

## **Best Utilization of Biological Applications**

The Secretary is directed to conduct research and extension projects aimed at reducing, to the extent feasible and practicable, the use of chemical pesticides, fertilizers, and toxic natural materials in agricultural production; improving low-input farm management; and promoting crop, livestock, and enterprise diversification. The Secretary must study agricultural production systems in areas with various soil, climate, and physical characteristics; study farms using production practices that rely on low-input and conservation practices; use the experience and expertise of farmers and ranchers through their direct participation and leadership in projects; transfer practical, reliable, and timely information to farmers and ranchers concerning low-input sustainable farming practices and systems; and promote a partnership between farmers, nonprofit organizations, agribusiness, and public and private research and extension institutions.

These projects are to be achieved through agreements entered into with land-grant colleges or universities, other universities, State agricultural experiment stations, the State cooperative extension services, nonprofit organizations with demonstrable expertise, or Federal or State governmental entities. The Secretary must draw upon the advice of a new National Sustainable Agriculture Advisory Council, assisted by a minimum of four regional administrative councils, in selecting and establishing priorities for projects. The Advisory Council must be composed of representatives of seven specific USDA agencies, State cooperative extension services and agricultural experiment stations, the Environmental Protection Agency, the Board on Agriculture of the National Academy of Sciences, private nonprofit organizations, farmers who use sustainable agricultural practices, the U.S. Geological Survey, agribusiness, and other specialists in agricultural research or technology transfer.

The Secretary must establish a matching grant program to assist States in the creation or enhancement of sustainable agricultural research, extension, and education programs. To apply, a State must submit a 5-year plan for the approval of the appropriate regional administrative council and the Secretary. The 5-year plan will detail the proposed program and sources of matching State funding and will provide for extensive and direct participation of farmers in the development, implementation, and evaluation of the program.

## **Integrated Management Systems**

The Secretary must establish a research and education program that focuses on integrated resource management and integrated crop management in order to enhance research related to farming operations, practices, and systems that optimize crop and livestock production potential and are environmentally sound.

"Integrated resource management" is defined as livestock management which utilizes an interdisciplinary systems approach integrating all controllable agricultural production practices to provide long-term sustained productivity and profitable production of safe and wholesome food in an environmentally sound manner. "Integrated crop management" means an agricultural management system that integrates all controllable agricultural production factors for long-term sustained productivity, profitability, and ecological soundness.

The purposes of the program include developing knowledge about integrated management and encouraging producers to adopt it.

The Secretary must develop and widely distribute handbooks and technical guides, and any other educational materials that are appropriate, that describe sustainable agriculture production systems and

practices by November 28, 1992. The materials are intended to provide practical instructions that aid producers in adopting practices in support of sustainable agriculture.

### National Training Program

The Secretary must set up a National Training Program in sustainable agriculture to be administered by the ES. The program will provide education and training for Cooperative Extension Service (CES) agents and other professionals to help them educate and communicate the concepts and technical information concerning sustainable agriculture to farmers and urban residents. The Secretary must designate a coordinator for each State from CES personnel who is responsible for developing and implementing a statewide training program for appropriate field office personnel. The Secretary must ensure that all CES agricultural agents have completed this training within the next 5 years.

The Secretary must designate at least two regional training centers to coordinate and administer educational activities in sustainable agriculture. A competitive grants program must be established to award grants to organizations to carry out sustainable agriculture training for county agents and others. Training will consist of workshops and short courses designed to familiarize participants with the concepts and importance of sustainable agriculture. Regional specialists in sustainable agriculture may be designated within each State.

### **National Genetics Resources Program**

A National Genetics Resources Program, to be administered by ARS, must be established to emphasize current activities. This program will maintain and enhance the collection, preservation, and dissemination of genetic material important to American food and agricultural production. The Secretary must also (1) conduct research on the genetic materials collected and on methods for their storage and preservation; (2) coordinate the program's activities with those of similar domestic activities; (3) make available upon request, without charge and without regard to the country from which such requests originate, the genetic material which the program assembles; and (4) expand the types of genetic resources included in the program to develop a comprehensive program dealing with a broad range of genetic resources important to food and agriculture.

The director, appointed by the Secretary to administer this program, must prepare a biennial report to the Secretary and to Congress. An initial report is to be transmitted by November 28, 1991. The initial report will describe the projected needs over a 10-year period in each of the expanded areas of genetic resources, including the identification of existing components of a comprehensive program, policies, and activities needed to coordinate those components, and additional elements not in existence which are required for the development of a comprehensive genetic resources program. The report will also contain an assessment of related international efforts and activities and their effects upon and coordination with the program and an evaluation of the potential effects of various national laws, including national quarantine requirements, as well as treaties, agreements, and the activities of international organizations on the development of a comprehensive international system for the collection and maintenance of genetic resources of importance to agriculture.

### **National Agricultural Weather Information System**

The Secretary must establish a National Agricultural Weather Information System, which will be administered by a new Agricultural Weather Office within USDA. The system aims to meet the weather and climate information needs of agricultural producers by providing nationally coordinated agricultural weather information. Weather information will be obtained from participating universities, State programs, Federal agencies, and the private weather consulting sector. The system

will help collect, organize, and disseminate advisory weather and climate information; provide for related research and education activities; encourage greater private-sector participation in the system's activities; strengthen its ability to provide site-specific weather forecasting for agriculture; and ensure that the related data bases are accurate, documented, and easily accessible for remote computer access.

#### Agricultural Weather Office and Advisory Board

The Agricultural Weather Office may enter into cooperative projects with the National Weather Service to support operational weather forecasting and observation, to sponsor joint workshops to train agriculturalists, to jointly develop improved computer models and computing capacity, and to enhance the quality and availability of weather and climate information. The office may also obtain standardized weather observation data collected in near real time through State agricultural weather information systems; make competitive grants through CSRS for research in atmospheric sciences and climatology; make grants to States for planning and administering State agricultural weather information systems; coordinate the Weather Office's activities with the weather and climate research activities of the CSRS, the National Academy of Sciences, the National Sciences Foundation Atmospheric Services Program, and the National Climate Program; and encourage private sector participation in the National Agricultural Weather Information System. The Secretary must establish an Advisory Board on Agricultural Weather. The Board must be composed of nine members, appointed by the Secretary, consisting of agricultural producers, scientists, and individuals who provide private meteorology services.

The Secretary may make competitive grants to institutions and individuals to carry out research in all aspects of atmospheric sciences and climatology important to understanding, forecasting, and delivering agricultural weather information.

The Secretary must make grants to at least 10 eligible States to plan and administer advisory programs for State agricultural weather information systems.

Funds appropriated are to be allocated as follows:

- Between 15 and 25 percent each fiscal year for cooperative work with the National Weather Service.
- Fifteen to 25 percent to the CSRS for the competitive grants program.
- Twenty-five to 35 percent divided equally among States participating in the State Agricultural Weather Information System.
- The remainder for general use by the Agricultural Weather Office and ES in carrying out this program.

#### **Producing, Preparing, Processing, Handling, and Storing Agricultural Products Research**

The Secretary must set up a research program which will establish a statistical framework to (1) measure microbiological and chemical agents in or affecting agricultural products that seriously undermine product wholesomeness and fitness, (2) identify any microbiological or chemical agent within that framework, and (3) identify the means to avoid, control, or reduce such agents that affect agricultural products. The Secretary may award competitive grants for up to 5 years to persons and governmental entities carrying out research in these areas. Recipients are required to provide matching funds.

The Secretary must establish an advisory committee to set research priorities, evaluate grant applications for the research projects authorized above, and review the results of completed projects. After receiving the committee's recommendations on priorities for awarding research grants, the Secretary must publish them in the Federal Register together with a request for written comments. After a review of the comments, the Secretary must establish final research priorities by notice in the Federal Register. The Secretary must refer grant applications to the committee for its recommendations. The committee shall establish peer review panels to review the scientific and technical merits of those research proposals. The peer review panels will report their findings and recommendations to the committee. Both the committee and the panels are to identify whether proposals are for basic or applied research.

The Secretary must submit a report on the implementation of this subtitle by November 28, 1991, to the House and Senate agriculture committees. The Secretary must also submit an annual report to those committees regarding the research findings from projects financed by grants under this subtitle during the fiscal year, as well as any recommendations for implementing the research results.

### **Plant and Animal Pest and Disease Control Program**

This subtitle directs the Secretary to conduct research regarding integrated pest management. Integrated pest management is defined as a pest or disease population management system that uses all suitable techniques, such as biological and cultural controls as well as pesticides, in a total production system to anticipate and prevent pests and diseases from reaching economically damaging levels. This legislation does not limit or repeal the authority of the Administrator of the Environmental Protection Agency (EPA) to conduct research regarding integrated pest management mandated under the Federal Insecticide, Fungicide, and Rodenticide Act.

### **Data Base and Pesticide Resistance Monitoring**

The Secretary must establish and maintain a data base (by crop, animal, and pest or disease) on materials and methods of pest and disease control that are currently available to agricultural producers. The data base will also include information on the extent of pest or disease resistance as developed by an established mandatory national pesticide resistance monitoring program. Information in the data base must be made available through the National Agricultural Library and be provided annually to EPA.

### **Exotic Pests**

The Secretary is directed to expand research and grant programs designed to control infestations of exotic pests. Areas of ongoing research slated for expansion include the release of sterile insects and the development of safer pesticides. Special emphasis is given to the expansion of research capacity for developing new methods of pest control, including containment of pests for research purposes.

### **Biology and Behavior of Chinch Bugs**

The Secretary must set up a research and education program to study the biology and behavior of chinch bugs.

## **Alternative Agricultural Research and Commercialization**

Title XVI also authorizes research to modify agricultural commodities in order to develop and produce marketable products other than food, feed, or traditional forest or fiber products; to commercialize such products; to encourage cooperative development and marketing efforts among manufacturers, financiers, universities, and private and government laboratories; to focus research and commercialization efforts on products that can be raised by family-size agricultural producers; and to foster economic development in rural areas through the introduction of such products obtained from agricultural commodities.

### **Institutional Arrangements**

The Secretary must set up an Alternative Agricultural Research and Commercialization Center as an independent entity within USDA to carry out the purposes of this subtitle. The Secretary must also establish an Alternative Agricultural Research and Commercialization Board to supervise the Center and regional centers created by the subtitle. The Board's responsibilities include determining the areas of commercialization to receive high priority for assistance; reviewing grants, contracts, or cooperative agreements to be made by the Center; making the final decisions, by majority vote, on the award of assistance; establishing program policy, objectives, research and development, and commercialization priorities; and developing a budget plan and long-term operating plans.

The regional centers are to be created by the Board on a competitive basis, with matching funds, in two to six different States that reflect different climatic and rural economic conditions, but only if at least \$5 million has been appropriated for that fiscal year to carry out this subtitle. Their functions are similar to the Center, but with a regional focus.

The Board must also appoint an advisory council to advise the Board and regional centers on applications for assistance, to monitor the progress of ongoing projects and the operations of the regional centers, and to provide technical and business counseling to nonapplicants who are engaged in similar activities.

### **Research and Development Grants, Contracts, and Agreements**

Individuals and institutions are eligible to compete for grants, contracts, or cooperative agreements with the Center for a research, development, or demonstration project as provided in this section, subject to a peer-review process. At least two-thirds of project funding must be allocated to applicants who themselves commit substantial funding and support to the proposed project and who have agreements with U.S. commercial companies that also provide funds for the project and are involved in its commercialization. No more than 25 percent of funding may be devoted to projects that are concerned only with new nonfood, nonfeed products derived from animal sources.

The Center, with the Board's approval, may provide loans or loan insurance, interest payment subsidies, venture capital in the form of convertible debentures, or repayable matching grants to eligible entities for projects commercializing new nonfood, nonfeed products using agricultural commodities. Institutions of higher education, nonprofit organizations, cooperatives, and business concerns are eligible entities. Requirements similar to those governing applicants for grants, contracts, and cooperative agreements by the Center are also applied here.

### Alternative Agricultural Research and Commercialization Revolving Fund

The Secretary must establish a revolving fund in the U.S. Treasury to be known as the Alternative Agricultural Research and Commercialization Revolving Fund. The fund shall be available to the Center, without fiscal year limitation, to carry out the authorized programs and activities of the Center under this subtitle.

### **Miscellaneous Research Provisions**

Title XVI also includes the following miscellaneous provisions.

#### Biotechnology Risk Assessment Research

This program is intended to support environmental assessment research. This research will address general concerns about environmental effects of biotechnology and help regulators develop policies, as soon as practicable, concerning the introduction of such technology into the environment. Grants may be awarded to any public or private research or educational institution or organization for research designed to develop methods to monitor the dispersal of genetically engineered animals, plants, and microorganisms; to develop methods to contain such organisms once they are introduced into the environment; and to further existing knowledge of rates of gene transfer that may occur among genetically engineered and related wild and agricultural organisms. The Secretary must establish this program within CSRS and ARS. The Secretary must withhold at least 1 percent from USDA outlays devoted to biotechnology research for this program.

#### USDA Graduate School

Federal agencies or their major organizational units may enter into interagency, cost-reimbursable agreements with the USDA Graduate School for training and other incidental services.

#### Livestock Product Safety and Inspection Program

The CSRS special grants program may provide assistance to eligible entities on a 50-50 cost basis to help research institutions improve the efficiency and effectiveness of safety and inspection systems for livestock products. Assistance is to be provided equally, to the extent practicable, to eligible entities representing the beef, pork, lamb, poultry, and aquacultural industries. Eligible entities include land-grant colleges and universities, colleges and universities that demonstrate capability in the agricultural sciences, individual research institutions, or a consortia of such institutions.

#### Plant Genome Mapping Program

The Secretary will conduct a competitive research grants program aimed at supporting basic and applied research and technology development dealing with plant genome structure and function, providing U.S. leadership in biotechnology, and providing crop varieties that may be cultivated profitably without damaging the environment. A broad range of individuals and institutions is eligible to receive these competitive grants. The Secretary must submit to Congress a detailed plan for awarding these grants by February 26, 1991. The Secretary must also submit to Congress an annual report describing the operations of the program during the preceding fiscal year.

#### Specialized Research Programs

The Secretary is encouraged to fund research for the development of technology to ascertain the lean content of animal carcasses to be used for human consumption.

The ARS facility at Peoria, Illinois--to be referred to as the National Center for Agricultural Utilization Research--is authorized to enter into cooperative agreements, contracts, and the exchange of scientific information with the Department of Energy in order to carry out ethanol research.

The Secretary must conduct a research program to determine the presence of aflatoxin in the food and feed chains. Among other research areas to be covered are the safe levels for aflatoxin in the food and feed chains, various areas involving the development and assessment of control methods, the development of resistant plants, the improvement of sampling and analysis methods, the effect of aflatoxin on animal disease through immunosuppression, the interaction with other disease agents, and the economic consequences of aflatoxin contamination.

The Secretary must conduct a research program to develop enhanced production methods and commercial uses of mesquite through the awarding of competitive grants for up to 5 years to State agricultural experiment stations, colleges or universities, or a consortium of such entities. Grants are to be awarded for research on (1) the development of techniques to produce, from small-diameter, short-length, or otherwise irregular mesquite logs, solid-wood products useful as flooring, furniture parts, turning blanks, and other such uses as may have potential economic value; (2) the development of management techniques to improve stands for quality lumber production from mesquite; and (3) other methods to provide markets and commercialized mesquite as a cash crop.

The Secretary must conduct a research program to investigate enhanced genetic selection and processing techniques for prickly pears. Competitive grants for up to 5 years are to be awarded to investigate, through genetic selection, the development of prickly pear varieties with improved growth, freeze tolerance, and harvest characteristics; to develop techniques to produce and process prickly pears as a food source; and to investigate the nutritional value and health benefits of prickly pears.

The Secretary must set up a grant program for colleges and universities for research relating to immunoassay used to detect agricultural pesticide residues on agricultural commodities for human consumption, and to diagnose animal and plant diseases. The Secretary may give preference to those colleges and universities that already conduct research in this area.

Research and extension grants are authorized for the development of agricultural production and marketing systems to serve niche markets located in nearby metropolitan areas. Particular attention is to be given to areas with a high concentration of small farming operations that experience difficulty in delivering products to market because of geographic isolation.

The Secretary may establish a research program on the disease of scrapie in sheep and goats and may coordinate it with other programs dealing with encephalopathies, particularly spongiform encephalopathy in cattle.

The Secretary may conduct fundamental and applied research related to the development of new commercial products derived from natural plant materials for industrial, medical, and agricultural applications. The Secretary may participate with colleges and universities, other Federal agencies, and private sector entities in conducting such research.

#### Agricultural Telecommunications Program

The Secretary must set up a program intended to encourage the development and utilization of an agricultural communications network to facilitate and to strengthen agricultural extension, resident education and research, and domestic and international marketing of U.S. agricultural commodities and products through a partnership between eligible institutions and USDA. The network will employ

satellite and other telecommunications technology to disseminate and to share academic instruction, cooperative extension programming, agricultural research, and marketing information. The program's other objectives include training students for careers in agriculture and food industries, more interacting among leading agricultural scientists, enhancing the ability of U.S. agriculture to respond to environmental and food safety concerns, identifying new uses for farm commodities, and stimulating both domestic and foreign demand for U.S. agricultural products.

The program, administered by the Assistant Secretary for Science and Education, is to provide financial and technical assistance generally on a 50-50 cost basis to eligible institutions of higher education that distribute programs consistent with the program's objectives.

#### Commission on Agricultural Research Facilities

The Secretary must establish an Agricultural Research Facilities Planning and Closure Study Commission to review all currently operating and planned agricultural research facilities (including those of the Forest Service) that use Federal funding or are under the jurisdiction of the Secretary. The Commission must also identify those facilities that should be closed, realigned, consolidated, or modernized; develop recommendations concerning agricultural research facilities; and evaluate and recommend improvements of the system used by USDA to acquire and modernize agricultural research facilities.

The Commission must consist of 14 members, with 2 members who are private citizens or members of the Executive Branch appointed by the Secretary, and the remaining 12 appointments divided equally among the chairs of the Senate and House agriculture committees and the ranking minority member of each committee. The Commission may hold hearings and must submit a report concerning the findings and recommendations that it has been directed to develop within 240 days of enactment of the 1990 Act.

#### National Centers for Agricultural Product Quality Research

The Secretary must award competitive grants for the establishment of National Centers for Agricultural Product Quality Research. The Centers are to serve as focal points for regional or commodity-specific research and education dealing with agricultural product quality. The Centers will:

- Involve one or more university and Federal participants.
- Establish linkages between universities and other entities with expertise in basic biology and engineering, the development of new technology, the practical application of technology, and related quality assurance and regulatory activities.
- Develop and enhance explicit relationships (including the possible sharing of the cost of Center operations) between the research and development community, USDA and other Federal agencies, and the involved industries.
- Provide a mechanism for dealing with the safety and wholesomeness of new food products and processes that use biotechnology (including transgenic plants and animals).
- Provide continuing factual public information about agricultural product quality and wholesomeness.

- Build on existing institutional strengths and commitments in addressing these issues and in linking the efforts of the related public and private operating units.

The Centers are to be based regionally and are to conduct a broad spectrum of research, development, and education programs to assure the safety and wholesomeness of food. The primary institution involved in a Center shall be a land-grant college, but cooperating entities may be located in more than one State. The Centers are to involve multidisciplinary and interdisciplinary approaches and may include multi-institutional linkages between universities or related Federal laboratories. The Centers are to serve as a management focal point for grants that deal with agricultural product quality research, extension, and teaching and are to provide a mechanism for sharing resources between cooperating institutions. Each Center shall conduct research and education on the full spectrum of production, processing, transportation, and marketing for classes of commodities.

Grants may be made for up to 5 years, and may be renewed competitively with demonstration of adequate performance. USDA must develop a plan for the program and submit it to Congress for review at least every 3 years.

#### Reservation Extension Agents

The ES is directed to establish extension education programs on Indian reservations and tribal jurisdictions in consultation with the Bureau of Indian Affairs, the Intertribal Agriculture Council, and the Southwest Indian Agriculture Association. The programs are to be developed and delivered with the advice and counsel of reservation or tribal program advisory committees. A committee to give overall policy and program advice to the State Extension Director may be created by the Secretary at the Director's request with the assistance of the tribal authorities. Program advisory committees may also be formed to assist extension staff to develop and conduct program activities.

Extension agents are employed by and administratively responsible to CES of the State within which the reservation or tribal jurisdiction is located. The Secretary determines administrative responsibility when the jurisdiction spans more than one State. Agent and specialist staff must, insofar as possible, include representatives of the tribal group being served. Programs must emphasize training and employment of local people in positions such as program aides, master gardeners, and volunteers. Staffing at particular locations depends on the needs and priorities of that location, as identified by the advisory committees and the State Extension Director. The number of extension offices and their placement is to be determined jointly by the State Extension Directors and tribal authorities, taking into consideration the agricultural acreage, soil classification, and population of the reservation or tribal jurisdiction.

#### Special Grant To Study Constraints on Agricultural Trade

The Secretary is directed to provide at least two special grants to land-grant colleges and universities. These grants will be used to conduct a study evaluating the trade impacts of technical barriers, quality factors, and end-use characteristics in agricultural trade to determine the consistency of their impact among commodities. These studies must aim to identify and analyze the constraints related to end-use characteristics in trade and competition, to lessen the impacts of production and processing techniques, and to identify national and international public policy alternatives that might reduce the impact of such trade restrictions. The Secretary must ensure that the awarded grants provide for the joint development of the methodology and techniques between the recipients to meet the program's objectives. The Secretary shall report the results of the study grants within 18 months of enactment of the 1990 Act to House and Senate agriculture committees.

### Pilot Project for Food and Nutrition Education Programs

The Secretary must establish a 5-year pilot project to award competitive grants to at least two States for implementing plans providing for the full coordination of the conceptual design and delivery of food and nutrition education programs for potential participants within those States. The plans are to provide for the greatest possible coordination of these programs with related State programs.

### Technology Program To Assist Farmers with Disabilities

The Secretary, in consultation with appropriate Federal agencies, must make demonstration grants to support cooperative programs between State CES agencies and private nonprofit disability organizations to provide onfarm agricultural education and assistance directed at accommodating the disability of individuals and their families in farm-related occupations. Grants may be awarded to support programs serving individuals and their families and must be awarded directly to State CES agencies to enable them to enter into multiyear contracts with private nonprofit community-based direct-service organizations.

The Secretary must award a competitive grant to a national private nonprofit disability organization to enable it to provide technical assistance, training, information dissemination, and other activities to support community-based direct service programs of onsite rural rehabilitation as well as technology to assist individuals with disabilities, and their families, who are engaged in farm-related occupations.

### Research on Honeybee Diseases

It is the sense of Congress that the Secretary give priority attention to the funding of research regarding certain diseases that pose a threat to the continued well-being of the general honeybee population.

## **Title XVII—Food Stamp and Related Provisions**

Masao Matsumoto

Title XVII, which may be cited as the Mickey Leland Memorial Domestic Hunger Relief Act, contains provisions on the Food Stamp and Commodity Distribution Programs. The 1990 Act reauthorizes the Food Stamp Program and certain Federal commodity distribution programs; the instituted changes are generally of a minor nature. In essence, the various programs will continue to operate as they have in the last several years.

### **Food Stamp Program**

The Food Stamp Program (FSP) was established in 1964 to aid needy households with food purchases. The FSP was revamped in 1977 to better serve such households.

### **Food Stamp Eligibility and Benefits**

The 1990 Act amends several provisions of the Food Stamp Act of 1977 relating to eligibility requirements and benefits of the Food Stamp Program. Most of these amendments are related to special categories of FSP recipients.

Recipients of benefits for the blind, elderly, and/or disabled in the territories of Guam and the Virgin Islands may be treated as independent households when living in approved group living arrangements and may be allowed to use food stamps for meals served in the group house as well as in senior citizen centers, private establishments offering reduced price meals, and other approved facilities. U.S. residents currently have this opportunity.

The homeless are permitted to use food stamps at authorized restaurants that contract with State agencies to provide meals at concessional (reduced) rates, in addition to soup kitchens and homeless shelters.

The 1990 Act extends automatic or categorical eligibility to recipients of State or local general assistance (GA) benefits where the GA programs already meet standards set by the Secretary for automatic eligibility. The expansion to local general assistance recipients could be implemented up to 6 months after the expansion to State general assistance recipients. However, even if GA recipients were to be eligible for food stamps under this new provision, they may be ineligible for food stamps under other provisions of the Food Stamp Act of 1977, which disqualifies certain households from receiving benefits.

The 1990 Act extends the existing exclusion for income from all education loans, grants, and scholarships from income determination for food stamp eligibility purposes--if they are used for tuition and mandatory fees, or rental or purchase of equipment, materials, and supplies required to pursue a course of study; or they do not exceed the allowance determined by the school for books, transportation, and other miscellaneous personal expenses; and they include any origination fees or insurance premiums. The 1990 Act extends the educational use of such excludable funds for post-secondary education, schools for the handicapped, vocational training, and for other programs that provide for the completion of a secondary school diploma or an equivalent degree.

Any "back-to-school" clothing allowances provided by a State agency to a household may be excluded from income calculations for food stamp eligibility purposes. However, the Secretary may not permit such exclusion in States that reduce their Aid to Families with Dependent Children (AFDC) grants in the month such clothing allowances are provided.

Any household's medical expenses deducted from income for food stamp eligibility calculations must be based on reasonable estimates of expected medical expenses. Requiring further reporting of a change in medical expenses is prohibited if the change was anticipated in a certification period.

States must develop standards to identify resources that households will be unlikely to sell for a significant return. These resources are excluded from eligibility determination for food stamp purposes.

Emergency allotments to eligible households to replace food destroyed in a disaster are required. Replacement of the value of food actually lost cannot exceed the applicable maximum monthly allotment for the household size.

The Secretary is required to exclude the housing assistance payments made to a third party for transitional housing for a homeless person or a homeless family when determining their income for food stamp eligibility purposes except for an amount equal to 50 percent of AFDC's maximum shelter allowance.

Monthly reporting and retrospective budgeting for households that live on American Indian reservations are prohibited. Staggered issuance throughout the month on American Indian reservations is required.

Although students enrolled in higher education usually are not eligible for food stamps, student eligibility has been expanded to include students that are under 18 years of age or over 50, disabled, receiving AFDC, or assigned to an institution of higher learning by an employment and training program; full-time students who are single parents caring for children under 12 for whom adequate child care is not available; or students who are employed at least 20 hours a week or are participating in a "work-study" program.

#### Expanded Employment and Training Program

Each State must have an employment and training (E&T) program to assist food stamp recipients in obtaining skills, training, and experience to increase their chances of finding employment. The 1990 Act specifically includes literacy training and self-employment training as components of an E&T program. Nonliquid resources needed for a self-employment E&T component that is approved by a State are excluded from countable resources when determining financial assets. The performance standards implementation date is extended from April 1991 to October 1991. Two States are authorized to give priority in E&T to volunteers.

#### Electronic Benefit Transfer (EBT)

The FSP will continue to encourage the testing of the use of electronic benefit transfer (EBT) technology to determine the feasibility of using this technology to deliver monthly benefits. The Secretary must issue regulations by April 1, 1992, that establish standards to determine the economic and administrative feasibility of EBT equipment in retail outlets. Any State may implement an online EBT system with the prior approval of the Secretary. The Secretary will not approve an EBT system unless a sufficient number of eligible retail food stores in an area participate to ensure the following: service to minority-language populations, the choice among stores is not significantly reduced, competitive pricing by participating stores, and minimal increased transportation costs for participants. EBT systems must be cost effective and the capital expenditures and reasonable startup costs must be prorated. USDA may continue to conduct EBT demonstration projects.

## Miscellaneous Provisions

The 1990 Act requires that the minimum benefits a State agency can issue to a household participating in the FSP must be adjusted each October 1 to reflect the percentage change in the thrifty food plan (see Appendix II--Glossary), rounded to the nearest \$5. At present, the minimum benefit for a household of one or two persons is \$10.

The 1990 Act prohibits co-located wholesale-retailer food stores from being authorized to accept and redeem food stamp coupons as a retail food store unless a food wholesaler-retailer does a substantial level of retail food business, or the Secretary determines that failure to authorize the wholesaler-retailer to accept and redeem food stamp coupons would cause hardship to food stamp households.

The 1990 Act also contains a number of provisions to discourage and deter fraud and illegal trafficking of FSP coupons. If a store or concern sells firearms, ammunition, explosives, or controlled substances for coupons, the Secretary may permanently disqualify this store or concern from accepting food stamps. The Secretary is also permitted to impose a civil money penalty of up to \$20,000 for each violation instead of disqualification if the ownership or management did not know of, approve of, benefit from, or participate in violations. Fines may be imposed if a store or concern accepts food coupons not accompanied by a corresponding book cover. Any unauthorized third party who accepts food stamps may also be fined. New penalties for persons using authorization cards in an inappropriate manner are included. In addition, stiffer penalties are provided for a person who knowingly violates certain provisions if the value of the coupons or authorization cards exceeds \$5,000. The violator may be guilty of a felony and may be fined up to \$250,000 and imprisoned up to 20 years. The fines for felony trafficking are increased from \$10,000 to \$20,000.

## Administration

The 1990 Act includes a number of provisions to simplify and reduce the amount of paperwork necessary to apply for food stamps, including simplified instructions to applicants, standardized estimates for shelter costs for the homeless, aggregated allotments for households applying for food stamps under expedited service requirements, mail issuance in remote areas, and coordination of GA and FSP application forms in States where those programs are administered by the same agency. The Secretary may assign the Cooperative Extension Service to provide nutrition education to eligible households.

Provisions of the 1990 Act also reauthorize pilot demonstration projects to assess the benefits of a cash-out of FSP benefits for Social Security and elderly recipients and authorizes projects to evaluate the effects of (1) issuing aggregate allotments at intervals of up to 3 months, (2) excluding the value of licensed vehicles from the financial resources determination for FSP eligibility requirements, and (3) targeting outreach to increase participation among rural people, elderly, homeless, families with children, and non-English-speaking minorities. The Secretary cannot approve demonstration programs using another form of food assistance than coupons unless each participating household has its allotment increased to compensate for any State or local sales tax that may be collected in their area on these benefits and unless the tax on purchases of food is waived, or the Secretary determines that the increased allotment is unnecessary. The State agency conducting the demonstration project must pay the cost if allotments are increased.

Two other provisions authorize competitive grants for food stamp outreach activities and for developing cost effective ways to inform people eligible for food stamps about nutrition, resource management, and community nutrition education programs.

The 1990 Act also includes provisions to encourage FSP administration to be more closely coordinated with other welfare or assistance programs including AFDC, GA, and Social Security Insurance (SSI) to simplify application forms, audit procedures, and program activities.

#### Nutrition Assistance Program in Puerto Rico

The Nutrition Assistance Program (NAP) in Puerto Rico is a block grant program. Funds are intended to finance 100 percent of the food assistance provided to needy persons and 50 percent of the administrative expenses related to providing assistance to eligible Puerto Rican households. NAP was initiated in 1982 to replace the FSP in Puerto Rico. The Comptroller General (General Accounting Office) is required to conduct a study of the nutritional needs and the potential alternative means of providing nutritional assistance in Puerto Rico.

#### **Commodity Distribution Programs**

The 1990 Act reauthorizes various commodity programs through fiscal year 1995 and explicitly extends commodity assistance to hospitals and facilities caring for needy infants and children by identifying them as charitable institutions.

For the Commodity Supplemental Food Program (CSFP), the 1990 Act increases the portion of administrative funds based on the appropriation to 20 percent and discontinues the portion based on the value of donations. The CSFP may operate sites that serve only the elderly. The 1990 Act requires that CSFP provide adult participants and applicants with information on and referrals to other programs including food stamps, AFDC, Medicaid, child support enforcement, and SSI, and requires the program to provide State agencies with advanced warnings of price increases that are likely to cause participation declines.

The 1990 Act deletes the word "temporary" from the title of the Temporary Emergency Food Assistance Act of 1983 and extends the program through fiscal year 1995. The Emergency Food Assistance Program (TEFAP) must be given "equal" consideration with other commodity recipient agencies in the donation of surplus commodities owned by the Commodity Credit Corporation (CCC). The legislation allows the use of administrative funds at the local level for repackaging and processing.

The 1990 Act makes certain food bank demonstration projects permanent and includes food banks as recipient agencies represented on the National Commodity Distribution Advisory Council. It also changes commercial warehousing requirements to limit the requirements to child and elderly nutrition programs, excludes States in which no fees are charged for any aspect of warehousing or distribution, and requires that indirect and direct costs to recipients be compared with commercial costs to determine the most efficient and lowest cost system. A study by the Comptroller General regarding processing of entitlement commodities used in the child nutrition programs is required.

The 1990 Act extends the section regarding soup kitchen commodities of the Hunger Prevention Act of 1988 through fiscal year 1995. The 1990 Act reauthorizes two nutrition education programs. The

1990 Act specifically authorizes the distribution of 9 million pounds of cheese and 4 million pounds of nonfat dry milk to the Commodity Supplemental Food Program if CCC inventories permit. This distribution will take precedence over the distribution of these commodities to other programs, such as the National School Lunch Program.

The National Commodity Processing Program is extended through 1995. The Secretary is authorized to pay for all or a portion of the cost, as agreed on with the State distribution agency, of food or the processing or packaging of food on behalf of a State distribution agency pending receipt of reimbursement from the State. Pilot projects in no more than three States in 1992 and 1993 are required which allow Nutrition Programs for the Elderly that receive commodities rather than cash assistance to secure processed commodity products through the National Commodity Processing Program.

The Secretary may assist States and private nonprofit organizations in establishing a Gleaning Clearinghouse to collect unharvested crops from the fields of farmers, or to obtain agricultural products from farmers, processors, or retailers without charge. These products would then be distributed to needy individuals, including unemployed and low-income individuals.

The Secretary is required to study the school lunch program and report on the quantity of bonus commodities lost since 1988, charges for reduced price meals, and trends in school and student participation. The Secretary must also report on the cost to produce school lunches and breakfasts, reasons for a school's nonparticipation, State administrative costs for school programs, and reasons for nonparticipation by eligible children.

## **Title XVIII--Credit**

**Steven R. Koenig**

Title XVIII contains many provisions which amend the Consolidated Farm and Rural Development Act. The provisions affect agricultural lending policies and programs of the Farmers Home Administration (FmHA). A few provisions affect the Farm Credit System institutions by amending the Farm Credit Act of 1971.

Some provisions, and the authority to set future credit program funding levels, were amended by the 1990 Budget Act.

### **Farmers Home Administration Loans**

Title XVIII assists the transition of FmHA borrowers from insured (direct) loans to guaranteed loans, strengthens assistance to beginning farmers and ranchers, tightens debt-restructuring rules, and imposes further conservation requirements to the disposition of inventory property.

### **Farm Debt Restructuring**

This title modifies FmHA debt-restructuring rules granted to direct borrowers by the Agricultural Credit Act of 1987. Notices to farm borrowers with loan payments 180 days or more past due must now include a description of available debt settlement programs (loan buyout, leaseback, homestead protection) along with the currently supplied details on preservation loan-servicing programs (reduced interest rates, debt consolidation, reamortization, and debt writedowns). The time allowed for borrowers to apply for such programs increases from 45 days to 60 days; time allowed to process applications increases from 45 to 90 days.

Debt-restructuring rights (preservation loan-servicing and debt settlement programs) provided to borrowers by the 1987 Credit Act are curtailed by this legislation. Under the 1990 Act, borrowers are now ineligible for debt restructuring if they possess assets that are not already pledged as collateral, that are not essential for covering family living expenses or farm operating expenses, and that could be applied against the loan to make it current. Also, when determining the Government's net recovery value of a loan (value of collateral after subtracting estimated foreclosure expenses) for loan buyout or debt writedown purposes, equity in nonessential assets must be included in these debt-forgiveness calculations. These calculations must also include all assets on the security agreement, regardless if some assets are no longer on the farm or were disposed of without approval. Before the 1990 Act, it was possible to obtain farm debt-restructuring benefits without including certain nonfarm assets, equity, and farm collateral in the calculations, allowing some to reap unintended financial rewards.

When restructuring a borrower's loan(s), the Secretary must now assume a 5-percent debt-servicing margin (income exceeds expenses and debt payments by 5 percent). Before, no margin was required, which meant that, if a borrower's income fell slightly short of expectations, there would be insufficient income to repay all debts, causing the loan(s) to become delinquent once again.

### **Debt Settlement Limitations**

In order for borrowers with delinquent loan payments to be eligible to buy out (buy back) a loan at the Government's net recovery value or to lease back property lost to FmHA, borrowers are required to have acted in "good faith" when dealing with FmHA and their payment tardiness must have resulted from factors beyond their control. The "good faith" criteria are not to be applied to

homestead protection rights. Borrowers who do act in "good faith" are given 90 days instead of 45 days to execute a buyout. The credit title restricts leaseback and buyout rights to farm and ranch real estate and to the principal residence, taking these rights away from other FmHA indebted assets.

Debt buyouts must now carry a 10-year recapture agreement with the Secretary, instead of 2 years. The agreement requires the former borrower to repay any gain on real estate collateral sold within the period, thereby reducing the potential of a financial windfall to the former borrower. Recapture will now be calculated as the difference between the net recovery value and the fair market value of the property at the time of sale by the former borrower. The amount recaptured by the Secretary cannot exceed the principal and interest outstanding on the loan at the time of buyout. Recapture is not activated if the sale or transfer is to a spouse or child who is actively engaged in farming on the property and results from death or retirement of the former borrower.

To limit the potential for financial windfall and reduce the incentive to remain delinquent, borrowers with loans made after January 6, 1988, are limited to one lifetime debt buyout or writedown. Borrowers with loans made prior to January 6, 1988, and who have these loans restructured after that date become subject to the one-time limitation. Regardless of when the borrower's loan was made, lifetime debt forgiveness of principal and interest is now limited to \$300,000 per borrower. Prior legislation did not restrict the number of or the amount of debt forgiveness that a borrower could receive.

#### Disposition of Inventory Property

The credit title modifies rules governing the disposal of FmHA's inventory property. Farm real estate classified as suitable for an FmHA-eligible borrower must now be held in inventory for purchase by an eligible borrower for 1 year instead of 3 years. When selling suitable property, preference is to be given to beginning farmers and ranchers. When two or more applicants are eligible to purchase an inventory parcel, the Secretary will randomly select among the applicants. The credit title also grants persons leasing real property from FmHA that became inventory before January 6, 1988, the right to exercise purchase rights for 90 days after enactment of the 1990 Act.

An inventory farm or ranchland classified as suitable must now be priced at its appraised market value. Other property classifications can be sold at values determined by advertised bids or negotiated sales. With respect to inventory property once held by an Indian borrower within a reservation, the credit title grants tribal members, an Indian corporation, or the tribe the option to exercise purchase or leasing rights for up to 180 days after enactment of the 1990 Act. If the rights are not exercised, the land is transferred to the Secretary of the Interior.

#### Disposition of Inventory Property with Wetlands

In accordance with the conservation title of the Food Security Act of 1985, the Secretary must establish perpetual wetland conservation easements to protect and restore wetlands or converted wetlands that exist on inventory property. To avoid adverse effects on the productivity of cropland, conservation easements are to be limited to 10 percent of the existing cropland for wetlands that have been in cropland use and converted to that use prior to December 23, 1985, and to 20 percent of existing cropland on wetlands that have been frequently planted. For property with wetlands and a history of haying or grazing, conservation easements are required, but cannot exceed 50 percent of the parcel's existing forage lands. If establishment of easements would prevent an inventoried parcel from being suitable for sale or lease by a beginning farmer or rancher, then the easement size can be reduced.

### Cancellation of Debt for Conservation Easements

The credit title strengthens rules introduced by the Food Security Act of 1985 permitting cancellation of borrower debt in return for granting FmHA conservation easements for wetlands, upland areas, and highly erodible land associated with the loan. Existing direct FmHA borrowers with delinquent loans issued after December 25, 1985, and qualifying applicants purchasing suitable inventory property, can now apply. The amount of debt canceled is to be in the same proportion as the conservation easement's share of the total acreage securing the loan. For borrowers with delinquent loans, debt cancellation is not to exceed the value of the land acquired for the easement or the difference between the parcel's value and the amount owed against it; for new applicants, the cancellation is limited to 33 percent of the loan amount.

### Soil and Water Loan

The cap on soil and water loans has been lowered to \$50,000 per borrower. The caps were previously \$300,000 for guaranteed loans and \$200,000 for direct loans. For the first time, loans can be made at limited-resource (subsidized) interest rates. When issuing loans, priority is to be given to purposes that comply with the conservation title of the Food Security Act of 1985. The 1990 Act includes broader and more current definitions of conservation practices that qualify for such loans. These practices include installing conservation structures, including terraces, sod waterways, permanently vegetated stream borders and filter strips, windbreaks, shelterbelts, and living snow fences; establishing forest cover for sustained yield timber management and erosion control; establishing or improving permanent pasture; converting to and maintaining USDA approved sustainable agricultural production systems; as well as other approved soil and water conservation practices. Loans are not to be made for draining, dredging, filling, or otherwise altering an existing wetland as defined by the Food Security Act of 1985.

### Authorized Loan Amounts

Authorization levels for FmHA farmer loan programs were amended by the 1990 Budget Act. The 1990 Budget Act sets fiscal years 1991-95 funding levels for insured (direct) and guaranteed farm ownership and farm operating loan programs (table 3). However, actual lending authority for different programs each year is determined by a formula which specifies how much lending authority is to be transferred from insured to guaranteed lending. The amount transferred between farm ownership and operating loans is to be proportional to the original authorization.

For a given year, the formula specifies that if more than 70 percent of guaranteed loans in the previous fiscal year were issued to persons who had not previously received an insured loan, then the transfer of funding from insured to guaranteed loan programs must be reduced. The amount transferred is then multiplied by the ratio of persons not previously receiving a guaranteed loan or an insured loan, to the total number of borrowers issued guaranteed loans in the previous fiscal year. This formula reduces the funding transfer to guaranteed loan programs if the percentage of borrowers with guaranteed loans who are receiving assistance for the first time is very low.

### Credit Supervision

The credit title strengthens the credit supervision and the loan application process. FmHA is required to standardize the evaluation of loan applications and can now perform evaluations through contracted third parties. Borrowers may now be certified eligible for FmHA loans for up to 2 years by the county committee, instead of 1 year. Direct loans must now be reviewed at least biannually and guaranteed loans at least annually to assess the progress of a borrower in meeting the operation goals of the farm or ranch. Loan forms, credit terminology, and loan underwriting standards similar to

Table 3--FmHA authorization levels for farmer loan programs, fiscal years 1991-95

Type of loan	1991	1992	1993	1994	1995
<u>Million dollars</u>					
Direct (insured) loans:					
Farm operating	936	973	1,012	1,053	1,095
Farm ownership	83	87	90	94	97
Total direct loans	1,019	1,060	1,102	1,147	1,192
Guaranteed loans:					
Farm operating	2,412	2,509	2,609	2,713	2,822
Farm ownership	744	774	805	837	871
Total guaranteed loans	3,156	3,283	3,414	3,550	3,693
Annual authorization level transfer from direct to guarantee loan programs <u>1/</u>	482	614	760	859	907

1/ The amount the Secretary must transfer from direct to guaranteed funding. If more than 70 percent of guaranteed loans in the preceding fiscal year went to borrowers not previously receiving direct loans, then the transfer is reduced by the ratio of the number of guaranteed borrowers not previously receiving a direct or guaranteed loan to the total number of borrowers provided guaranteed loans. The amount transferred must be proportional to the original authorization shares for farm operating and farm ownership programs.

those used by private sector lenders are to be adopted. But, regulations for these are not to be issued until a study of their effects on borrowers is issued to Congress.

### Training

As a condition of receiving a direct or guaranteed loan, borrowers may now be required to undergo training on financial and farm management concepts, as determined by the county committee. The Secretary may contract with State or private providers of farm management services to provide the training. FmHA is required to provide county committee members annual training and supply them with a training manual covering laws and regulations.

### Limited-Resource Rates

Limited-resource interest rates (the subsidized rate available to the most needy borrowers, as determined by the Secretary) for direct farm ownership and farm operating loans are to be set at half of the current average yield on U.S. Government obligations having maturities of 5 years, but not set below 5 percent. The Secretary can add up to 1 additional percentage point to the calculated rate. Also, the Secretary is authorized to charge interest on interest payments that are less than 90 days past due.

### Assistance for Farm Ownership

Authority was given to appropriate \$2.5 million annually for fiscal years 1991 to 1995 to fund a farm ownership outreach program that will provide loans to help socially disadvantaged individuals purchase farms or ranches (see "Title XXV--Other Related Provisions"). The Secretary must extend for an additional year a demonstration project with the Farm Credit System that provides FmHA loan guarantees and reduced interest rates for the purchase of farmland held by the Farm Credit System.

### Guaranteed Loans Encouraged

The credit title contains provisions to facilitate better use of the guaranteed farm loan programs. To assist borrowers in graduating from insured (direct) loans to guaranteed loans supplied by private sector lenders, FmHA must establish a market placement program for borrowers who are able to graduate. Lenders participating in the loan guarantee programs are no longer required to fully liquidate a guaranteed loan to receive loss payments from FmHA. Partial liquidations can help the borrower avoid foreclosure, helping some borrowers remain in farming.

The Secretary must repeal the matching requirement of the Interest Rate Buydown Program. Borrowers can still receive interest rate writedowns on guaranteed loans of up to 4 percentage points, but lenders are no longer required to contribute half of the writedown. The period of interest rate assistance is no longer limited to 3 years and authority for the program extends through fiscal year 1995.

### **Other Provisions**

The credit title includes the following miscellaneous provisions.

#### Appraisals

If a borrower, based on an independent appraisal, objects to an FmHA appraisal, the borrower may request a third appraisal be completed by a mutually agreed upon independent appraiser. The borrower must cover half of this cost. The average of the two closest appraisals becomes the final appraisal value.

#### American Indian Land Acquisition

Annual appropriations for the Indian Tribe Land Acquisition loans for fiscal years 1991-95 increase from \$1 million to \$8 million. Funds are to be distributed on a reservationwide basis instead of a countywide basis. Loans become eligible for limited-resource interest rates.

#### State Farm Loan Mediation Programs

The credit title extends the authority of the Secretary to provide matching funding for State-sponsored farm loan mediation programs through fiscal year 1995.

#### "Bad Faith" and Normal Income Security

If a borrower sold a normal income security without approval prior to October 14, 1988, and used the proceeds for usual living and operating expenses, and if the borrower would have been eligible for release under current regulations, then the borrower is not considered to have acted in "bad faith" with FmHA.