50,000 for an individual, \$250,000 for any other violation by a person, and \$500,000 for all violations adjudicated in the same proceeding, or (2) twice the gross gain or gross loss associated with the violation. The penalty has been increased from \$1,000 per violation. Finally, section 204 authorizes the issuance of a notice of warning in lieu of criminal prosecution.

Sec. 425. Attorney General Enforcement Actions.

Authorizes the Attorney General to prosecute criminal violations of the Act; bring an action to enjoin violation of or compel compliance with the Act; or bring an action for recovery of reimbursable funds, civil penalties, late payment penalties, or interest that has not been paid.

Sec. 426. Court Jurisdiction.

Delineates the jurisdiction of courts in most cases arising under the Act.

Subtitle C – Miscellaneous Provisions

Sec. 431. Cooperation.

Authorizes the Secretary to cooperate with other Federal agencies, States or their political subdivisions, foreign governments or their political subdivisions, domestic or international organizations or associations, or other persons to carry out the Act. Section 301 authorizes the Secretary to transfer biological control technology to States, Federal agencies, or other persons for use in control of plant pests or noxious weeds. Section 301 also authorizes cooperation with States and other persons in the administration of programs for the improvement of plants, plant products, and biological control organisms. Finally, Section 431 authorizes the Secretary to ensure that all phytosanitary

import/export issues are addressed based on sound science and consistent with applicable international agreements.

Sec. 432. Buildings, Land, People, Claims, and Agreements.

Authorizes the Secretary to acquire and maintain real or personal property for special purposes; to enter into contracts, cooperative agreements, memoranda of understanding, and other agreements; to employ any person; or to make grants necessary for carrying out this Act. Section 432 also authorizes the payment of tort claims when the claims arise outside the United States in connection with activities authorized by this Act. Claims must be presented in writing within 2 years after the claim accrues.

Sec. 433. Reimbursable Agreements.

Authorizes the Secretary to enter into reimbursable fee agreements for preclearance at locations outside the United States for plants, plant products, biological control organisms, and articles. Funds collected are credited to accounts established by the Secretary and remain available until expended. Section 433 also authorizes the Secretary to pay employees performing inspection, quarantine, or other services relating to imports and exports for all overtime, night, or holiday work and to require the person for whom the service is performed to reimburse the Secretary for the services.

Sec. 434. Regulations and Orders.

Authorizes the Secretary to issue orders and regulations necessary to carry out this Act.

Sec. 435. Protection for Mail Handlers.

This Act shall not apply to any employee of the United States in the performance of the duties of the employee in handling the mail.

Sec. 436. Preemption.

Provides that no State or political subdivision may take an action to regulate in foreign commerce any article or means of conveyance, plant, biological control organism, plant pest, noxious weed, or plant product in order to control or eradicate a plant pest or noxious weed, or prevent the introduction or dissemination of a biological control organism, plant pest, or noxious weed.

Similarly, no State or political subdivision may take an action to regulate interstate commerce different from Federal regulations in any of the delineated items; control a plant pest or noxious weed; eradicate a plant pest or noxious weed; or prevent the introduction or dissemination of a biological control organism, plant pest, or noxious weed if the Secretary has issued a regulation or order to prevent the dissemination of the biological control organism, plant pest, or noxious weed. However, if State or local officials can demonstrate a special local circumstance, they can petition the Secretary to allow for the imposition of additional prohibitions or restrictions by the State or local government.

Sec. 437. Severability.

Contains standard severability language.

Sec. 438. Repeals.

Enumerates the list of laws being repealed and replaced by this Act.

Subtitle D –Authorizations of Appropriations

Sec. 441. Authorization of Appropriations.

Authorizes the appropriation of such amounts necessary to carry out this Act. Unless specifically authorized, no part of appropriated funds shall be used for indemnification purposes.

Sec. 442. Transfer Authority.

Authorizes the Secretary to transfer funds without fiscal year limitation from any agency or corporation of the Department to arrest, control, eradicate, and/or prevent the spread of a plant pest or noxious weed in connection with a threatening agricultural emergency.

Title V – Inspection Animals

Sec. 501. Inspection Animal Civil Penalties.

Provides for civil penalties of up to \$10,000 for causing harm to or interfering with a Department of Agriculture inspection animal.

Sec. 502. Inspection Animal Subpoena Authority.

Authorizes the Secretary to require the attendance of witnesses and production of documentary evidence through the use of subpoenas to aid in investigations and proceedings. This provision also authorizes the Secretary to request the Attorney General to take actions to enforce such subpoenas.