H. R. 3111

To reform and reauthorize agricultural programs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 5, 2011

Mr. STUTZMAN introduced the following bill; which was referred to the Committee on Agriculture, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

A BILL

To reform and reauthorize agricultural programs, and for other purposes.

1 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the “Rural Economic Farm and Ranch Sustainability and Hunger Act of 2011” or the “REFRESH Act of 2011”.

(b) Table of Contents.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Definition of Secretary.
TITLE I—PRODUCER SAFETY NET

Subtitle A—Revenue-Based Safety Net

Sec. 1001. Aggregate risk and revenue management program.
Sec. 1002. Supplemental insurance.

Subtitle B—Federal Crop Insurance Program

Sec. 1201. Whole farm revenue insurance tools.
Sec. 1202. Insurance availability.
Sec. 1203. Crop insurance education assistance.

Subtitle C—Sugar Program Repeal

Sec. 1301. Repeal of sugar program.
Sec. 1302. Elimination of sugar price support and production adjustment programs.
Sec. 1303. Elimination of sugar tariff and over-quota tariff rate.
Sec. 1304. Application.

Subtitle D—Dairy Program Reform

PART I—DAIRY PRODUCER MARGIN PROTECTION AND DAIRY MARKET STABILIZATION PROGRAMS

Sec. 1401. Definitions.
Sec. 1402. Calculation of average feed cost and actual dairy producer margins.

SUBPART A—DAIRY PRODUCER MARGIN PROTECTION PROGRAM

Sec. 1411. Establishment of dairy producer margin protection program.
Sec. 1412. Eligibility and registration of dairy producers for margin protection program.
Sec. 1413. Production history and annual production quantity of participating dairy producers.
Sec. 1414. Basic margin protection.
Sec. 1415. Supplemental margin protection.
Sec. 1416. Effect of failure to pay administrative fees or premiums.
Sec. 1417. No payment limitations.

SUBPART B—DAIRY MARKET STabilIZATION PROGRAM

Sec. 1431. Establishment of dairy market stabilization program.
Sec. 1432. Threshold for implementation and reduction in dairy producer payments.
Sec. 1433. Producer milk marketings information.
Sec. 1434. Calculation and collection of reduced dairy producer payments.
Sec. 1435. Remitting monies to Commodity Credit Corporation.
Sec. 1436. Suspension of reduced payment requirement.
Sec. 1437. Audit requirements.
Sec. 1438. Board of directors.

SUBPART C—COMMODITY CREDIT CORPORATION

Sec. 1451. Use of Commodity Credit Corporation.

SUBPART D—DURATION
Sec. 1461. Duration.

PART II—FEDERAL MILK MARKETING ORDER REFORM

Sec. 1471. Required amendments to Federal milk marketing orders.
Sec. 1472. Amendment process.
Sec. 1473. Development of effective balancing programs for milk markets.
Sec. 1474. Study on elimination of milk marketing orders.

PART III—REPEAL OF SUPERSEDED PROVISIONS

Sec. 1481. Repeal of dairy product price support and milk income loss contract programs.
Sec. 1482. Repeal of permanent price support authority for milk.
Sec. 1483. Repeal of dairy export incentive program.
Sec. 1484. Effective date.

TITLE II—CONSERVATION

Subtitle A—Conservation Reserve Program

Sec. 2001. Conservation reserve program.
Sec. 2002. Pilot program for enrollment of wetland and buffer acreage in conservation reserve.
Sec. 2003. Duties of owners and operators.
Sec. 2006. Conversion of land subject to contract to other conserving uses.

Subtitle B—Easement Benefits Program

Sec. 2101. Easement benefits program.

Subtitle C—Working Land Program

Sec. 2201. Working land program.

Subtitle D—Other Conservation Programs

Sec. 2301. Other conservation programs of the Food Security Act of 1985.
Sec. 2303. Cooperative conservation partnership initiative.
Sec. 2304. Administrative requirements for conservation programs.
Sec. 2305. Repeal of healthy forests reserve program.

TITLE III—NUTRITION

Subtitle A—Supplemental Nutrition Assistance Program

Sec. 3001. Categorical eligibility limitations.
Sec. 3002. Repeal of funding for employment and training programs.
Sec. 3003. Repeal of incentive payments to States with low SNAP benefit allocation error rates.
Sec. 3004. Quality control.

Subtitle B—Extensions

Sec. 3101. Supplemental nutrition assistance program.
Sec. 3102. Commodity distribution programs.
Sec. 3103. Miscellaneous.

TITLE IV—ENERGY FROM RURAL AMERICA

Sec. 4001. Definitions.
Sec. 4002. Biobased markets program.
Sec. 4003. Biorefinery assistance.
Sec. 4004. Rural Energy for America Program.
Sec. 4005. Repeal of feedstock flexibility program for bioenergy producers.
Sec. 4006. Biomass Crop Assistance Program.
Sec. 4007. Rural energy savings program.

TITLE V—TECHNICAL IMPROVEMENTS TO RESEARCH

Sec. 5001. Matching fund requirement under McIntire-Stennis Cooperative Forestry Act.
Sec. 5002. Matching fund requirement under Hatch Act of 1887.
Sec. 5003. Matching fund requirement under Smith-Lever Act.
Sec. 5004. Biomass Research and Development Initiative.

1 SEC. 2. DEFINITION OF SECRETARY.

In this Act, the term “Secretary” means the Secretary of Agriculture.

TITLE I—PRODUCER SAFETY NET

Subtitle A—Revenue-Based Safety Net

SEC. 1001. AGGREGATE RISK AND REVENUE MANAGEMENT PROGRAM.

(a) In General.—Section 1105 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8715) is amended to read as follows:

“SEC. 1105. AGGREGATE RISK AND REVENUE MANAGEMENT PROGRAM.

“(a) DEFINITIONS.—In this section:
“(1) Alternative price.—The term ‘alternative price’ means an average of the price for each of the immediately preceding 4 years, as determined by the National Agricultural Statistics Service, for each crop for which the harvest price is unavailable.

“(2) ARRM.—The term ‘ARRM’ means the aggregate risk and revenue management program established under this section.

“(3) CRD.—The term ‘CRD’ means a crop reporting district, as determined by the National Agricultural Statistics Service.

“(4) Harvest price.—The term ‘harvest price’ means the harvest price determined by the Risk Management Agency.

“(b) Availability and Election of Alternative Approach.—

“(1) Availability of aggregate risk and revenue management payments.—With respect to all covered commodities and peanuts on a farm, during each of the 2013 through 2017 crop years, the Secretary shall give the operator, tenant, or sharecropper, as appropriate, on the farm an opportunity to make an annual election for all producers on the farm to receive aggregate risk and revenue
management payments under this section for the crop year for which the election is made.

“(2) LIMITATIONS.—

“(A) IN GENERAL.—The total number of planted acres for which the producers on a farm may receive ARRM payments under this section shall be equal to the total number of acres planted to all covered commodities and peanuts on the farm.

“(B) NATIVE SOD.—

“(i) IN GENERAL.—Native sod (as defined in section 508(o)(1) of the Federal Crop Insurance Act (7 U.S.C. 1508(o)(1))) acreage that is tilled for the purpose of producing an annual crop after the date of enactment of the Rural Economic Farm and Ranch Sustainability and Hunger Act of 2011 shall not be considered acreage planted to the covered commodity or peanuts for harvest on a farm in a crop year for purposes of making ARRM payments under this section during the first 5 crop years of planting.

“(ii) REQUIREMENT.—Ineligibility under clause (i) shall only apply to the ac-
tual acreage of native sod that was converted to crop production.

“(3) Election; time for election.—

“(A) In general.—The Secretary shall provide notice to the operators, tenants, or sharecroppers, as appropriate regarding the opportunity to make each of the elections described in paragraph (1).

“(B) Notice requirements.—The notice shall include—

“(i) notice of the opportunity of the operator, tenant, or sharecropper, as appropriate, on a farm to make the election; and

“(ii) information regarding the manner in which the election must be made and the time periods and manner in which notice of the election must be submitted to the Secretary.

“(4) Election deadline.—Within the time period and in the manner prescribed pursuant to paragraph (3), the operator, tenant, or sharecropper, as appropriate, on a farm shall submit to the Secretary notice of an election made under paragraph (1).
“(5) Effect of failure to make election.—If the operators, tenants, or sharecroppers, as appropriate, on a farm fail to make an election under paragraph (1) or fail to timely notify the Secretary of the election made, as required by paragraph (4), all of the producers on the farm shall be deemed to not have made the election described in paragraph (1), for the applicable crop years.

“(e) Payments Required.—

“(1) In general.—In the case of producers on a farm who make an election under subsection (b) to receive ARRM payments for any of the 2013 through 2017 crop years for all covered commodities and peanuts, the Secretary shall make ARRM payments available to the producers on a farm in accordance with this subsection.

“(2) ARRM payment.—

“(A) In general.—Subject to paragraph (3), in the case of producers on a farm described in paragraph (1), the Secretary shall make ARRM payments available to the producers on a farm for each crop year if—

“(i) the actual CRD revenue for the crop year for the covered commodity or
peanuts in the CRD determined under subsection (e); is less than

“(ii) the ARRM program guarantee for the crop year for the covered commodity or peanuts in the CRD determined under subsection (d).

“(B) INDIVIDUAL LOSS.—The Secretary shall make ARRM payments available to the producers on a farm in a CRD for a crop year only if (as determined by the Secretary)—

“(i) the actual farm revenue for the crop year for the covered commodity or peanuts, as determined under subsection (g); is less than

“(ii) the farm ARRM revenue guarantee for the crop year for the covered commodity or peanuts, as determined under subsection (f).

“(3) TIME FOR PAYMENTS.—In the case of each of the 2013 through 2017 crop years, the Secretary shall make ARRM payments beginning October 1, or as soon as practicable thereafter, after the date of determination of the harvest price for the covered commodity or peanuts.

“(d) ARRM PROGRAM GUARANTEE.—
“(1) CRD AMOUNT.—

“(A) IN GENERAL.—For purposes of subsection (c)(2)(A) and subject to subparagraphs (B) and (C), the ARRM program guarantee for a crop year for a covered commodity or peanuts in a CRD shall equal 90 percent of the CRD average revenue, as determined under subparagraph (B).

“(B) CRD AVERAGE REVENUE.—For purposes of subparagraph (A), the CRD average revenue shall be the average during the marketing years for the immediately preceding 5 crops of a covered commodity and peanuts, excluding the year in which the CRD revenue was the highest and the year in which the CRD revenue was the lowest in the period, of the product obtained by multiplying—

“(i) the CRD yield for the covered commodity or peanuts in a CRD determined under paragraph (2); and

“(ii) the harvest price or alternative price for the covered commodity or peanuts.

“(C) MINIMUM AND MAXIMUM GUARANTEE.—The ARRM program guarantee for a
crop year for a covered commodity or peanuts under subparagraph (A) shall not decrease or increase more than 10 percent from the guarantee for the preceding crop year.

“(D) **DOUBLE-CROPPED ACREAGE.**—Any crop subsequently planted on land determined for purposes of the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) to be prevented planted acreage shall not be included in calculating the ARRM program guarantee under subparagraph (A) or the actual farm revenue under subsection (g) unless the farm has a history of double-cropping and is located in a region in which double-cropping is an acceptable farming practice, as determined by the Secretary.

“(2) **ASSIGNED CRD YIELD.**—If the Secretary cannot establish the CRD yield for each planted acre for a crop year for a covered commodity or peanuts in a CRD in accordance with subparagraph (A) or if the yield determined under subparagraph (A) is an unrepresentative average yield for the CRD (as determined by the Secretary), the Secretary shall assign a CRD yield for each planted acre for the crop year for the covered commodity or peanuts in the CRD on the basis of—
“(A) previous average yields for a period of 5 crop years, excluding each of the crop years with the highest and lowest yields; or

“(B) CRD yields for planted acres for the crop year for the covered commodity or peanuts in similar CRDs.

“(3) CRDs WITH IRRIGATED AND NONIRRIGATED LAND.—In the case of a CRD in which at least 25 percent of the acreage planted to a covered commodity or peanuts in the CRD is irrigated and at least 25 percent of the acreage planted to the covered commodity or peanuts in the CRD is not irrigated, the Secretary shall calculate a separate ARRM program guarantee for the irrigated and nonirrigated areas of the CRD for the covered commodity or peanuts.

“(e) ACTUAL CRD REVENUE.—

“(1) IN GENERAL.—For purposes of subsection (c)(2)(A), the amount of the actual CRD revenue for a crop year of a covered commodity or peanuts shall equal the product obtained by multiplying—

“(A) the actual CRD yield for each planted acre for the crop year for the covered commodity or peanuts determined under paragraph (2); and
“(B) the national average harvest price or alternative price received by producers for the crop year for the covered commodity or peanuts as determined by the Risk Management Agency.

“(2) Actual CRD Yield.—For purposes of paragraph (1)(A), the actual CRD yield for each planted acre for a crop year for a covered commodity or peanuts in a CRD shall equal (as determined by the Secretary)—

“(A) the quantity of the covered commodity or peanuts that is produced in the CRD during the crop year; divided by

“(B) the number of acres that are planted to the covered commodity or peanuts in the CRD during the crop year.

“(f) Farm ARRM Revenue Guarantee.—

“(1) In general.—For purposes of subsection (c)(2)(B), the farm ARRM revenue guarantee for the crop year for a covered commodity or peanuts shall equal 90 percent of the average farm revenue as determined under paragraph (2).

“(2) Average farm revenue.—The average farm revenue shall be equal to the sum obtained by adding—
“(A) the average during the marketing years for the immediately preceding 5 crops of a covered commodity and peanuts, excluding the year in which the farm revenue was the highest and the year in which the farm revenue was the lowest in the period, of the product obtained by multiplying—

“(i) the actual production history, as determined using production records and data of the Risk Management Agency; and

“(ii) the harvest price or alternative price for the covered commodity or peanuts in a CRD; and

“(B) the amount of the per acre crop insurance premium required to be paid by the producers on the farm for the applicable crop year for the covered commodity or peanuts on the farm.

“(g) ACTUAL FARM REVENUE.—For purposes of subsection (c)(2)(B) and except as provided in subsection (d)(1)(C), the amount of the actual farm revenue for a crop year for a covered commodity or peanuts shall equal the amount determined by multiplying—

“(1) the actual yield for the covered commodity or peanuts of the producers on the farm; and
“(2) the national average harvest price or alternative price for the crop year for the covered commodity or peanuts.

“(h) PAYMENT AMOUNT.—If ARRM payments are required to be paid for any of the 2013 through 2017 crop years of a covered commodity or peanuts under this section, the amount of the ARRM payment to be paid to the producers on the farm for the crop year under this section shall be equal to the product obtained by multiplying—

“(1) the lesser of—

“(A) the difference between—

“(i) the ARRM program guarantee for the crop year for the covered commodity or peanuts in the CRD determined under subsection (d); and

“(ii) the actual CRD revenue from the crop year for the covered commodity or peanuts in the CRD determined under subsection (e); and

“(B) 15 percent of the ARRM program guarantee for the crop year for the covered commodity or peanuts in the CRD determined under subsection (d);
“(2) 85 percent of the acreage planted to the covered commodity or peanuts for harvest on the farm in the crop year; and

“(3) the quotient obtained by dividing—

“(A) the actual production history for the covered commodity or peanuts of the producers on the farm, as determined using production records and data of the Risk Management Agency; and

“(B) the assigned CRD yield for each planted acre for the crop year for the covered commodity or peanuts in a CRD, as determined under subsection (d)(2).

“(i) CROP REPORTING DISTRICT ASSESSMENT.—The Secretary shall review CRDs in western States that have 7 or fewer CRDs to assess whether additional CRDs in the States are necessary.”.

(b) CONFORMING AMENDMENTS.—

(1) REPEAL OF DIRECT AND COUNTER-CYCLICAL PAYMENTS FOR COVERED COMMODITIES AND PEANUTS.—

(A) IN GENERAL.—Sections 1103, 1104, 1303, and 1304 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8713, 8714, 8753, 8754) are repealed.
(B) APPLICATION.—The amendments made by paragraph (1) apply beginning with the 2013 crop year.

(2) PERIOD OF EFFECTIVENESS.—Section 1109 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8719) is amended by striking “2012” and inserting “2017”.

(3) SUSPENSION OF PERMANENT PRICE SUPPORT AUTHORITY.—Section 1602 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8782) is amended—

(A) by striking “through 2012” each place it appears and inserting “through 2017”; and

(B) by striking “December 31, 2012” each place it appears and inserting “December 31, 2017”.

(4) TECHNICAL AMENDMENTS.—

(A) Section 1001 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8702) is amended by striking paragraph (1) and inserting the following:

“(1) AGGREGATE RISK AND REVENUE MANAGEMENT PAYMENT.—The term ‘aggregate risk and revenue management payment’ means a payment made to producers on a farm under section 1105.”
(B) Section 1101(d)(1) of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8711(d)(1)) is amended by striking “average crop revenue election” and inserting “aggregate risk and revenue management”.

(C) Section 1106 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8716) is amended by striking “average crop revenue election” each place it appears in subsections (a)(1), (b), and (e) and inserting “aggregate risk and revenue management”.

(D) Section 1302(d)(1) of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8752(d)(1)) is amended by striking “average crop revenue election” and inserting “aggregate risk and revenue management”.

(E) Section 1305 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8755) is amended by striking “average crop revenue election” each place it appears in subsections (a)(1), (b), and (e) and inserting “aggregate risk and revenue management”.

(F) Section 1001 of the Food Security Act of 1985 (7 U.S.C. 1308) is amended—
(i) by striking “ACRE” each place it appears in the headings of subsections (b) and (c) and inserting “ARRM”; and

(ii) by striking “ACRE” each place it appears in the headings of paragraph (3) of subsections (b) and (c) and inserting “ARRM”; and

(iii) by striking “average crop revenue election” each place it appears in subsections (b) and (c) and inserting “aggregate risk and revenue management”.

(G) Section 1001D of the Food Security Act of 1985 (7 U.S.C. 1308–3a) is amended—

(i) in subsection (b)(C)(i), by striking “average crop revenue election” and inserting “aggregate risk and revenue management”; and

(ii) in subsection (f), by striking “2012” and inserting “2017”.

SEC. 1002. SUPPLEMENTAL INSURANCE.

(a) In General.—Section 508(c)(4) of the Federal Crop Insurance Act (7 U.S.C. 1508(c)(4)) is amended—

(1) by striking “The level of coverage” and inserting the following:
“(A) Basic Coverage.—The level of coverage’’;

(2) by striking “Not later than” and inserting the following:

“(B) Provision of Information.—Not later than”; and

(3) by adding at the end the following:

“(C) Supplemental Coverage.—

“(i) In General.—Notwithstanding paragraph (3) and subparagraph (A), the Corporation may offer supplemental coverage, based on an area yield and loss basis, to cover that portion of a crop loss not covered under the individual yield and loss basis plan of insurance of a producer, including any revenue plan of insurance with coverage based in part on individual yield and loss.

“(ii) Limitation.—The sum of the indemnity paid to the producer under the individual yield and loss plan of insurance and the supplemental coverage may not exceed 100 percent of the loss incurred by the producer for the crop.
“(iii) Administrative and operating expense reimbursement.—Notwithstanding subsection (k)(4), the reimbursement rate for approved insurance providers for the supplemental coverage shall equal 6 percent of the premium used to define the loss ratio.

“(iv) Direct coverage.—If the Corporation determines that it is in the best interests of producers, the Corporation may offer supplemental coverage as a Corporation endorsement to existing plans and policies of crop insurance authorized under this title.

“(v) Payment of portion of premium by Corporation.—Notwithstanding subsection (e), the amount of the premium to be paid by the Corporation for supplemental coverage offered pursuant to this subparagraph shall be determined by the Corporation, but may not exceed the sum of—

“(I) 50 percent of the amount of premium established under subsection
(d)(2)(C)(i) for the coverage level selected; and

“(II) the amount determined under subsection (d)(2)(C)(ii) for the coverage level selected to cover operating and administrative expenses.”.

(b) CONFORMING AMENDMENTS.—Section 508(d)(2) of the Federal Crop Insurance Act (7 U.S.C. 1508(d)(2)) is amended—

(1) in the matter preceding subparagraph (A), by striking “additional coverage” and inserting “additional and supplemental coverages”; and

(2) by adding at the end the following:

“(C) In the case of supplemental coverage offered under subsection (c)(4)(C), the amount of the premium shall—

“(i) be sufficient to cover anticipated losses and a reasonable reserve; and

“(ii) include an amount for operating and administrative expenses, as determined by the Corporation on an industry-wide basis as a percentage of the amount of the premium used to define loss ratio.”.
Subtitle B—Federal Crop Insurance Program

SEC. 1201. WHOLE FARM REVENUE INSURANCE TOOLS.

(a) Establishment.—Section 508(c) of the Federal Crop Insurance Act (7 U.S.C. 1508(c)) is amended by adding at the end the following:

“(11) Whole farm insurance plan.—The Corporation shall offer a whole farm insurance plan that allows a producer to qualify for an indemnity if actual gross farm revenue is below 80 percent of the average gross farm revenue of the producer.”.

(b) Adjusted Gross Revenue Insurance Pilot Program.—Section 523(e) of the Federal Crop Insurance Act (7 U.S.C. 1523(e)) is amended—

(1) in paragraph (1), by striking “2004” and inserting “2014”;

(2) in paragraph (2), by striking subparagraph (A) and inserting the following:

“(A) in general.—In addition to counties otherwise included in the pilot program, the Corporation shall include in the pilot program for each of the 2010 through 2014 reinsurance years all States and counties that meet the criteria for selection (pending required rating), as determined by the Corporation.”; and
(3) by adding at the end the following:

“(3) ELIGIBLE PRODUCERS.—The Corporation shall permit the producer of any type of agricultural commodity (including a producer of specialty crops, floricultural, ornamental nursery, and Christmas tree crops, turfgrass sod, seed crops, aquacultural products (including ornamental fish), sea grass and sea oats, and industrial crops) to participate in a pilot program established under this subsection.”.

SEC. 1202. INSURANCE AVAILABILITY.

(a) CONDUCTING RESEARCH AND DEVELOPMENT.—Section 522(c) of the Federal Crop Insurance Act (7 U.S.C. 1522(c)) is amended—

(1) in the subsection heading, by striking “CONTRACTING”;

(2) in paragraph (1), in the matter preceding paragraph (A), by striking “enter into contracts to carry out research and development to” and inserting “conduct activities or enter into contracts to carry out research and development to maintain or improve existing policies or develop new policies to”;

(3) in paragraph (2)—

(A) in subparagraph (A), by inserting “conduct research and development or” after “The Corporation may”; and
(B) in subparagraph (B), by inserting “conducting research and development or” after “Before”; and

(4) in paragraph (5), by inserting “after expert review in accordance with section 505(e)” after “approved by the Board”.

(b) FUNDING.—Section 522(e) of the Federal Crop Insurance Act (7 U.S.C. 1522(e)) is amended—

(1) in paragraph (2)—

(A) in the paragraph heading, by striking “CONTRACTING” and inserting “CONDUCTING AND CONTRACTING FOR RESEARCH AND DEVELOPMENT”;

(B) in subparagraph (A), by inserting “conduct research and development and” after “the Corporation may use to”; and

(C) in subparagraph (B), by inserting “conduct research and development and” after “for the fiscal year to”;

(2) in paragraph (3), in the matter preceding subparagraph (A), by striking “to provide either re-imbursement payments or contract payments under this section for a fiscal year is not needed for such purposes” and inserting “for a fiscal year is not
needed for the purposes for which the amount was
made available’’; and
(3) by striking paragraph (4).

SEC. 1203. CROP INSURANCE EDUCATION ASSISTANCE.
Section 524(a)(3) of the Federal Crop Insurance Act
(7 U.S.C. 1524(a)(3)) is amended—
(1) in subparagraph (B), by striking ‘‘A grant’’
and inserting ‘‘Subject to subparagraph (E), a
grant’’; and
(2) by adding at the end the following:
‘‘(E) ALLOCATION TO STATES.—The Sec-
retary shall allocate funds made available to
carry out this subsection for each fiscal year in
a manner that ensures that grants are provided
to eligible entities in States based on the ratio
that the value of agricultural production of each
State bears to the total value of agricultural
production in all States, as determined by the
Secretary.’’.

Subtitle C—Sugar Program Repeal
SEC. 1301. REPEAL OF SUGAR PROGRAM.
Section 156 of the Federal Agriculture Improvement
and Reform Act of 1996 (7 U.S.C. 7272) is repealed.
SEC. 1302. ELIMINATION OF SUGAR PRICE SUPPORT AND PRODUCTION ADJUSTMENT PROGRAMS.

(a) In General.—Notwithstanding any other provision of law—

(1) a processor of any of the 2013 or subsequent crops of sugarcane or sugar beets shall not be eligible for a loan under any provision of law with respect to the crop; and

(2) the Secretary of Agriculture may not make price support available, whether in the form of a loan, payment, purchase, or other operation, for any of the 2013 and subsequent crops of sugar beets and sugarcane by using the funds of the Commodity Credit Corporation or other funds available to the Secretary.

(b) Termination of Marketing Quotas and Alotments.—

(1) In General.—Part VII of subtitle B of title III of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359aa et seq.) is repealed.

(2) Conforming Amendment.—Section 344(f)(2) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1344(f)(2)) is amended by striking “sugar cane for sugar, sugar beets for sugar,”.

(c) General Powers.—
(1) Section 32 Activities.—Section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), is amended in the second sentence of the first paragraph—

(A) in paragraph (1), by inserting “(other than sugar beets and sugarcane)” after “commodities”; and

(B) in paragraph (3), by inserting “(other than sugar beets and sugarcane)” after “commodity”.

(2) Powers of Commodity Credit Corporation.—Section 5(a) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714c(a)) is amended by inserting “, sugar beets, and sugarcane” after “tobacco”.

(3) Price Support for Nonbasic Agricultural Commodities.—Section 201(a) of the Agricultural Act of 1949 (7 U.S.C. 1446(a)) is amended by striking “milk, sugar beets, and sugarcane” and inserting “, and milk”.

(4) Commodity Credit Corporation Storage Payments.—Section 167 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7287) is repealed.

(5) Suspension and Repeal of Permanent Price Support Authority.—Section 171(a)(1) of
the Federal Agriculture Improvement and Reform
Act of 1996 (7 U.S.C. 7301(a)(1)) is amended—

(A) by striking subparagraph (E); and

(B) by redesignating subparagraphs (F) through (I) as subparagraphs (E) through (H), respectively.

(6) STORAGE FACILITY LOANS.—Section 1402(c) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7971) is repealed.

(d) TRANSITION PROVISIONS.—This section and the amendments made by this section shall not affect the liability of any person under any provision of law as in effect before the application of this section and the amendments made by this section.

SEC. 1303. ELIMINATION OF SUGAR TARIFF AND OVER-QUOTA TARIFF RATE.

(a) ELIMINATION OF TARIFF ON RAW CANE SUGAR.—Chapter 17 of the Harmonized Tariff Schedule of the United States is amended by striking subheadings 1701.11 through 1701.11.50 and inserting in numerical sequence the following new subheading, with the article description for such subheading having the same degree of indentation as the article description for subheading 1701.11, as in effect on the day before the date of the enactment of this section:
(b) Elimination of Tariff on Beet Sugar.—Chapter 17 of the Harmonized Tariff Schedule of the United States is amended by striking subheadings 1701.12 through 1701.12.50 and inserting in numerical sequence the following new subheading, with the article description for such subheading having the same degree of indentation as the article description for subheading 1701.12, as in effect on the day before the date of the enactment of this section:

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t  1701.12.00  Beet sugar ....................................... Free  42.05¢/kg
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(e) Elimination of Tariff on Certain Refined Sugar.—Chapter 17 of the Harmonized Tariff Schedule of the United States is amended—

(1) by striking the superior text immediately preceding subheading 1701.91.05 and by striking subheadings 1701.91.05 through 1701.91.30 and inserting in numerical sequence the following new subheading, with the article description for such subheading having the same degree of indentation as the article description for subheading 1701.12.05, as in effect on the day before the date of the enactment of this section:

```
t  1701.91.02  Containing added coloring but not containing added flavoring matter ......................................... Free  42.05¢/kg
```

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(2) by striking subheadings 1701.99 through 1701.99.50 and inserting in numerical sequence the following new subheading, with the article description for such subheading having the same degree of indentation as the article description for subheading 1701.99, as in effect on the day before the date of the enactment of this section:

```
1701.99.00 | Other ............................................... Free | 42.05¢/kg |
```

(3) by striking the superior text immediately preceding subheading 1702.90.05 and by striking subheadings 1702.90.05 through 1702.90.20 and inserting in numerical sequence the following new subheading, with the article description for such subheading having the same degree of indentation as the article description for subheading 1702.60.22:

```
1702.90.02 | Containing soluble non-sugar solids (excluding any foreign substances, including but not limited to molasses, that may have been added to or developed in the product) equal to 6 percent or less by weight of the total soluble solids ......................... Free | 42.05¢/kg |
```

and

(4) by striking the superior text immediately preceding subheading 2106.90.42 and by striking subheadings 2106.90.42 through 2106.90.46 and inserting in numerical sequence the following new subheading, with the article description for such sub-
heading having the same degree of indentation as
the article description for subheading 2106.90.39:

```
| 2106.90.40 | Syrups derived from cane or beet sugar, containing added coloring but not added flavoring matter ....... Free 42.50¢/kg |
```

(d) CONFORMING AMENDMENT.—Chapter 17 of the Harmonized Tariff Schedule of the United States is amended by striking additional U.S. note 5.

(e) ADMINISTRATION OF TARIFF-RATE QUOTAS.—Section 404(d)(1) of the Uruguay Round Agreements Act (19 U.S.C. 3601(d)(1)) is amended—

(1) by inserting “or” at the end of subparagraph (B);

(2) by striking “; or” at the end of subparagraph (C) and inserting a period; and

(3) by striking subparagraph (D).

(f) EFFECTIVE DATE.—The amendments made by this section apply with respect to goods entered, or withdrawn from warehouse for consumption, on or after the 15th day after the date of the enactment of this Act.

SEC. 1304. APPLICATION.

Except as otherwise provided in this subtitle, this subtitle and the amendments made by this subtitle shall apply beginning with the 2013 crop of sugar beets and sugarcane.
Subtitle D—Dairy Program Reform

PART I—DAIRY PRODUCER MARGIN PROTECTION AND DAIRY MARKET STABILIZATION PROGRAMS

SEC. 1401. DEFINITIONS.

In this part:

(1) Actual dairy producer margin.—The term “actual dairy producer margin” means the difference between the all-milk price and the average feed cost, as calculated under section 1402.

(2) All-milk price.—The term “all-milk price” means the average price received, per hundredweight of milk, by dairy producers for all milk sold to plants and dealers in the United States, as reported by the National Agricultural Statistics Service.

(3) Annual production quantity.—The term “annual production quantity” means the quantity of annual milk marketings determined for a dairy producer under section 1413(b) for each year in which the dairy producer participates in the margin protection program.

(4) Average feed cost.—The term “average feed cost” means the average cost of feed used by a dairy operation to produce a hundredweight of
milk, determined under section 1402 using the sum of the following:

(A) The product determined by multiplying 1.192 by the price of corn per bushel.

(B) The product determined by multiplying 0.00817 by the price of soybean meal per ton.

(C) The product determined by multiplying 0.0152 by the price of alfalfa hay per ton.

(5) BOARD OF DIRECTORS.—The term “board of directors” means the board of directors appointed by the Secretary under section 1438.

(6) CONSECUTIVE TWO-MONTH PERIOD.—The term “consecutive two-month period” refers to the two-month period consisting of the months of January and February, March and April, May and June, July and August, September and October, or November and December, respectively.

(7) DAIRY PRODUCER.—The term “dairy producer” means an individual or entity that directly or indirectly (as determined by the Secretary)—

(A) shares in the risk of producing milk;

and

(B) makes contributions (including land, labor, management, equipment, or capital) to the dairy operation of the individual or entity
that are at least commensurate with the share
of the individual or entity of the proceeds of the
operation.

(8) Handler.—

(A) In general.—The term “handler”
means a person making payment to a dairy pro-
ducer for milk produced in the United States
and marketed for commercial use.

(B) Producer-handler.—The term in-
cludes a producer-handler.

(9) Margin protection program.—The term
“margin protection program” means the dairy pro-
ducer margin protection program required by sub-
part A.

(10) Participating dairy producer.—The
term “participating dairy producer” means a dairy
producer that—

(A) registers under section 1412(b) to par-
ticipate in the margin protection program under
subpart A; and

(B) as a result of such registration, also
participates in the stabilization program under
subpart B.

(11) Production history.—The term “pro-
duction history” means the quantity of annual milk
marketings determined for a dairy producer under section 1413(a).

(12) **SECRETARY.**—The term “Secretary” means the Secretary of Agriculture.

(13) **STABILIZATION PROGRAM.**—The term “stabilization program” means the dairy market stabilization program required by subpart B for all participating dairy producers.

(14) **STABILIZATION PROGRAM BASE.**—The term “stabilization program base”, with respect to a participating dairy producer, means the stabilization program base calculated for the producer under section 1431(b).

(15) **UNITED STATES.**—The term “United States”, in a geographical sense, means the 50 States.

**SEC. 1402.** **CALCULATION OF AVERAGE FEED COST AND ACTUAL DAIRY PRODUCER MARGINS.**

(a) **CALCULATION OF AVERAGE FEED COST.**—The Secretary shall calculate the national average feed cost for each month using the following data:

(1) The price of corn for a month shall be the price received during that month by farmers in the United States for corn, as reported by the National Agricultural Statistics Service.
(2) The price of soybean meal for a month shall be the central Illinois price for soybean meal, as reported by the Agricultural Marketing Service.

(3) The price of alfalfa hay for a month shall be the price received during that month by farmers in the United States for alfalfa hay, as reported by the National Agricultural Statistics Service.

(b) Calculation of Actual Dairy Producer Margins.—

(1) Margin Protection Program.—For use in the margin protection program under subpart A, the Secretary shall calculate the actual dairy producer margin for each consecutive two-month period by subtracting—

(A) the average feed cost for that consecutive two-month period, determined in accordance with subsection (a); from

(B) the all-milk price for that consecutive two-month period.

(2) Stabilization Program.—For use in the stabilization program under subpart B, the Secretary shall calculate (not later than 20th of each month) the actual dairy producer margin for the preceding month by subtracting—
(A) the average feed cost for that preceding month, determined in accordance with subsection (a); from

(B) the all-milk price for that preceding month.

**Subpart A—Dairy Producer Margin Protection Program**

**SEC. 1411. ESTABLISHMENT OF DAIRY PRODUCER MARGIN PROTECTION PROGRAM.**

The Secretary shall establish and administer a dairy producer margin protection program for the purpose of protecting dairy producer income by paying participating dairy producers—

(1) basic margin protection payments when actual dairy producer margins are less than the threshold levels for such payments; and

(2) supplemental margin protection payments if purchased by a participating dairy producer.

**SEC. 1412. ELIGIBILITY AND REGISTRATION OF DAIRY PRODUCERS FOR MARGIN PROTECTION PROGRAM.**

(a) **Eligibility.**—All dairy producers in the United States are eligible to participate in the margin protection program, except that a dairy producer must be registered with the Secretary before the producer may receive—
(1) basic margin protection payments under section 1414; and

(2) if the dairy producer purchases supplemental margin protection under section 1415, supplemental margin protection payments under such section.

(b) Registration Process.—

(1) In general.—The Secretary shall register all interested dairy producers in the margin protection program. The Secretary shall specify the manner and form by which a dairy producer must register.

(2) Treatment of Multi-producer Operations.—If a dairy operation consists of more than one dairy producer, all of the dairy producers of the operation shall be treated as a single dairy producer for purposes of—

(A) registration to receive basic margin protection and purchase supplemental margin protection;

(B) payment of the administrative fee under subsection (d) and producer premiums under section 1415; and

(C) participation in the stabilization program under subpart B.
(3) Treatment of producers with multiple dairy operations.—If a dairy producer operates two or more dairy operations, each dairy operation of the producer shall require a separate registration to receive basic margin protection and purchase supplemental margin protection. Only those dairy operations so registered shall be subject to the stabilization program.

(e) Time for Registration.—

(1) Existing dairy producers.—During the one-year period beginning on the date of the enactment of this Act, a dairy producer that is actively engaged in a dairy operation as of such date may register with the Secretary—

(A) to receive basic margin protection; and

(B) if the producer elects, to purchase supplemental margin protection.

(2) New entrants.—A dairy producer that has no existing interest in a dairy operation as of the date of the enactment of this Act, but that, after such date, establishes a new dairy operation, may register with the Secretary during the 180-day period beginning on the date on which the dairy operation first markets milk commercially—

(A) to receive basic margin protection; and
(B) if the producer elects, to purchase supplemental margin protection.

(d) **Administrative Fee for Registration.**

(1) **Administrative Fee Required.**—A dairy producer shall pay an administrative fee under this subsection to register for the margin protection program. The participating dairy producer shall pay the administrative fee annually thereafter to remain registered for the margin protection program.

(2) **Fee Amount.**—The administrative fee for a dairy producer shall be as follows:

(A) If the dairy producer marketed less than 10 million pounds of milk in the previous calendar year, the administrative fee shall be equal to $100.

(B) If the dairy producer marketed between 10 million and 40 million pounds of milk in the previous calendar year, the administrative fee shall be equal to $400.

(C) If the dairy producer marketed more than 40 million pounds of milk in the previous calendar year, the administrative fee shall be equal to $1,000.

(e) **Reconstitution.**—The Secretary shall ensure that a dairy producer does not reconstitute a dairy oper-
ation for the sole purpose of receiving basic margin protec-
tion, purchasing supplemental margin protection, or avoid-
ing participation in the stabilization program.

SEC. 1413. PRODUCTION HISTORY AND ANNUAL PRODUC-
TION QUANTITY OF PARTICIPATING DAIRY
PRODUCERS.

(a) Determination of Production History.—

(1) Determination Required.—The Secretary shall determine the production history of the
dairy operation of each participating dairy producer
in the margin protection program.

(2) Calculation.—Except as provided in
paragraph (3), the production history of a participat-
ing dairy producer is equal to the highest annual
milk marketings of the dairy producer during any
one of the three calendar years immediately pre-
ceding the dairy producer’s registration for partici-
pation in the margin protection program.

(3) New Producers.—If a dairy producer has
been in operation for less than a year, the Secretary
shall determine the production history of the dairy
producer by extrapolating the actual milk mar-
etings for the months the dairy producer has been
in operation to a yearly amount.
(4) No change in production history for basic margin protection.—Once the production history of a participating dairy producer is determined under paragraph (2) or (3), the production history shall not be subsequently changed for purposes of determining the amount of any basic margin protection payments for the dairy producer made under section 1414.

(b) Determination of Annual Production Quantity for Supplemental Margin Protection.—

(1) Determination required.—If a dairy producer selects the growth option when purchasing supplemental margin protection under section 1415, the Secretary shall determine the annual production quantity of the dairy operation of the dairy producer under paragraph (2).

(2) Calculation.—The annual production quantity of a participating dairy producer is equal to the actual milk marketings of the dairy producer during each calendar year in which the dairy producer purchases supplemental margin protection, including the calendar year during which the dairy producer first purchases such supplemental margin protection.
(c) **REQUIRED INFORMATION.**—A participating dairy producer shall provide all information that the Secretary may require in order to establish—

(1) the production history of the dairy operation of the dairy producer; and

(2) the annual production quantity of the dairy operation of the dairy producer if the dairy producer selects the growth option when purchasing supplemental margin protection under section 1415.

(d) **TRANSFER OF PRODUCTION HISTORY OR ANNUAL PRODUCTION QUANTITY.**—

(1) **TRANSFER BY SALE.**—

   (A) **REQUEST FOR TRANSFER.**—If an existing dairy producer, as described in section 1412(c)(1), sells an entire dairy operation to another party, the seller and purchaser may jointly request that the Secretary transfer to the purchaser the seller’s interest in—

   (i) production history of the dairy operation; and

   (ii) if applicable, the annual production quantity of the dairy operation for each year in which the margin protection program has been in effect.
(B) Transfer.—If the Secretary determines that the seller has sold the entire dairy operation to the purchaser, the Secretary shall approve the transfer described in subparagraph (A), and, thereafter, the seller shall have no interest in—

(i) the production history of the sold dairy operation; or

(ii) if applicable, the annual production quantity of the dairy operation.

(2) Transfer by Lease.—

(A) Request for Transfer.—If an existing dairy producer, as described in section 1412(c)(1), leases an entire dairy operation to another party, the lessor and lessee may jointly request that the Secretary transfer to the lessee for the duration of the term of the lease the lessee’s interest in—

(i) production history of the dairy operation; and

(ii) if applicable, the annual production quantity of the dairy operation for each year in which the margin protection program has been in effect.
(B) TRANSFER.—If the Secretary determines that the lessor has leased the entire dairy operation to the lessee, the Secretary shall approve the transfer described in subparagraph (A), and, thereafter, the lessor shall have no interest for the duration of the term of the lease in—

(i) the production history of the leased dairy operation; or

(ii) if applicable, the annual production quantity of the dairy operation.

(3) COVERAGE LEVEL.—

(A) BASIC MARGIN PROTECTION.—A purchaser or lessee to whom the Secretary transfers a production history or annual production quantity under this subsection may not obtain a different level of basic margin protection than the basic margin protection coverage held by the seller or lessor from whom the transfer was obtained.

(B) SUPPLEMENTAL MARGIN PROTECTION.—A purchaser or lessee to whom the Secretary transfers a production history or annual production quantity under this subsection may not obtain a different level of supplemental
margin protection coverage than the supplemental margin protection coverage held by the seller or lessor from whom the transfer was obtained.

(4) **NEW ENTRANTS.**—The Secretary may not transfer the production history or annual production quantity determined for a dairy producer described in section 1412(c)(2) to another person.

(e) **MOVEMENT AND TRANSFER OF PRODUCTION HISTORY OR ANNUAL PRODUCTION QUANTITY.**—

(1) **MOVEMENT AND TRANSFER AUTHORIZED.**—Subject to paragraph (2), if a dairy producer moves from one location to another location, the dairy producer may maintain the production history and annual production quantity associated with the operation.

(2) **NOTIFICATION REQUIREMENT.**—A dairy producer shall notify the Secretary of any move of a dairy operation under paragraph (1).

(3) **SUBSEQUENT OCCUPATION OF VACATED LOCATION.**—A party subsequently occupying a dairy operation location vacated as described in paragraph (1) shall have no interest in the production history or annual production quantity previously associated with the operation at such location.
SEC. 1414. BASIC MARGIN PROTECTION.

(a) Eligibility.—All participating dairy producers are eligible to receive basic margin protection under the margin protection program.

(b) Payment Threshold.—Participating dairy producers shall receive a basic margin protection payment whenever the average actual dairy producer margin for a consecutive two-month period is less than $4.00 per hundredweight of milk.

(c) Basic Margin Protection Payment.—

(1) Payment required.—The Secretary shall make a basic margin protection payment to each participating dairy producer for a consecutive two-month period whenever such a payment is required by subsection (b) for that period.

(2) Amount of payment.—The basic margin protection payment for the dairy operation of a participating dairy producer for a consecutive two-month period shall be determined as follows:

(A) The Secretary shall calculate the difference between the average actual dairy producer margin for the consecutive two-month period and $4.00, except that, if the difference is more than $4.00, the Secretary shall use $4.00.
(B) The Secretary shall multiply the amount under subparagraph (A) by the lesser of the following:

(i) 80 percent of the production history of the dairy producer, divided by six.

(ii) The actual amount of milk marketed by the dairy operation of the dairy producer during the consecutive two-month period.

SEC. 1415. SUPPLEMENTAL MARGIN PROTECTION.

(a) ELECTION OF SUPPLEMENTAL MARGIN PROTECTION.—At the time of the registration of a dairy producer in the margin protection program under section 1412, the dairy producer may purchase supplemental margin protection to protect a higher level of the income of a participating dairy producer than the income level guaranteed by basic margin protection under section 1414.

(b) SELECTION OF PAYMENT THRESHOLD.—A participating dairy producer purchasing supplemental margin protection shall elect a coverage level that is higher, in any increment of $0.50, than the payment threshold for basic margin protection specified in section 1414(b), but not to exceed $8.00.

(c) SELECTION OF COVERAGE PERCENTAGE.—A participating dairy producer purchasing supplemental margin
protection shall elect a percentage of coverage, equal to
not more than 90 percent nor less than 25 percent, of—

(1) the production history of the dairy oper-
ation of the participating dairy producer; or

(2) if the participating dairy producer elects the
growth option under subsection (d)—

(A) the production history of the dairy op-
eration of the dairy producer, to be used for the
calendar year during which the dairy producer
registers for participation in the margin protec-
tion program; and

(B) for subsequent calendar years in which
the margin protection program is in effect, the
greater of—

(i) the production history of the dairy
operation of the dairy producer; or

(ii) the highest annual production
quantity of the dairy operation of the dairy
producer during any previous calendar
year in which the margin protection pro-
gram was in effect.

(d) AVAILABILITY OF GROWTH OPTION.—When a
dairy producer purchases supplemental margin protection,
the dairy producer may elect a growth option that author-
izes the use of the annual production quantity of the dairy
operation of the dairy producer, in lieu of production history, as provided in subsection (c)(2) to determine supplemental margin protection payments for the dairy producer under subsection (h).

(e) PRODUCER PREMIUMS.—

(1) PREMIUMS REQUIRED.—A participating dairy producer that purchases supplemental margin protection shall pay an annual premium equal to the product obtained by multiplying—

(A) the percentage selected by the dairy producer under subsection (c);

(B) the production history or annual production quantity applicable to the dairy producer under such subsection; and

(C) the premium per hundredweight of milk, as follows:

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<thead>
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<th>Coverage Level</th>
<th>Premium per Cwt.</th>
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<td>$4.50</td>
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(2) TIME FOR PAYMENT.—

(A) FIRST YEAR.—As soon as practicable after a dairy producer registers to participate in the margin protection program and purchases
supplemental margin protection, the dairy producer shall pay the premium determined under paragraph (1) for the dairy producer for the first calendar year of such supplemental margin protection.

(B) Subsequent years.—When the dairy producer first purchases supplemental margin protection, the dairy producer shall also elect the method by which the dairy producer will pay premiums under this subsection for subsequent years in accordance with one of the following schedules:

(i) Single annual payment.—The participating dairy producer may elect to pay 100 percent of the annual premium determined under paragraph (1) for the dairy producer for a calendar year not later than January 15 of the calendar year.

(ii) Semi-annual payment.—The participating dairy producer may elect to pay 50 percent of the annual premium determined under paragraph (1) for the dairy producer for a calendar year not later than January 15 of the calendar year.
and the remaining 50 percent of the premium not later than June 15 of the calendar year.

(f) PRODUCER’S PREMIUM OBLIGATIONS.—

(1) PRO-RATION OF FIRST YEAR PREMIUM.—A participating dairy producer that purchases supplemental margin protection after initial registration in the margin protection program shall pay a pro-rated premium for the first calendar year based on the date on which the producer purchases the coverage.

(2) SUBSEQUENT PREMIUMS.—Other than as provided in paragraph (1), the annual premium for a participating dairy producer shall be determined under subsection (e) for each year in which the margin protection program is in effect.

(3) LEGAL OBLIGATION.—A participating dairy producer that purchases supplemental margin protection shall be legally obligated to pay the applicable premiums for the entire period of the margin protection program (as provided in the payment schedule elected under subsection (e)(2)), and may not opt out of the margin protection program, except—

(A) if the dairy producer dies, the estate of the deceased may cancel the supplemental mar-
gin protection and shall not be responsible for any further premium payments; or

(B) if the dairy producer retires, the producer may request that Secretary cancel the supplemental margin protection if the producer has terminated the dairy operation entirely and certifies under oath that the producer will not be actively engaged in any dairy operation for at least the next seven years.

(g) Supplemental Payment Threshold.—A participating dairy producer with supplemental margin protection shall receive a supplemental margin protection payment whenever the average actual dairy producer margin for a consecutive two-month period is less than the coverage level threshold selected by the dairy producer under subsection (b).

(h) Supplemental Margin Protection Payments.—

(1) In general.—The supplemental margin protection payment for a participating dairy producer is in addition to the basic margin protection payment.

(2) Amount of payment.—The supplemental margin protection payment for the dairy operation
of a participating dairy producer shall be determined as follows:

(A) The Secretary shall calculate the difference between the coverage level threshold selected by the dairy producer under subsection (b) and the greater of—

(i) the average actual dairy producer margin for the consecutive two-month period; or

(ii) $4.00.

(B) The amount determined under subparagraph (A) shall be multiplied by the percentage selected by the dairy producer under subsection (c) and by the lesser of the following:

(i) The production history or annual production quantity applicable to the producer under subsection (c), divided by six.

(ii) The actual amount of milk marketed by the dairy operation of the dairy producer during the consecutive two-month period.

SEC. 1416. EFFECT OF FAILURE TO PAY ADMINISTRATIVE FEES OR PREMIUMS.

(a) Loss of Benefits.—A participating dairy producer that fails to pay the required administrative fee
under section 1412 or is in arrears on premium payments
for supplemental margin protection under section 1415—

(1) remains legally obligated to pay the admin-
istrative fee or premiums, as the case may be; and

(2) may not receive basic margin protection
payments or supplemental margin protection pay-
ments until the fees or premiums are fully paid.

(b) ENFORCEMENT.—The Secretary may take such
action as necessary to collect administrative fees and pre-
mium payments for supplemental margin protection.

SEC. 1417. NO PAYMENT LIMITATIONS.

Notwithstanding any other provision of law (except
section 1416), basic margin protection payments and sup-
plemental margin protection payments received by a par-
ticipating dairy producer shall not be subject to limitations
for any reason.

Subpart B—Dairy Market Stabilization Program

SEC. 1431. ESTABLISHMENT OF DAIRY MARKET STABILIZA-
TION PROGRAM.

(a) Program Required; Purpose.—The Secretary
shall establish and administer a dairy market stabilization
program applicable to participating dairy producers for
the purpose of assisting in balancing the supply of milk
with demand when dairy producers are experiencing low
or negative operating margins.
(b) Election of Stabilization Program Base Calculation Method.—

(1) Deadline for Election.—Not later than January 15, 2012, each participating dairy producer shall inform the Secretary of the method by which the stabilization program base for the dairy producer for 2012 will be calculated under paragraph (3).

(2) Change in Calculation Method.—A participating dairy producer may change the stabilization program base calculation method to be used for a calendar year by notifying the Secretary of the change not later than January 15 of that year.

(3) Calculation Methods.—A participating dairy producer may elect either of the following methods for calculation of the stabilization program base for the producer:

(A) The volume of the average monthly milk marketings of the dairy producer for the three months immediately preceding the announcement by the Secretary that the stabilization program will become effective.

(B) The volume of the monthly milk marketings of the dairy producer for the same month in the preceding year as the month for
which the Secretary has announced the stabil-
ization program will become effective.

(c) Treatment of Multi-Producer Operations.—As provided in section 1412(b)(2), if a dairy op-
eration consists of more than one dairy producer, all of the dairy producers of the operation shall be treated as a single participating dairy producer for purposes of opera-
tion of the stabilization program with respect to the producers.

(d) Treatment of Producers With Multiple Dairy Operations.—As provided in section 1412(b)(3), if a participating dairy producer operates two or more dairy operations, only those dairy operations of the dairy producer registered under section 1412 shall be subject to the stabilization program.

SEC. 1432. Threshold for Implementation and Reduction in Dairy Producer Payments.

(a) When Stabilization Program Required.—The Secretary shall announce that the stabilization pro-
gram is in effect and order reduced payments for any par-
ticipating dairy producer that exceeds the applicable per-
centage of the producer's stabilization program base when-

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(1) the actual dairy producer margin has been $6.00 or less per hundredweight of milk for the immediately preceding two months; or

(2) the actual dairy producer margin has been $4.00 or less per hundredweight of milk for the immediately preceding month.

(b) Effective Date for Implementation of Payment Reductions.—Reductions in dairy producer payments shall commence beginning on the first day of the month immediately following the announcement by the Secretary under subsection (a).

SEC. 1433. Producer Milk Marketings Information.

(a) Collection of Milk Marketing Data.—For each month during which the stabilization program is in effect, each handler shall calculate the following:

(1) The volume of milk marketings the handler has received from each participating dairy producer during that month.

(2) The volume of milk marketings the handler has received from each participating dairy producer during the same month of the preceding year.

(3) The volume of milk marketings the handler has received from each participating dairy producer during each of the three months preceding the
month in which the Secretary makes the announce-
ment that the stabilization program will be in effect.

(b) **EFFECT OF CHANGING HANDLERS.**—If a partici-
pating dairy producer changes handlers, the producer shall
ensure that milk marketings data required to make the
calculations under subsection (a) is provided to the new
handler.

SEC. 1434. **CALCULATION AND COLLECTION OF REDUCED**

**DAIRY PRODUCER PAYMENTS.**

(a) **REDUCED PRODUCER PAYMENTS REQUIRED.**—

During any month in which payment reductions are in ef-
fact under the stabilization program, each handler shall
reduce payments to each participating dairy producer
from whom the handler receives milk.

(b) **REDUCTIONS BASED ON ACTUAL DAIRY PRO-
DUCER MARGIN.**—

(1) **REDUCTION REQUIREMENT 1.**—Unless the

reduction required by paragraph (2) or (3) applies,
when the actual dairy producer margin has been
$6.00 or less per hundredweight of milk for two con-
secutive months, the handler shall make payments to
a participating dairy producer for a month based on
the greater of the following:

(A) 98 percent of the stabilization program
base of the dairy producer.
(B) 94 percent of the marketings of milk for the month by the producer.

(2) REDUCTION REQUIREMENT 2.—Unless the reduction required by paragraph (3) applies, when the actual dairy producer margin has been $5.00 or less per hundredweight of milk for two consecutive months, the handler shall make payments to a participating dairy producer for a month based on the greater of the following:

(A) 97 percent of the stabilization program base of the dairy producer.

(B) 93 percent of the marketings of milk for the month by the producer.

(3) REDUCTION REQUIREMENT 3.—When the actual dairy producer margin has been $4.00 or less for any one month, the handler shall make payments to a participating dairy producer for a month based on the greater of the following:

(A) 96 percent of the stabilization program base of the dairy producer.

(B) 92 percent of the marketings of milk for the month by the producer.

(e) CONTINUATION OF REDUCTIONS.—The largest level of payment reduction required under paragraph (1), (2), or (3) of subsection (b) shall be continued for each
month until the Secretary suspends the stabilization pro-
gram and terminates payment reductions in accordance
with section 1436.

(d) PAYMENT REDUCTION EXCEPTION.—Notwith-
standing any preceding subsection of this section, a han-
dler shall make no payment reductions for a dairy pro-
ducer for a month if the producer’s milk marketings for
the month are equal to or less than the percentage of the
stabilization program base applicable to the producer
under paragraph (1), (2), or (3) of subsection (b).

SEC. 1435. REMITTING MONIES TO COMMODITY CREDIT
CORPORATION.

(a) REMITTING MONIES.—As soon as practicable
after the end of each month during which payment reduc-
tions are in effect under the stabilization program, each
handler shall remit to the Commodity Credit Corporation
an amount equal to the amount by which payments to par-
ticipating dairy producers are reduced by the handler
under section 1434.

(b) AVAILABILITY OF MONIES.—As soon as prac-
ticable after receipt of monies under subsection (a), the
Commodity Credit Corporation shall make the monies
available to the board of directors under section 1438.
SEC. 1436. SUSPENSION OF REDUCED PAYMENT REQUIRE-
MENT.

(a) SUSPENSION THRESHOLDS.—The Secretary shall
suspend the stabilization program whenever the Secretary
determines that—

(1) the actual dairy producer margin is greater
than $6.00 per hundredweight of milk for 2 consecu-
tive months;

(2)(A) the price for cheddar cheese or non-fat
dry milk in the United States, as determined by the
National Agricultural Statistics Service, is not less
than 97 percent of the world price of cheddar cheese
or skim milk powder in Oceania, as determined by
the Secretary, for 2 consecutive months; and

(B) the dairy producer margin is equal to or
less than $6 for the same 2 consecutive months;

(3)(A) the price for cheddar cheese or non-fat
dry milk in the United States, as determined by the
National Agricultural Statistics Service, is more
than 3 percent higher than the world price of ched-
dar cheese or skim milk powder in Oceania, as de-
termined by the Secretary, for 2 consecutive months;
and

(B) the dairy producer margin is equal to or
less than $5 for the same 2 consecutive months; or
(4)(A) the price for cheddar cheese or non-fat dry milk in the United States, as determined by the National Agricultural Statistics Service, is more than 6 percent higher than the world price of cheddar cheese or skim milk powder in Oceania, as determined by the Secretary, for 2 consecutive months; and

(B) the dairy producer margin is equal to or less than $4 for the same 2 consecutive months.

(b) **IMPLEMENTATION BY HANDLERS.**— Handlers shall cease reducing payments to participating dairy producers under the stabilization program upon receiving notice of the suspension of the stabilization program from the Secretary.

**SEC. 1437. AUDIT REQUIREMENTS.**

(a) **AUDITS OF PRODUCER AND HANDLER COMPLIANCE.**—

(1) **AUDITS AUTHORIZED.**—If determined by the Secretary to be necessary to ensure compliance by participating dairy producers and handlers with the stabilization program, the Secretary may conduct periodic audits of participating dairy producers and handlers.

(2) **SAMPLE OF DAIRY PRODUCERS.**—Any audit conducted under this subsection shall include, at a
minimum, investigation of a statistically valid and random sample of participating dairy producers.

(b) Audit by Inspector General.—

(1) Audit required.—At the end of the second year of operation of the stabilization program, the Inspector General of the Department of Agriculture shall audit and evaluate the effectiveness of the stabilization program. In conducting the audit and evaluation, the Inspector General shall include the use of established dairy economic models to ascertain the effectiveness, operation, and administration of the program.

(2) Submission of results.—The Inspector General shall submit the results of the audit and evaluation conducted under paragraph (1) to the Secretary, who shall make such recommendations to Congress as the Secretary considers appropriate regarding the stabilization program.

SEC. 1438. BOARD OF DIRECTORS.

(a) Establishment; Purpose.—The Secretary shall establish a board of directors for the stabilization program for the purpose of—

(1) administering the monies made available to the board of directors under section 1435; and
(2) determining the most effective use of such
monies.

(b) APPOINTMENT OF DIRECTORS.—

(1) NUMBER AND QUALIFICATIONS.—The Sec-
retary shall appoint 15 members to serve on the
board of directors, who shall be representative of the
United States dairy producer community, taking
into account geographical diversity, cooperative
membership, and volumes of milk produced in var-
ious States and regions.

(2) REIMBURSEMENT OF EXPENSES.—Monies
made available to the board of directors under sec-
tion 1435 may be used to reimburse a member of
the board of directors for reasonable and appro-
priate costs incurred by the member to serve on the
board of directors.

(c) DECISIONMAKING.—The board of directors shall
reach decisions by an affirmative vote of 2/3 of its mem-
bers.

(d) REMOVAL OF DAIRY PRODUCTS AND EXPANSION
OF DEMAND.—

(1) SPENDING AUTHORITY.—The board of di-
rectors shall have the authority to use monies made
available to the board of directors under section
1435—
(A) to purchase dairy products through commercial sources for donation to food banks and other food programs that the Board determines appropriate, within three months of collecting the funds; and

(B) to expand consumption and build demand for dairy products.

(2) No Duplication of Effort.—The board of directors shall ensure that projects supported under paragraph (1) are compatible with, and do not duplicate, programs supported by the dairy research and promotion activities conducted under the Dairy Production Stabilization Act of 1983 (7 U.S.C. 4501 et seq.).

(3) Management Contract.—The board of directors may enter into a contract with a managing entity to carry out this subsection.

(e) Accounting and Reporting Requirement.—

(1) Accounting.—The board of directors shall keep an accurate account of all monies made available to the board of directors under section 1435.

(2) Reporting.—Not later than December 31 of each year that the stabilization program is in effect, the board of directors shall provide to the Committee on Agriculture of the House of Representa-
atives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report that provides an accurate accounting of the monies received by the board of directors during that year and all expenditures made by the board of directors during that year.

Subpart C—Commodity Credit Corporation

SEC. 1451. USE OF COMMODITY CREDIT CORPORATION. The Secretary shall use the funds, facilities, and the authorities of the Commodity Credit Corporation to carry out this part.

Subpart D—Duration

SEC. 1461. DURATION. The Secretary shall conduct the margin protection program and the stabilization program during the period beginning on January 1, 2012, and ending on December 31, 2017.

PART II—FEDERAL MILK MARKETING ORDER REFORM

SEC. 1471. REQUIRED AMENDMENTS TO FEDERAL MILK MARKETING ORDERS.

(a) Amendments Required.—

(1) In general.—The Secretary of Agriculture shall amend each Federal milk marketing order issued under section 8c of the Agricultural Adjust-
ment Act (7 U.S.C. 608c), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937 (in this part referred to as a “milk marketing order”), as required by this section.

(2) Relation to other laws.—Except as provided in section 1472, the Secretary shall execute the amendments required by this section without regard to any provision of section 8c of the Agricultural Adjustment Act (7 U.S.C. 608c), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, as in effect on the day before the date of the enactment of this Act.

(b) Use of end-product price formulas.—The Secretary shall eliminate the use of end-product price formulas for setting prices for Class III milk, and instead use a competitive price for setting prices for Class III milk.

(c) Administrative authority.—In addition to and notwithstanding the authority provided under section 8d of the Agricultural Adjustment Act (7 U.S.C. 608d), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, the Secretary may—

(1) require handlers to report, maintain, and make available all information and records as the
Secretary considers necessary for the administration of any milk marketing order; and

(2) adopt only such conforming amendments to milk marketing orders as the Secretary determines to be necessary to implement the amendments required by this section.

SEC. 1472. AMENDMENT PROCESS.

(a) IN GENERAL.—The amendments to milk marketing orders required to be made by section 1471 shall be subject to the provisions of sections 8c(17) and 8c(19) of the Agricultural Adjustment Act (7 U.S.C. 608c(17) and (19)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, except as follows:

(1) NOTICE OF FINAL DECISION ON PROPOSED AMENDMENTS.—Not later than 270 days after the date of the enactment of this Act, the Secretary of Agriculture shall publish in the Federal Register notice of a final decision on the proposed amendments to be made to milk marketing orders in order to comply with the requirements of section 1471.

(2) PRODUCER REFERENDUM.—

(A) REFERENDUM REQUIRED.—As soon as practicable after publication of the final decision on the proposed amendments under paragraph (1), the Secretary shall conduct a pro-
ducer referendum regarding the final decision on the proposed amendments.

(B) Terms of referendum; exceptions.—The producer referendum shall be conducted in the manner provided by section 8c(19) of the Agricultural Adjustment Act (7 U.S.C. 608c(19)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, except that—

(i) the referendum shall be a single referendum upon which approval or failure of the proposed amendments to all milk marketing orders shall depend; and

(ii) the proposed amendments shall require approval by 1/2 of participating producers or by volume of production (rather than 2/3) in order for the referendum to pass and the proposed amendments to take effect.

(C) Effect of failure.—If the referendum fails, the milk marketing orders shall remain in force as in effect before the proposed amendments were published.

(b) Effect of Court Order.—In the event that the Secretary is enjoined or otherwise restrained by a
court order from executing the amendments to milk marketing orders required by section 1471, the length of time for which that injunction or other restraining order is effective shall be added to any time limitation in effect under paragraph (1) or (2) of subsection (a), thereby extending those time limitations by a period of time equal to the period of time for which the injunction or other restraining order is in effect.

(c) Relation to Other Amendment Authority.—Nothing in this part affects the authority of the Secretary to subsequently amend milk marketing orders, or the ability of producers or other persons to seek such amendments, in accordance with the rulemaking process provided by section 8c(17) of the Agricultural Adjustment Act (7 U.S.C. 608c(17)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937.

SEC. 1473. DEVELOPMENT OF EFFECTIVE BALANCING PROGRAMS FOR MILK MARKETS.

(a) Advanced Notice of Proposed Rulemaking.—Not later than 90 days after the enactment of this Act, the Secretary of Agriculture shall publish in the Federal Register an Advanced Notice of Proposed Rulemaking seeking public comment on, and proposals recommending, effective programs that address the issues of the costs of balancing milk markets, including the use of inter-
and intra-marketing transportation credits. The Secretary shall solicit comments and proposals that—

(1) address the market’s balancing needs;

(2) target support to those producers and handlers who provide balancing services; and

(3) provide compensation that is in line with the costs of providing the services and with the benefits to the market of the services.

(b) Timeliness of Rulemaking.—Not later than one year after the date of the enactment of this Act, the Secretary shall—

(1) initiate formal rulemaking (by publishing in the Federal Register a hearing notice) in response to the public comments received under subsection (a); or

(2) publish notice of the reasons that such a rulemaking is not to be initiated.

SEC. 1474. STUDY ON ELIMINATION OF MILK MARKETING ORDERS.

(a) In General.—The Secretary shall study the effects on the marketplace associated with the elimination of the Federal milk marketing orders.

(b) Requirements.—The study under this section shall, at a minimum, address—
(1) the regional differences in milk prices that would result from the elimination of the Federal milk marketing orders, compared to the regional differences derived from the order system in effect on the day before the date of enactment of this Act;

(2) shifts in milk production patterns and product use that would derive from the elimination;

(3) an examination of changes in the flow of milk and what would be required for milk to move from surplus to deficit regions in the absence of the orders;

(4) the potential for any premiums to be paid for milk in fluid use form and what, if any, regional differences in those premiums might exist;

(5) the potential impact on export markets; and

(6) potential changes in market price volatility.

(c) REPORT.—Not later than 180 days after the date of enactment of this Act, the Secretary shall submit to the Committee on Agriculture of the House of Representa-
tives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report on the results of the study conducted under this section, including any recommenda-
tions.
PART III—REPEAL OF SUPERSEDED PROVISIONS

SEC. 1481. REPEAL OF DAIRY PRODUCT PRICE SUPPORT AND MILK INCOME LOSS CONTRACT PROGRAMS.


(b) Repeal of Milk Income Loss Contract Program.—Section 1506 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8773) is repealed.

SEC. 1482. REPEAL OF PERMANENT PRICE SUPPORT AUTHORITY FOR MILK.

(a) Repeal.—

(1) In General.—Section 201 of the Agricultural Act of 1949 (7 U.S.C. 1446) is amended—

(A) in subsection (a) (as amended by section 1302(c)(3)), by striking “honey, and milk,” and inserting “and honey”; and

(B) by striking subsections (c) and (d).

(2) Conforming Amendments.—Section 256(j) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 906(j)) is amended—

(A) by striking paragraph (5); and

(B) redesignating paragraph (6) as paragraph (5).
(b) EXCLUSION FROM PRICE SUPPORT FOR OTHER NONBASIC AGRICULTURAL COMMODITIES.—Section 301 of the Agricultural Act of 1949 (7 U.S.C. 1447) is amended by inserting “(other than milk)” after “agricultural commodity”.

SEC. 1483. REPEAL OF DAIRY EXPORT INCENTIVE PROGRAM.

(a) IN GENERAL.—Section 153 of the Food Security Act of 1985 (15 U.S.C. 713a–14) is repealed.

(b) CONFORMING AMENDMENTS.—Section 902(2) of the Trade Sanctions Reform and Export Enhancement Act of 2000 (22 U.S.C. 7201(2)) is amended—

(1) by striking subparagraph (D); and

(2) by redesignating subparagraphs (E) and (F) as subparagraphs ((D) and (E)).

SEC. 1484. EFFECTIVE DATE.

The amendments made by this part shall take effect on January 1, 2012.

TITLE II—CONSERVATION
Subtitle A—Conservation Reserve Program

SEC. 2001. CONSERVATION RESERVE PROGRAM.

(a) IN GENERAL.—Section 1231(a) of the Food Security Act of 1985 (16 U.S.C. 3831(a)) is amended—
(1) by striking “(a) IN GENERAL.—Through the 2012 fiscal year” and inserting the following:

“(a) AUTHORITY.—

“(1) IN GENERAL.—Through the 2017 fiscal year”; and

(2) by adding at the end the following:

“(2) RELATIONSHIP TO EASEMENT BENEFITS PROGRAM.—

“(A) IN GENERAL.—The Secretary shall administer the conservation reserve program in conjunction with the easement benefits program under subchapter C in a manner that encourages landowners to enroll land in the easement benefits program to maximize the long-term benefits of fiscal outlay.

“(B) TRANSFER.—The Secretary shall make available to all owners and operators enrolled in the conservation reserve program the option to transfer the enrolled land into the easement benefits program under subchapter C.

“(3) MINIMIZATION OF COSTS.—

“(A) NEW CONTRACTS.—In entering into contracts under the conservation reserve program, the Secretary shall seek to minimize cost by allowing limited commercial use of land
under contract, as authorized under section 1232(a)(3) and subparagraphs (A) through (D) of section 1232(a)(8).

“(B) EXISTING CONTRACTS.—

“(i) IN GENERAL.—Not later than 2 years after the date of enactment of the Rural Economic Farm and Ranch Sustainability and Hunger Act of 2011, the Secretary shall make available a revision of contracts in existence on the date of enactment of this subsection to allow limited commercial usage under the contracts of not less than 5,000,000 acres of land (such as for prescribed or routing grazing and managed harvesting), subject to conditions in section 1232.

“(ii) USE OF SAVINGS.—Any amounts saved through contract revisions described in clause (i) may, as determined the Secretary, be used—

“(I) to expand the provision of technical assistance; and

“(II) to provide incentives for owners or operators to shift land into the easement benefits program.”.
(b) Eligible Land.—

(1) In general.—Section 1231(b) of the Food Security Act of 1985 (16 U.S.C. 3831(b)) is amended—

(A) in paragraph (4)—

(i) in subparagraph (B)—

(I) in clause (i), by striking “or” at the end;

(II) in clause (ii), by adding “or” at the end; and

(III) by adding at the end the following:

“(iii) riparian buffer or filter strip planted to grass, shrubs, trees or other appropriate vegetation, as determined by the Secretary;”; and

(ii) in subparagraph (E), by striking “or” at the end;

(B) in subparagraph (5)(B)(ii), by striking the period at the end and inserting a semicolon; and

(C) by adding at the end the following:

“(6) subject to subsection (j), land—

“(A) that is wetland (including a converted wetland described in section 1222(b)(1)(A))
that had a cropping history during at least 3 of the immediately preceding 10 crop years;

“(B) on which a constructed wetland is to be developed that will receive flow from a row crop agriculture drainage system and is designed to provide nitrogen removal in addition to other wetland functions;

“(C) that was devoted to commercial pond-raised aquaculture in any year during the period of calendar years 2002 through 2007; or

“(D) that, after January 1, 1990, and before December 31, 2002, was—

“(i) cropped during at least 3 of 10 crop years; and

“(ii) subject to the natural overflow of a prairie wetland; or

“(7) subject to subsection (j), buffer acreage that—

“(A) with respect to land described in subparagraph (A), (B), or (C) of paragraph (6)—

“(i) is contiguous to such land;

“(ii) is used to protect such land; and

“(iii) is of such width as the Secretary determines is necessary to protect such land, taking into consideration and accom-
modating the farming practices (including
the straightening of boundaries to accom-
modate machinery) used with respect to
the cropland that surrounds such land; and
“(B) with respect to land described in sub-
paragraph (D) of paragraph (6), enhances a
wildlife benefit.”.

(2) LIMITATIONS AND DUTIES RELATING TO
ENROLLED WETLAND AND BUFFER ACREAGE.—Sec-
tion 1231 of the Food Security Act of 1985 (16
U.S.C. 3831) is amended by adding at the end the
following:
“(j) LIMITATIONS AND DUTIES RELATING TO EN-
ROLLED WETLAND AND BUFFER ACREAGE.—
“(1) ENROLLMENT LIMITATIONS.—
“(A) WETLAND AND RELATED LAND.—
“(i) WETLANDS AND CONSTRUCTED
WETLANDS.—The maximum size of any
land described in subparagraph (A) or (B)
of subsection (b)(6) that an owner or oper-
ator may enroll in the conservation reserve
shall be 40 contiguous acres.
“(ii) FLOODED FARMLAND.—The
maximum size of any land described in
paragraph (D) of subsection (b)(6) that
an owner or operator may enroll in the
conservation reserve shall be 20 contiguous
acres.

“(iii) COVERAGE.—All acres described
in clause (i) or (ii), including acres that
are ineligible for payment, shall be covered
by the conservation contract.

“(B) BUFFER ACREAGE.—The maximum
size of any buffer acreage described in sub-
section (b)(7) that an owner or operator may
enroll in the conservation reserve shall be deter-
mined by the Secretary, in consultation with the
State Technical Committee.

“(C) TRACTS.—Except for land described
in subsection (b)(6)(C) and buffer acreage re-
lating to that land, the maximum size of any el-
igible acreage described in subsection (b)(6) in
a tract of an owner or operator enrolled in the
conservation reserve under this section shall be
40 acres.

“(2) DUTIES OF OWNERS AND OPERATORS.—
During the term of a contract entered into involving
land described in paragraph (6) or (7) of subsection
(b), an owner or operator shall agree to a prohibi-
tion of commercial use except for activities conducive
to conservation of the enrolled land, as determined
by the Secretary.”.

(c) Maximum Enrollment.—Section 1231 of the
Food Security Act of 1985 (16 U.S.C. 3831) is amended
by striking subsection (d) and inserting the following:

“(d) Maximum Enrollment.—

“(1) In general.—The Secretary may main-
tain in the conservation reserve at any 1 time, not
more than—

“(A) during fiscal year 2012, 30,000,000
acres;

“(B) during fiscal year 2013, 26,000,000
acres; and

“(C) during each of fiscal years 2014
through 2017, 24,000,000 acres.

“(2) Transfer of enrollment.—The Sec-
retary may transfer enrolled acre allowance from the
conservation reserve program to the easement bene-
fits program established under subchapter C.”.

(d) Conservation Priority Areas.—Section
3831(f)(1)) is amended by striking “areas of the Chesa-
apeake Bay Region, the Great Lakes Region, the Long Is-
land Sound Region, and other”.

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SEC. 2002. PILOT PROGRAM FOR ENROLLMENT OF WETLAND AND BUFFER ACREAGE IN CONSERVATION RESERVE.

Section 1231B of the Food Security Act of 1985 (16 U.S.C. 3831b) is repealed.

SEC. 2003. DUTIES OF OWNERS AND OPERATORS.

Section 1232(a)(8)(C) of the Food Security Act of 1985 (16 U.S.C. 3832(a)(8)(C)) is amended by striking “for the control of invasive species”.

SEC. 2004. PAYMENTS.

Section 1234 of the Food Security Act of 1985 (16 U.S.C. 3834) is amended—

(1) in subsection (b)—

(A) in paragraph (1), by inserting “not more than” before “50 percent”;

(B) in paragraph (3)(B)(i), by inserting “not more than” before “50 percent”;

(C) by redesignating paragraph (5) as paragraph (6); and

(D) by inserting after paragraph (4) the following:

“(5) PRESCRIBED BURNING.—Notwithstanding any other provision of this section, in making cost-sharing payments to an owner or operator under a contract entered into under this subchapter, the Sec-
retary shall pay not more than 75 percent of the
cost of prescribed burning.”; and

(2) in subsection (c)(5), by adding at the end
the following:

“(C) REVIEW REQUIRED.—The Secretary
shall periodically review the competitiveness of
rental rates for land that—

“(i) provides substantial environ-
mental benefits consistent with the pur-
poses of this subchapter;

“(ii) provides critical habitat to spe-
cies of concern; or

“(iii) meets other ecological priorities,
as determined by the Secretary.”.

SEC. 2005. CONTRACTS.

Section 1235 of the Food Security Act of 1985 (16
U.S.C. 3835) is amended—

(1) in subsection (a)(1)—

(A) in subparagraph (C), by striking “or”
at the end;

(B) in subparagraph (D), by striking the
period at the end and inserting “; or”; and

(C) by adding at the end the following:
“(E) the new ownership was acquired by
the sibling, parent, child, or grandchild of the
previous owner.”; and
(2) in subsection (f)(1)(D), by striking “con-
servation stewardship program or the environmental
quality incentives program” and inserting “working
land program”.

SEC. 2006. CONVERSION OF LAND SUBJECT TO CONTRACT
TO OTHER CONSERVING USES.

Section 1235A of the Food Security Act of 1985 (16
U.S.C. 3835a) is amended—

(1) in subsection (a)—

(A) in paragraph (2)(B), by inserting “not
more than” before “50”;

(B) striking “(1) IN GENERAL.—The Sec-
retary” and inserting the following:
“(1) NOVEMBER 28, 1990.—
“(A) IN GENERAL.—The Secretary”;

(C) by redesignating subparagraphs (A)
and (B) of paragraph (2) as clauses (i) and (ii),
respectively, and indenting appropriately;

(D) by redesignating paragraph (2) as sub-
paragraph (B) and indenting appropriately; and

(E) by adding at the end the following:
“(2) October 1, 2011.—The Secretary shall permit an owner or operator that has entered into a contract under this subchapter that is in effect on October 1, 2011, to convert areas of highly erodible cropland that are subject to the contract, and that are devoted to vegetative cover, from that use to forest land if—

“(A) the areas are prior converted forest land;

“(B) the owner or operator of the areas enters into an agreement to provide the Secretary with a long-term or permanent easement under the easement benefits program under subchapter C covering the areas;

“(C) there is a high probability that the prior converted area can be successfully restored to forest land status; and

“(D) the restoration of the areas otherwise meets the requirements the easement benefits program.”;

(2) in subsection (b), by striking “November 28, 1990” and inserting “October 1, 2011”; and

(3) by adding at the end the following:

“(e) EARLY CONTRACT OPT-OUT.—

“(1) IN GENERAL.—The Secretary shall—
“(A) make available a no-penalty early contract opt-out for not less than 8,000,000 acres enrolled under contracts in existence on the date of enactment of this subsection;

“(B) not later than 1 year after the date of enactment of this subsection, ensure that not less than ½ of the required acreage has been made available to be opted-out of the conservation reserve program;

“(C) not later than 2 years after the date of enactment of this subsection, ensure that the entire amount of required acreage has been made available to opt-out; and

“(D) terminate a contract entered into with an owner or operator offered an early opt-out under this subchapter if the owner or operator agrees to the termination.

“(2) CONSIDERATIONS.—In determining land to offer for opt-out under this subsection, the Secretary shall—

“(A) make available for opt-out those acres offering the least environmental benefit, as determined by the Secretary;

“(B) consider the need to protect critical habitat (including nesting areas for birds); and
“(C) maintain in the conservation reserve land of high environmental value (including wetland), as determined by the Secretary, and including—

“(i) riparian buffers;
“(ii) wildlife habitat buffers;
“(iii) wetland buffers;
“(iv) filter strips;
“(v) grass waterways;
“(vi) wetland restoration areas;
“(vii) shelterbelts;
“(viii) living snow fences;
“(ix) contour grass strips;
“(x) land with a high erodibility index;
“(xi) salt-tolerant vegetation; and
“(xii) shallow-water areas for wildlife.

“(3) Subdivision.—In carrying out this subsection, the Secretary may subdivide leased acres enrolled in the conservation reserve under the same contract.

“(4) Conditions.—

“(A) Commodity Production.—If land that was subject to a contract under this subchapter is converted to production of an agricultural commodity through the opt-out under
this subsection, the land shall be subject to a
conservation plan determined by the Secretary
in coordination with the State technical com-
mittee for the duration of what would have been
the full term of the conservation reserve con-
tract of the land, if not for opt-out.

“(B) Grazing and Managed Har-
vesting.—If land that was subject to a con-
tact under this subchapter is converted to
grazing and managed harvesting through the
opt-out under this subsection, the land shall be
subject to environmental management criteria
pursuant section 1232(a)(8) for the duration of
what would have been the full term of the con-
servation reserve contract of the land, if not for
opt-out.

“(C) Technical Assistance.—The Sec-
retary shall make available conservation tech-
nical assistance to owners and operators that
opt-out of the conservation reserve under this
subsection.

“(5) Effective Date.—Contract termination
under the opt-out shall become effective 60 days
after the date on which the owner or operator ac-
cepts the opt-off offer of the Secretary.
“(6) Prorated Rental Payment.—If a contract entered into under this subchapter is terminated under this subsection before the end of the fiscal year for which a rental payment is due, the Secretary shall provide a prorated rental payment covering the portion of the fiscal year during which the contract was in effect.”.

Subtitle B—Easement Benefits Program

SEC. 2101. EASEMENT BENEFITS PROGRAM.

(a) In General.—Title XII of the Food Security Act of 1985 (16 U.S.C. 3801 et seq.) is amended—

(1) by striking subchapters C and D of chapter 2 of subtitle D (16 U.S.C. 3838h et seq.); and

(2) by striking subchapter C of chapter 1 of subtitle D (16 U.S.C. 3837 et seq.) and inserting the following:

“Subchapter C—Easement Benefits Program

“SEC. 1237. EASEMENT BENEFITS PROGRAM.

“(a) Establishment.—The Secretary shall establish an easement benefits program (referred to in this subchapter as the ‘program’)—

“(1) to protect land (including wildlife resources of the land) and water; and
“(2) to address issues raised by State, regional, and national conservation initiatives.

“(b) PURPOSES.—

“(1) IN GENERAL.—The purposes of the program are—

“(A) to restore, enhance, conserve, and protect land (including wildlife resources of the land) and water;

“(B) to protect vulnerable and ecologically important land;

“(C) to restore, protect, and enhance wetland and grassland;

“(D) to promote wildlife habitat;

“(E) to protect the agricultural use and related conservation values of prime and other productive agricultural land by limiting the nonagricultural uses of the land;

“(F) to restore and enhance forest ecosystems, including the recovery of threatened and endangered species and improving biodiversity;

“(G) to provide assistance to owners to ensure the economic use of enrolled land by owners consistent with long-term conservation func-
tions and values, including wildlife resources of
the land; and

“(H) to address issues of restoration, con-
servation, and protection of land (including
wildlife resources of the land) and water raised
by State, regional, and national conservation
priorities.

“(2) STATE COORDINATION.—The Secretary
shall give priority consideration to conservation
needs identified by State technical committees estab-
lished under section 1261.

“(c) EXISTING EASEMENTS.—

“(1) IN GENERAL.—Any easement or interest
in land enrolled as of the date of enactment of the
Rural Economic Farm and Ranch Sustainability and
Hunger Act of 2011 in 1 of the programs described
in paragraph (2) shall be considered enrolled in the
easement benefits program under this subchapter.

“(2) AFFECTED PROGRAMS.—The programs de-
scribed in this paragraph are as the programs were
authorized on the day before the date of enactment
of the Rural Economic Farm and Ranch Sustain-
ability and Hunger Act of 2011—

“(A) the wetlands reserve program estab-
lished under this subchapter;
“(B) the grassland reserve program established under subchapter D of chapter 2;

“(C) the farmland protection program established under subchapter C of chapter 2; and


“SEC. 1237A. EASEMENTS AND 30-YEAR CONTRACTS.

“(a) Enrollment.—

“(1) In general.—Lands may be enrolled under this subchapter through the submission of applications under a competitive procedure established by the Secretary.

“(2) Methods of enrollment.—

“(A) In general.—The Secretary shall enroll acreage into the program through the use of—

“(i) permanent easements; and

“(ii) 30-year easements, or in a State that imposes a maximum duration for easements, easements for the maximum duration allowed under State law (referred to as ‘nonpermanent easements’).
“(B) ACREAGE OWNED BY INDIAN TRIBES.—In the case of acreage owned by an Indian tribe, the Secretary may also enroll acreage into the program through the use of a 30-year contract (the value of which shall be equivalent to the value of a 30-year easement).

“(3) ENROLLMENT OF CONSERVATION RESERVE LAND.—

“(A) TRANSFER FROM THE CONSERVATION RESERVE PROGRAM.—The Secretary may terminate or modify an existing contract entered into the conservation reserve program under section 1231 if eligible land that is subject to the contract is transferred into the program established by this subchapter.

“(B) PRIORITY.—On expiration of a contract under the conservation reserve program under subchapter B, the Secretary shall give priority for enrollment in the program to land previously enrolled in the conservation reserve program if—

“(i) the land is eligible land under subsection (b); and

“(ii) the Secretary determines that the land is of high ecological value.
“(C) SPECIAL FUNDING POOL.—

“(i) IN GENERAL.—Of the funds made available for the program for each of the 2013 through 2017 fiscal years, the Secretary shall reserve 10 percent of the funds to ensure an adequate source of funds and acres to give priority for enrollment of land identified under subparagraph (B).

“(ii) REOBILIGATION.—Funds not obligated under clause (i) by April 1 of each year may be available for use for other purposes of the program.

“(b) ELIGIBLE LAND.—

“(1) ENROLLMENT.—

“(A) IN GENERAL.—Eligible land shall be enrolled into the program subject to appropriate program requirements depending on the resource objectives sought to be achieved through the easement or 30-year contract, as determined by the Secretary.

“(B) ELIGIBILITY.—Private or tribal land shall be eligible to be enrolled into the program if the Secretary determines that the land—
“(i) maximizes the purpose of this
subchapter;

“(ii) is enrolled in the conservation re-
serve program; or

“(iii) in the case of land enrolled for
restoration purposes, the likelihood of the
successful restoration of the land and the
resultant values merit the inclusion of the
land in the program taking into consider-
ation the cost of the restoration.

“(2) WETLAND.—

“(A) IN GENERAL.—Land shall be eligible
to be enrolled into the program if the Secretary
determines that the land is—

“(i) farmed wetland or converted wet-
land, together with the adjacent land that
is functionally dependent on the wetland,
except that converted wetland with respect
to which the conversion was not com-
enced prior to December 23, 1985, shall
not be eligible to be enrolled in the pro-
gram;

“(ii) cropland or grassland that was
used for agricultural production prior to
flooding from the natural overflow of a
closed basin lake or pothole, as determined by the Secretary, together (if practicable) with the adjacent land that is functionally dependent on the cropland or grassland;

“(iii) farmed wetland and adjoining land, enrolled in the conservation reserve, with the highest wetland functions and values, and that is likely to return to production after the land is not enrolled in the conservation reserve;

“(iv) other wetland (such as filter strips and vernal pools) of an owner that would not otherwise be eligible if the Secretary determines that the inclusion of the wetland in the easement would significantly add to the functional value of the easement; or

“(v) a riparian area.

“(B) Restoration Agreement.—Land described in subparagraph (A) that is enrolled in the program shall be subject to a restoration agreement that provides the opportunity for the restoration and enhancement of the enrolled land.

“(3) Grassland.—
“(A) IN GENERAL.—Land shall be eligible to be enrolled into the program if the Secretary determines that the land is at risk of conversion to nongrazing uses and is—

“(i) grassland, land that contains forbs, or shrubland (including improved rangeland and pastureland), including land for which grazing is the predominant use; or

“(ii) located in an area that has been historically dominated by grassland, forbs, or shrubland, and the land—

“(I) could provide habitat for animal or plant populations of significant ecological value if the land—

“(aa) is retained in the current use of the land; or

“(bb) is restored to a natural condition; or

“(II) contains historical or archaeological resources.

“(B) RESTORATION AGREEMENT.—Land described in subparagraph (A) that is enrolled in the program shall be subject to a restoration agreement that provides the opportunity for the
restoration and enhancement of the enrolled land.

“(4) Forest land.—

“(A) In general.—Land shall be eligible to be enrolled into the program if the Secretary determines that the land is land, the enrollment of which—

“(i) will restore and conserve forest land, improve biodiversity, or conserve land from the conservation reserve program that is being restored to forest land;

“(ii) will restore, enhance, or otherwise measurably increase the likelihood of recovery of a species listed as endangered or threatened under section 4 of the Endangered Species Act of 1973 (16 U.S.C. 1533); or

“(iii) will restore, enhance, or otherwise measurably improve the well-being of a species that—

“(I) is not listed as endangered or threatened under section 4 of the Endangered Species Act of 1973 (16 U.S.C. 1533); but
“(II) is candidates for such listing, State-listed species, or special concern species.

“(B) Restoration agreement.—Land described in subparagraph (A) that is enrolled in the program shall be subject to a restoration agreement that provides the opportunity for the restoration and enhancement of the enrolled land.

“(5) Prime and productive agricultural land.—Land shall be eligible to be enrolled into the program if the Secretary determines that the land is at risk of conversion to nonagricultural uses and—

“(A) has prime, unique, or other productive soil;

“(B) contains historical or archaeological resources; or

“(C) the protection of the land will further a State or local policy consistent with the purposes of the program.

“(c) Other eligible land.—

“(1) In general.—The Secretary may enroll other land of the owner that would not otherwise be eligible if the land is determined by the Secretary to
be necessary for the efficient administration of the
30-year contract or easement under the program.

“(2) TYPE OF LAND.—Land enrolled under this
subsection may include small areas of land as de-
dined by the Secretary, such as riparian zones, filter
strips, buffers, fence lines, and other incidental land.

“(d) LEVERAGING NON-FEDERAL INVESTMENT.—
The Secretary may enter into 1 or more agreements with
a State (including a political subdivision or agency of a
State), nongovernmental organization, or Indian tribe to
carry out a special enhancement program that the Sec-
retary determines would advance the purposes of the pro-
gram.

“SEC. 1237B. DUTIES OF OWNERS.

“(a) EASEMENTS.—To be eligible to enroll eligible
land in the program under an easement, the owner of the
land shall agree—

“(1) to grant an easement to the Secretary;

“(2) to create and record an appropriate deed
restriction in accordance with applicable State law to
reflect the easement;

“(3) to provide a written statement of consent
to the easement signed by persons holding a security
interest or any vested interest in the land;
“(4) to comply with the terms of the easement and related agreements;

“(5) to comply with the easement implement plan, as approved by the Secretary, which may be modified upon mutual agreement of the parties if the Secretary authorizes compatible uses; and

“(6) to the permanent retirement of any existing cropland base and allotment history for the land under any program administered by the Secretary, unless the purpose of the particular easement is limited to the prevention of the conversion of prime and productive agricultural land to nonagricultural uses.

“(b) RESTORATION AGREEMENTS.—

“(1) IN GENERAL.—To be eligible for financial assistance to restore eligible land subject to a 30-year contract or an easement under the program, the owner of the land shall agree to comply with the terms of a restoration agreement.

“(2) TYPE OF AGREEMENT.—A restoration agreement may be—

“(A) a cost-share agreement with the owner;

“(B) a cooperative agreement with an agency or organization with restoration expertise; or
“(C) a contract with a vendor.

“(3) TERMS AND CONDITIONS.—The Secretary shall prescribe the terms and conditions of a restoration agreement by which eligible land that is subject to a 30-year contract or easement under the program shall be restored.

“(4) DUTIES.—The restoration agreement shall describe the respective duties of the parties to the agreement, including the Federal share of restoration payments and technical assistance.

“(e) TERMS AND CONDITIONS APPLICABLE TO EASEMENTS AND 30-YEAR CONTRACTS.—

“(1) RESERVED RIGHTS.—

“(A) IN GENERAL.—An easement or 30-year contract entered into under the program shall provide to the Secretary control of the surface rights of the land while identifying rights reserved to the owner for specified usages consistent with the purposes of the particular enrollment so as—

“(i) to maximize conservation benefits (including wildlife habitat) per dollar spent across the program; and
“(ii) to allow the owner uses of the land that are consistent with the purposes for which the land is enrolled.

“(B) LIMITATIONS ON ACTIVITIES.—

Rights reserved to the owner shall be consistent with the wetland, grassland, forest land, or productive land purposes for which the land is enrolled.

“(2) EASEMENT CONSERVATION PLAN.—

“(A) IN GENERAL.—The Secretary shall develop an easement conservation plan for each easement or 30-year contract enrolled in the program that will identify how land enrolled in the program will be restored, if applicable, and managed.

“(B) MODIFICATION.—An easement conservation plan shall be modified in response to changing resource conditions to ensure that the purposes of the program are achieved.

“(C) LOCAL AND STATE INVOLVEMENT.—

An easement conservation plan, including any compatible use that may be authorized for the owner under the program, shall be made through the local Natural Resources Conserva-
tion Service representative, in coordination with the State technical committee.

“(D) PERMISSIBLE ACTIVITIES.—Consistent with paragraph (3), an easement conservation plan shall identify the following activities as permissible:

“(i) GRASSLAND.—In the case of grassland, an easement conservation plan shall permit—

“(I) common grazing practices, including maintenance and necessary cultural practices, on the land that is consistent with maintaining the viability of grassland, forb, and shrub species appropriate to that locality;

“(II) haying, mowing, or harvesting for seed production or biomass, subject to appropriate restrictions during the nesting season for birds in the local area, consistent with Federal or State law and in coordination with the State technical committee, as determined by the Secretary;
“(III) fire presuppression, rehabilitation, and construction of fire breaks; and

“(IV) grazing-related activities, such as fencing and livestock watering.

“(ii) WETLAND.—In the case of wetland, an easement conservation plan shall permit repairs, improvements, and inspections of the land that are necessary to maintain existing public drainage systems if the land is subsequently restored to the condition required by the terms of the easement.

“(iii) ALL ENROLLED LAND.—

“(I) IN GENERAL.—In the case of all enrolled land, the easement conservation plan shall permit the owner—

“(aa) to conduct any activities that are inherent and necessary to rights that are reserved to the owner under the terms of the easement or 30-year contract and have been identified as com-
compatible use in the easement conservation program;

“(bb) to control public access; and

“(cc) in accordance with subclause (II), the right to undeveloped recreational uses, including undeveloped hunting and fishing and leasing of those rights for economic gain, pursuant to applicable State and Federal laws (including regulations).

“(II) UNDEVELOPED RECREATIONAL USES.—Undeveloped recreational uses under subclause (I)(cc)—

“(aa) shall be consistent with the long-term protection and enhancement of the conservation purposes and other natural values of the easement area; and

“(bb) may include hunting equipment, such as tree stands and hunting blinds that are rus-
tic and customary for the locale,
as determined by the Secretary.

“(E) PROHIBITED ACTIVITIES.—An easement conservation plan shall identify the following activities as prohibited:

“(i) GRASSLAND.—In the case of grassland, an easement conservation plan shall prohibit the production of crops (other than hay or grass grown for biomass harvest), fruit trees, vineyards, or any other agricultural commodity that is inconsistent with maintaining grazing land.

“(ii) WETLAND.—In the case of wetland, an easement conservation plan shall prohibit—

“(I) the alteration of wildlife habitat and other natural features of the land, unless specifically permitted by the easement conservation plan; and

“(II) the spraying of the land with chemicals or the mowing of the land, unless spraying or mowing is—

“(aa) permitted by the easement conservation plan to meet
the habitat needs of specific wild-
life species; or

“(bb) necessary to comply
with Federal or State noxious
weed control laws and emergency
pest treatment program.

“(iii) All enrolled land.—In the
case of all enrolled land, the easement con-
servation plan shall prohibit—

“(I) any activities to be carried
out on the land of the owner that is
immediately adjacent to, and function-
ally related to, the land that is subject
to the easement if the activities will
alter, degrade, or otherwise diminish
the functional value of the eligible
land; and

“(II) the adoption of any other
practice that would tend to defeat the
purposes of this subchapter, as deter-
mined by the Secretary.

“(3) Compatible uses by the owner.—

“(A) In general.—Land enrolled in the
program may be used for compatible uses if the
use is specifically permitted by an easement
conservation plan and consistent with the long-term protection and enhancement of the resources for which the easement was established.

“(B) Authorized Uses.—The Secretary may authorize the use of the easement area for compatible uses under the terms of the easement deed or contract, even if the uses were not identified as compatible at the time of easement enrollment.

“(C) Limitations.—

“(i) In general.—Compatible use authorizations shall only be made if the Secretary determines, in coordination with the State technical committee, that the amount, timing, intensity, and duration of the compatible use ensures that the purposes of the program will be achieved.

“(ii) Inclusions.—Compatible uses under clause (i) may include managed haying and grazing for grassland (including the managed harvesting of biomass) or timber harvesting or managed harvesting of biomass of forest land.

“(4) Additional Terms and Conditions.—A 30-year contract or easement under the program
shall include such additional provisions as the Secretary determines are appropriate to carry out or facilitate the purposes and administration of the program.

“(d) COMPLIANCE.—On a violation of the terms or conditions of a 30-year contract or easement under this subchapter—

“(1) the contract or easement shall remain in force; and

“(2) the Secretary may require the owner to refund all or part of any payments received under the program, with interest on the payments as determined appropriate by the Secretary.

“SEC. 1237C. DUTIES OF THE SECRETARY.

“(a) IN GENERAL.—In return for the granting of an easement by an owner under this subchapter, the Secretary shall—

“(1) share the cost of carrying out the establishment of conservation measures and practices, including necessary maintenance activities, as described in the easement conservation plan associated with the easement to the extent that the Secretary determines that cost sharing is appropriate and in the public interest; and
“(2) provide necessary technical assistance to
assist owners in complying with the terms and con-
ditions of the easement and the easement conserva-
tion plan.
“(b) RANKING OF OFFERS.—When evaluating offers
from owners, the Secretary may consider—
“(1) the cost-effectiveness of each easement or
other interest in the eligible land, so as to maximize
the environmental benefits per dollar expended;
“(2) whether the owner or another individual or
legal entity is offering to contribute financially to
the cost of the easement or other interest in the land
to leverage Federal funds;
“(3) the conservation and wildlife habitat bene-
fits of obtaining an easement or other interest in the
land;
“(4) the relative threat of conversion of the
land to development or row cropping, as applicable;
“(5) the extent to which the purposes of the
easement program would be achieved on the land of-
fered for enrollment; and
“(6) other factors the Secretary determines are
appropriate to select among offers with similar re-
source concerns and objectives.
“(c) EASEMENT PRIORITY.—In carrying out this sub-
chapter, to the extent practicable taking into consideration 
costs and future agricultural and food needs, the Secretary 
shall give priority—

“(1) to obtaining permanent conservation eas-
ements before shorter-term conservation easements; 
and

“(2) in consultation with the Secretary of the 
Interior, to acquiring easements based on the value 
of the easements for protecting vulnerable land and 
protecting and enhancing habitat for migratory birds 
and other wildlife.

“(d) TECHNICAL ASSISTANCE.—The Secretary shall 
provide owners with technical assistance to assist the own-
ers in complying with the terms of the easement, 30-year 
contract, and associated easement conservation plans 
under the program.

“(e) PAYMENTS TO OTHERS.—If an owner who is en-
titled to a payment under the program dies, becomes in-
competent, is otherwise unable to receive the payment, or 
is succeeded by another person who renders or completes 
the required performance, the Secretary shall make the 
payment, in accordance with regulations promulgated by 
the Secretary and without regard to any other provision
of law, in such manner as the Secretary determines is fair
and reasonable in light of all the circumstances.

“SEC. 1237D. PAYMENTS.

“(a) In General.—Effective on the date of enactment of the Rural Economic Farm and Ranch Sustain-
ability and Hunger Act of 2011, the Secretary shall pay
as compensation for a permanent conservation easement
acquired under this subchapter the lowest of—

“(1) the fair market value of the land, as deter-
mined by the Secretary, using the Uniform Stand-
ards of Professional Appraisal Practices or an area-
wide market analysis or survey;

“(2) the amount corresponding to a geo-
ographical cap, as determined by the Secretary in
regulations; or

“(3) the offer made by the owner.

“(b) Form of Payment.—Compensation for an
easement shall be provided by the Secretary in the form
of a cash payment, in an amount determined under sub-
section (a) and specified in the easement agreement.

“(c) Payment Schedule for Easements.—

“(1) Easements valued at $500,000 or
less.—For easements valued at $500,000 or less,
the Secretary may provide easement payments in not
more than 30 annual payments.
“(2) EASEMENTS IN EXCESS OF $500,000.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), for easements valued at more than $500,000, the Secretary may provide easement payments in at least 5, but not more than 30, annual payments.

“(B) EXCEPTION.—If the Secretary determines it would further the purposes of the program, the Secretary may make a lump sum payment for an easement described in subparagraph (A).

“(d) RESTORATION PAYMENTS.—

“(1) PAYMENT RATES.—In making restoration payments, the Secretary shall seek to minimize Federal costs and may offer—

“(A) in the case of a permanent easement, to pay an amount that is not more than 90 percent of the eligible costs; and

“(B) in the case of a nonpermanent easement described in section 1237A(a)(2)(A)(ii) or a 30-year contract, to pay an amount that is not more than 70 percent of the eligible costs.

“(2) RESTORATION OFFSET.—The Secretary shall deduct as a closing cost from the easement compensation to be paid, the estimated share of the
owner of the restoration costs, and that payment shall be—

“(A) determined complete and final for purposes of meeting the cost-share responsibility of the owner; and

“(B) administered using the restoration funds of the Secretary.

“(e) EXEMPTION FROM AUTOMATIC SEQUESTER.—

Notwithstanding any other provision of law, no order issued under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 902) shall affect any payment under this subchapter.

“SEC. 1237E. DELEGATION OF DUTY.

“(a) DEFINITION OF ELIGIBLE ENTITY.—In this section, the term ‘eligible entity’ means—

“(1) an agency of State or local government or an Indian tribe; or

“(2) an organization that—

“(A) is organized for, and at all times since the formation of the organization has been operated principally for, 1 or more of the conservation purposes specified in clause (i), (ii), (iii), or (iv) of section 170(h)(4)(A) of the Internal Revenue Code of 1986;
“(B) is an organization described in section 501(e)(3) of that Code that is exempt from taxation under section 501(a) of that Code; and

“(C) is described in—

“(i) paragraph (1) or (2) of section 509(a) of that Code; or

“(ii) in section 509(a)(3) of that Code, and is controlled by an organization described in section 509(a)(2) of that Code.

“(b) AUTHORITY TO DELEGATE.—

“(1) IN GENERAL.—The Secretary may delegate a duty under the program—

“(A) by transferring title of ownership to an easement originally acquired by the Secretary to an eligible entity to hold and enforce; or

“(B) by entering into a cooperative agreement with an eligible entity for the eligible entity to own, write, and enforce an easement that the Secretary determines will further the purposes of the program.

“(2) DELEGATION OF EASEMENT ADMINISTRATION OF EASEMENTS ACQUIRED BY THE SECRETARY.—
“(A) IN GENERAL.—The Secretary may delegate any of the easement management, monitoring, and enforcement responsibilities of the Secretary under the program to Federal or State agencies or other eligible entities that the Secretary determines have the appropriate authority, expertise, and resources necessary to carry out the delegated responsibilities.

“(B) SECRETARIAL DISCRETION.—The Secretary may determine that the delegation to a particular agency or eligible entity is appropriate for 1 type of easement and not appropriate for another type of easement, depending on the resource purposes for which an easement is acquired.

“(3) TRANSFER OF TITLE OF OWNERSHIP.—

“(A) TRANSFER.—The Secretary may transfer title of ownership to an easement to an eligible entity to hold and enforce, in lieu of the Secretary, subject to the right of the Secretary to conduct periodic inspections and enforce the easement, if—

“(i) the Secretary determines that the transfer will promote long-term protection of the easement;
“(ii) the owner authorizes the eligible entity to hold or enforce the easement; and

“(iii) the eligible entity agrees to assume the costs incurred in administering and enforcing the easement, including the costs of restoration or rehabilitation of the land as determined by the Secretary.

“(B) APPLICATION.—An eligible entity that seeks to hold and enforce an easement that has been acquired by the Secretary shall apply to the Secretary for approval.

“(C) APPROVAL BY SECRETARY.—The Secretary may approve an application described in subparagraph (B) if the eligible entity—

“(i) has the relevant experience necessary for the particular resources to be protected, as appropriate for the application, to administer an easement previously acquired by the Secretary;

“(ii) has a charter that describes a commitment to furthering the particular conservation purposes for which an easement was originally acquired by the Secretary; and
“(iii) has the resources necessary to
effectuate the purposes of this subchapter.

“(c) COOPERATIVE AGREEMENTS.—

“(1) AUTHORIZED; TERMS AND CONDITIONS.—
The Secretary shall establish the terms and condi-
tions of a cooperative agreement under which an eli-
gible entity shall use funds provided by the Sec-
retary to own, write, and enforce an easement, in
lieu of the Secretary.

“(2) MINIMUM REQUIREMENTS.—At a min-
imum, the cooperative agreement shall—

“(A) specify the qualification of the eligible
entity to carry out the responsibilities of the eli-
gible entity under the program, including acqui-
sition, monitoring, enforcement, and implement-
tion of management policies and procedures
that ensure the long-term integrity of the ease-
ment protections;

“(B) require the eligible entity to assume
the costs incurred in administering and enforce-
ing the easement, including the costs of restora-
tion or rehabilitation of the land as specified by
the Secretary;
“(C) specify the right of the Secretary to conduct periodic inspections to verify the enforcement by the eligible entity of the easement;

“(D) subject to subparagraph (E), identify a specific project or a range of projects to be funded under the agreement;

“(E) allow, upon mutual agreement of the parties, substitution of qualified projects that are identified at the time of substitution;

“(F) specify the manner in which the eligible entity will evaluate and report the use of funds to the Secretary;

“(G) allow the eligible entity flexibility to develop and use terms and conditions for easements, if the Secretary finds the terms and conditions consistent with the purposes of the program and adequate to enable effective enforcement of the easements; and

“(H) provide for a schedule of payments to an eligible entity, as agreed to by the Secretary and the eligible entity.

“(3) COST SHARING.—

“(A) IN GENERAL.—As part of a cooperative agreement with an eligible entity under this subsection, the Secretary may provide a share
of the purchase price of an easement under the
program.

“(B) Minimum share by eligible enti-
ty.—

“(i) In general.—The eligible entity
shall be required to provide a share of the
purchase price at least equivalent to that
provided by the Secretary.

“(ii) Amount of share.—The Sec-
retary shall base the share on the amount
that the Secretary would have paid for an
easement acquired directly by the Sec-
retary under this subchapter.

“(C) Priority.—The Secretary may ac-
cord a higher priority to proposals from eligible
entities that leverage a greater share of the
purchase price of the easement.

“(D) Minimization of Federal ex-
pense.—In determining cost-share levels, the
Secretary—

“(i) shall seek to minimize Federal
costs; and

“(ii) may provide an amount less than
the maximum cost-share authorized under
this section.
“(d) Certification of Eligible Entities.—

“(1) Certification process.—The Secretary shall establish a process under which the Secretary may—

“(A) directly certify eligible entities that meet established criteria;

“(B) enter into long-term agreements with certified entities; and

“(C) accept proposals for cost-share assistance to certified entities for the purchase of conservation easements throughout the duration of the agreements.

“(2) Certification criteria.—In order to be certified, an eligible entity shall demonstrate to the Secretary that the entity will maintain, at a minimum, for the duration of the agreement—

“(A) a plan for administering easements that is consistent with the purpose of this subchapter;

“(B) the capacity and resources to monitor and enforce easements; and

“(C) policies and procedures to ensure—

“(i) the long-term integrity of easements;
“(ii) timely completion of acquisitions
of easements; and

“(iii) timely and complete evaluation
and reporting to the Secretary on the use
of funds provided by the Secretary under
the program.

“(3) REVIEW AND REVISION.—

“(A) REVIEW.—The Secretary shall con-
duct a review of eligible entities certified under
paragraph (1) at least every 3 years to ensure
that the entities are meeting the criteria estab-
lished under paragraph (2).

“(B) REVOCATION.—If the Secretary finds
that the certified entity no longer meets the cri-
teria established under paragraph (2), the Sec-
retary may—

“(i) allow the certified entity a spe-
fied period of time of not less than 180
days in which to take such actions as may
be necessary to meet the criteria; and

“(ii) revoke the certification of the en-
tity, if after the specified period of time,
the certified entity does not meet the cri-
teria established in paragraph (2).

“(e) PROTECTION OF FEDERAL INVESTMENT.—
“(1) IN GENERAL.—If delegating a duty under this section, the Secretary shall ensure that the terms of an easement include a right of enforcement for the Department.

“(2) VIOLATION.—If an agency or other eligible entity violates the terms or conditions of a delegated responsibility or associated cooperative agreement entered into under this section—

“(A) the delegation, and any associated cooperative agreement, may be revoked or terminated; and

“(B) the Secretary may required the agency or other eligible entity to refund all or part of any payments received by the agency or eligible entity under the program, with interest on the payments as determined appropriate by the Secretary.

“SEC. 1237F. CHANGES IN OWNERSHIP AND AGREEMENT MODIFICATION.

“(a) LIMITATIONS.—No easement shall be created under this subchapter on land that has changed ownership during the preceding 2-year period unless the Secretary determines that—
“(1) the new ownership was acquired by will or succession as a result of the death of the previous owner;

“(2)(A) the ownership change occurred because of foreclosure on the land; and

“(B) immediately before the foreclosure, the owner of the land exercises a right of redemption from the mortgage holder in accordance with State law;

“(3) the land was acquired under circumstances that give adequate assurances that the land was not acquired for the purposes of placing the land in the program; or

“(4) the new ownership was acquired by the sibling, parent, child, or grandchild of the previous owner.

“(b) Modification, Exchange, and Termination.—

“(1) In general.—The Secretary may subordinate, exchange, terminate, or modify any easement or other interest in land administered by the Natural Resources Conservation Service, either directly or on behalf of the Commodity Credit Corporation, when the Secretary determines that—
“(A) it is in the interest of the Federal Government to subordinate, exchange, modify, or terminate the easement or other interest in the land;

“(B) the action will address a compelling public need or will further the practical administration of the program;

“(C) the action will result in comparable conservation value and equal or greater economic value to the United States; and

“(D) the current owner agrees to the modification.

“(2) NOTICE.—At least 90 days before taking any action to terminate an easement or other interest in land, the Secretary shall provide written notice of the action to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

“(c) ENFORCEABILITY.—An easement, contract, or other agreement entered into under the program shall continue to be legally enforceable on the land for the duration of the easement, contract, or other agreement, regardless of whether the ownership of the land changes.
“SEC. 1237G. PROTECTIONS.

“(a) Protections.—In the case of an owner that enrolls land in the program under an agreement that includes protection of vulnerable species and whose conservation activities result in a net conservation benefit for listed, candidate, or other species, the Secretary shall make available to the owner safe harbor or similar assurances and protection under—

“(1) section 7(b)(4) of the Endangered Species Act of 1973 (16 U.S.C. 1536(b)(4)); or

“(2) section 10(a)(1) of that Act (16 U.S.C. 1539(a)(1)).

“(b) Measures.—If protection under subsection (a) requires the taking of measures that are in addition to the measures covered by the applicable restoration plan agreed to under the program, the cost of the additional measures, as well as the cost of any permit, shall be considered part of the restoration plan for purposes of financial assistance under the program.

“SEC. 1237H. FUNDING.

“(a) In General.—Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out this subchapter $1,000,000,000 for each fiscal year.

“(b) Additional Funding.—In addition to the funds made available under subsection (a), there is au-
authorized to be appropriated to carry out this subchapter $500,000,000 for each fiscal year.

“(c) Use of Funds.—Of amounts made available to carry out this section for a fiscal year, the Secretary shall use—

“(1) not less than 5 percent of the funds to enroll forest land in the program eligible under section 1237A(b)(4);

“(2) not more than 5 percent to enroll prime and productive agricultural land eligible under section 1237A(b)(5);

“(3) not more than 5 percent to enroll land eligible under section 1237E(c); and

“(4) not less than 8 percent of the funds to provide technical assistance.

“(d) Acceptance of Contributions.—Notwithstanding any other provision of law, the Secretary may accept and use contributions of non-Federal funds to make payments under this section.”.

(b) Conforming Amendments.—

(1) Chapter 1 of subtitle D of the Food Security Act of 1985 (16 U.S.C. 3830 et seq.) is amended in the chapter heading by inserting “, CONSERVATION RESERVE, AND EASEMENT BENEFITS PROGRAM”.
(2) Section 1238A of the Food Security Act of 1985 (16 U.S.C. 3838a) is amended—

(A) in subsection (b)(3)—

(i) by striking subparagraphs (B) and (C) and inserting the following:

“(B) EASEMENT BENEFITS PROGRAM.—

Land enrolled in the easement benefits program established under subchapter C of chapter 1 shall not be eligible for enrollment in the conservation security program.”; and

(ii) by redesignating subparagraph (D) as subparagraph (C); and

(B) in subsection (e)(2)(B)(ii)(I)(cc), by striking “wetlands reserve program” and inserting “easement benefits program”.

(3) Section 1252(c) of the Food Security Act of 1985 (16 U.S.C. 3851(c)) is amended—

(A) by striking “(c) FUNDING SOURCE.—

” and all that follows through “the Secretary” in paragraph (1) and inserting the following:

“(c) FUNDING SOURCE.—The Secretary”; and

(B) by striking paragraph (2).
Subtitle C—Working Land Program

SEC. 2201. WORKING LAND PROGRAM.

(a) In General.—Title XII of the Food Security Act of 1985 (16 U.S.C. 3801 et seq.) is amended—

(1) by striking subchapter B of chapter 2 of subtitle D (16 U.S.C. 3838d et seq.);

(2) by striking section 1240N (16 U.S.C. 3839bb–1); and

(3) by striking chapter 4 of subtitle D (16 U.S.C. 3839aa) and inserting the following:

“CHAPTER 4—WORKING LAND PROGRAM

SEC. 1240. WORKING LAND PROGRAM.

“(a) Purposes.—The Secretary shall establish a working land program to promote agricultural production, forest management, and environmental quality as compatible goals, and to optimize environmental benefits, by—

“(1) assisting producers in complying with local, State, and national regulatory requirements concerning—

“(A) soil, water, and air quality;

“(B) wildlife habitat; and

“(C) surface and ground water conservation;

“(2) avoiding, to the maximum extent practicable, the need for resource and regulatory pro-
grams by assisting producers in protecting soil, water, air, and related natural resources and meeting environmental quality criteria established by Federal, State, tribal, and local agencies;

“(3) providing flexible assistance to producers to install and maintain conservation practices that sustain food and fiber production while—

“(A) enhancing soil, water, and related natural resources, including grazing land, forestland, wetland, and wildlife; and

“(B) improving energy efficiency and increasing use of renewable energy;

“(4) assisting producers to make beneficial, cost-effective changes to production systems (including conservation practices relating to organic production), grazing management, fuels management, forest management, nutrient management associated with livestock, pest or irrigation management, or other practices on agricultural and forested land; and

“(5) consolidating and streamlining conservation planning and regulatory compliance processes to reduce administrative burdens on producers and the cost of achieving environmental goals.

“(b) DEFINITIONS.—In this chapter:
“(1) **Conservation activities.—**

“(A) In general.—The term ‘conservation activities’ means conservation systems, practices, or management measures that are designed to address a resource concern.

“(B) Inclusions.—The term ‘conservation activities’ includes—

“(i) structural measures, vegetative measures, and land management measures, including agriculture drainage management systems, as determined by the Secretary; and

“(ii) planning needed to address a resource concern.

“(2) **Eligible land.—**

“(A) In general.—The term ‘eligible land’ means land on which agricultural commodities, livestock, or forest-related products are produced.

“(B) Inclusions.—The term ‘eligible land’ includes—

“(i) cropland;

“(ii) grassland;

“(iii) rangeland;

“(iv) pasture land;
“(v) nonindustrial private forest land;

and

“(vi) other agricultural land (including cropped woodland, marshes, areas devoted to aquaculture and associated waters, and agricultural land used or capable of being used for the production of livestock) on which resource concerns relating to agricultural production could be addressed through a contract under the program, as determined by the Secretary.

“(C) EXCLUSIONS.—The term ‘eligible land’ does not include any land enrolled in—

“(i) the conservation reserve program under subchapter B of chapter 1; or

“(ii) the easement benefits program under subchapter C of chapter 1.

“(3) ORGANIC SYSTEM PLAN.—The term ‘organic system plan’ means an organic plan approved under the national organic program established under the Organic Foods Production Act of 1990 (7 U.S.C. 6501 et seq.).

“(4) PARTNER.—The term ‘partner’ means any entity that enters into a partnership agreement with
the Secretary to carry out a program on a regional basis, including—

“(A) an agricultural or silvicultural producer association or other group of such producers;

“(B) a State or unit of local government; or

“(C) an Indian tribe.

“(5) Partnership Agreement.—The term ‘partnership agreement’ means an agreement between the Secretary and a partner to carry out a practice under the program.

“(6) Payment.—The term ‘payment’ means financial assistance provided for performing practices under this chapter, including compensation for—

“(A) incurred costs associated with planning, design, materials, equipment, installation, labor, management, maintenance, or training; and

“(B) income forgone by the producer.

“(7) Practice.—The term ‘practice’ means 1 or more improvements and conservation activities that are consistent with the purposes of the program, as determined by the Secretary, including—
“(A) improvements to eligible land of the producer, including—

“(i) structural practices;
“(ii) land management practices;
“(iii) vegetative practices;
“(iv) forest management; and
“(v) other practices that the Secretary determines would further the purposes of the program; and

“(B) conservation activities involving the development of plans appropriate for the eligible land of the producer, including—

“(i) comprehensive nutrient management planning; and
“(ii) other plans that the Secretary determines would further the purposes of the program under this part.

“(8) PRIORITY RESOURCE CONCERN.—The term ‘priority resource concern’ means a resource concern that is identified at the State level, in consultation with the State technical committee, as a priority for a particular watershed or area of the State.

“(9) PRODUCER.—The term ‘producer’ has the meaning given the term in section 1238.
“(10) Program.—The term ‘program’ means the working land program established under this chapter.

“(11) Resource concern.—The term ‘resource concern’ means a specific natural resource impairment or problem, as determined by the Secretary, that—

“(A) represents a significant concern in a State or region; and

“(B) is likely to be addressed successfully through the implementation of conservation activities by producers on land eligible for enrollment in the program.

“SEC. 1240A. ESTABLISHMENT AND ADMINISTRATION.

“(a) In general.—During each of the 2013 through 2017 fiscal years, the Secretary shall provide payments to producers and partners that enter into contracts or partnership agreements with the Secretary under the program.

“(b) Evaluation of Applications.—

“(1) Evaluation criteria.—The Secretary shall develop criteria for evaluating applications that will ensure that national, State, and local conservation priorities are effectively addressed.
“(2) Prioritization of applications.—In evaluating applications under the program, the Secretary shall prioritize applications—

“(A) based on the overall level of cost-effectiveness of the project proposed in an application to ensure that the conservation practices and approaches proposed are the most cost-effective means of achieving the anticipated environmental benefits of the project;

“(B) based on how effectively and comprehensively the proposed project addresses the designated resource concern or resource concerns;

“(C) that best fulfill the purpose of the program specified in section 1240(a);

“(D) that improve conservation practices or systems in place on the operation at the time the contract offer is accepted or that will complete a conservation system; and

“(E) that will bring significant environmental benefits in improving specific high-priority environmental concerns, as designated by the Secretary.

“(3) Grouping of applications.—To the maximum extent practicable, the Secretary shall
group applications of similar crop or livestock operations for evaluation purposes or otherwise evaluate applications relative to other applications for similar farming operations.

“(4) BIDDING DOWN.—If the Secretary determines that the environmental values of 2 or more applications for payments are comparable, the Secretary shall not assign a higher priority to an application only because the application would present the least cost to the program.

“(c) PRACTICES AND TERM.—

“(1) PRACTICES.—A contract under the program may apply to the performance of 1 or more practices.

“(2) TERM.—A contract or partnership agreement under the program shall have a term that—

“(A)(i) except as provided in clause (ii), at a minimum, is equal to the period beginning on the date on which the contract is entered into and ending on the date that is 1 year after the date on which all practices under the contract have been implemented; and

“(ii) may, for contracts or partnership agreements for development of conservation activity plans or for other contracts or partner-
ship agreements designated by the Secretary, be
less than 1 year; but
“(B) does not exceed 10 years.
“(d) PAYMENTS.—
“(1) IN GENERAL.—Payments shall be provided
to a producer or partner to implement 1 or more
practices under the program.
“(2) LIMITATION ON PAYMENT AMOUNTS.—
“(A) IN GENERAL.—Except as provided in
paragraph (4), a payment to a producer or
partner for performing a practice may not ex-
ceed, as determined by the Secretary—
“(i) 75 percent of the costs associated
with planning, design, materials, equip-
ment, installation, labor, management,
maintenance, or training;
“(ii) 100 percent of income foregone
by the producer or partner, as determined
in accordance with paragraph (3); or
“(iii) in the case of a practice con-
sisting of elements covered under clauses
(i) and (ii)—
“(I) 75 percent of the costs in-
curred for those elements covered
under clause (i); and
“(II) 100 percent of income foregone for those elements covered under clause (ii).

“(B) MINIMIZATION OF FEDERAL COST.— The Secretary—

“(i) shall seek to minimize Federal costs in determining cost-share levels; and

“(ii) is not required to provide the maximum cost-share amount described in subparagraph (A).

“(3) SPECIAL RULE INVOLVING PAYMENTS FOR FOREGONE INCOME.—In determining the amount and rate of payments under paragraph (2)(A)(ii), the Secretary may accord great significance to a practice that, as determined by the Secretary, promotes—

“(A) residue management;

“(B) nutrient management;

“(C) air quality management;

“(D) invasive species management;

“(E) pollinator habitat;

“(F) animal carcass management technology;

“(G) pest management; or

“(H) water conservation.
“(4) INCREASED PAYMENTS FOR CERTAIN PRODUCERS.—

“(A) IN GENERAL.—Notwithstanding paragraph (2), in the case of a producer that is a limited resource, socially disadvantaged farmer or rancher, or a beginning farmer or rancher, the Secretary shall increase the amount that would otherwise be provided to a producer under this subsection—

“(i) to not more than 90 percent of the costs associated with planning, design, materials, equipment, installation, labor, management, maintenance, or training; and

“(ii) to not less than 25 percent above the otherwise applicable rate.

“(B) ADVANCE PAYMENTS.—Not more than 30 percent of the amount determined under subparagraph (A) may be provided in advance for the purpose of purchasing materials or contracting.

“(C) MINIMIZATION OF FEDERAL COST.—The Secretary—

“(i) shall seek to minimize Federal costs in determining cost-share levels; and
“(ii) is not required to provide the maximum cost-share amount described in subparagraph (A).

“(5) **Financial assistance from other sources.**—Except as provided in paragraph (6), any payments received by a producer or partner from a State or private organization, individual, or legal entity for the implementation of 1 or more practices on eligible land of the producer shall be in addition to the payments provided to the producer or partner under this subsection.

“(6) **Other payments.**—A producer or partner shall not be eligible for payments for practices on eligible land under the program if the producer or partner receives payments or other benefits for the same practice on the same land under another program under this title.

“(e) **Modification or termination of contracts or partnership agreements.**—

“(1) **Voluntary modification or termination.**—The Secretary may modify or terminate a contract or partnership agreement entered into with a producer or partner under the program if—

“(A) the producer or partner agrees to the modification or termination; and
“(B) the Secretary determines that the modification or termination is in the public interest.

“(2) INVOLUNTARY TERMINATION.—The Secretary may terminate a contract or partnership agreement under the program if the Secretary determines that the producer or partner violated the contract or partnership agreement.

“(f) FUNDING FOR INDIAN TRIBES AND ALASKA NATIVE CORPORATIONS.—The Secretary may enter into alternative funding arrangements with Indian tribes and Alaska Native Corporations (including affiliated membership organizations) if the Secretary determines that—

“(1) the goals and objectives of the program will be met by the arrangements; and

“(2) statutory limitations regarding contracts with individual producers will not be exceeded by any tribal or Native Corporation member.

“SEC. 1240B. DUTIES OF PRODUCERS AND PARTNERS.

“(a) IN GENERAL.—To receive payments under the program, a producer or partner shall agree—

“(1) to implement a program plan (including a comprehensive nutrient management plan, if applicable) that describes conservation and environmental
purposes to be achieved through 1 or more practices that are approved by the Secretary;

“(2) not to conduct any practices on the eligible land that would tend to defeat the purposes of the program;

“(3) on the violation of a term or condition of the contract or partnership agreement at any time during which the producer or partner is required to have control of the eligible land—

“(A) if the Secretary determines that the violation warrants termination of the contract or partnership agreement—

“(i) to forfeit all rights to receive payments under the contract or partnership agreement; and

“(ii) to refund to the Secretary all or a portion of the payments received by the producer or partner under the contract or partnership agreement, including any interest on the payments, as determined by the Secretary; or

“(B) if the Secretary determines that the violation does not warrant termination of the contract or partnership agreement, to refund to the Secretary, or accept adjustments to, the
payments provided to the producer or partner, as the Secretary determines to be appropriate;

“(4) on the transfer of the right and interest of the producer or partner in eligible land subject to the contract or partnership agreement, unless the transferee of the right and interest agrees with the Secretary to assume all obligations of the contract or partnership agreement, to refund all payments received under the program, as determined by the Secretary;

“(5) to supply information as required by the Secretary to determine compliance with the program plan and requirements of the program; and

“(6) to comply with such additional provisions as the Secretary determines are necessary to carry out the program plan.

“(b) PROGRAM PLAN.—

“(1) IN GENERAL.—To be eligible to receive payments under the program, a producer or partner shall submit to the Secretary for approval a plan of operations that—

“(A) specifies practices covered under the program;

“(B) includes such terms and conditions as the Secretary considers necessary to carry out
the program, including a description of the purposes to be met by the implementation of the plan;

“(C) in the case of a confined livestock feeding operation, provides for development and implementation of a comprehensive nutrient management plan, if applicable; and

“(D) in the case of forest land, is consistent with the provisions of a forest management plan that is approved by the Secretary, which may include—

“(i) a forest stewardship plan described in section 5 of the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2103a);

“(ii) another practice plan approved by the State forester; or

“(iii) another plan determined appropriate by the Secretary.

“(2) AVOIDANCE OF DUPLICATION.—The Secretary shall—

“(A) consider a plan developed in order to acquire a permit under a water or air quality regulatory program as the equivalent of a plan of operations under paragraph (1), if the plan
contains elements equivalent to those elements required by a plan of operations; and

“(B) to the maximum extent practicable, eliminate duplication of planning activities under the program and comparable conservation programs.

“SEC. 1240C. DUTIES OF THE SECRETARY.

“(a) In general.—To the extent appropriate, the Secretary shall assist a producer or partner in achieving the conservation and environmental goals of a program plan by—

“(1) providing payments for developing and implementing 1 or more practices, as appropriate; and

“(2) providing the producer or partner with information and training to aid in the implementation of the plan.

“(b) Targeted Practices.—

“(1) Agricultural Water Enhancement Initiative.—Of the funds made available to carry out this chapter, the Secretary shall use not less than $60,000,000 to provide payments for agricultural water enhancement activity to promote ground and surface water conservation and improve water quality on agricultural land, including—
“(A) water quality or water conservation plan development, including resource condition assessment and modeling;

“(B) water conservation restoration or enhancement projects, including conversion to the production of less water-intensive agricultural commodities or dryland farming;

“(C) water quality or quantity restoration or enhancement projects;

“(D) irrigation system improvement and irrigation efficiency enhancement;

“(E) activities designed to mitigate the effects of drought; and

“(F) related activities that the Secretary determines will help achieve water quality or water conservation benefits on agricultural land.

“(2) AGRICULTURAL AIR QUALITY CONCERNS.—

“(A) IMPLEMENTATION ASSISTANCE.—Of the funds made available to carry out this chapter, the Secretary shall use not less than $37,500,000 to provide payments under this paragraph to producers or partners to implement practices—
“(i) to address air quality concerns from agricultural operations; and

“(ii) meet Federal, State, and local regulatory requirements.

“(B) Availability and Use.—The funds shall be—

“(i) made available on the basis of air quality concerns in a State; and

“(ii) used to provide payments to producers that are cost-effective and reflect innovative technologies.

“(3) Conservation Stewardship Initiative.—

“(A) In General.—The Secretary may use funds made available to carry out this chapter for conservation stewardship initiatives to address resource concerns in a comprehensive manner by—

“(i) undertaking additional conservation activities; and

“(ii) improving, maintaining, and managing existing conservation activities.

“(B) Submission of Contract or Partnership Agreement Offers.—To be eligible to participate in the conservation stewardship
initiative and receive an initiative payment, a producer or partner shall submit to the Secretary for approval a contract or partnership agreement offer that—

“(i) demonstrates to the satisfaction of the Secretary that the producer or partner, at the time of the contract or partnership agreement offer, is meeting the stewardship threshold for at least 1 resource concern; and

“(ii) would, at a minimum, meet or exceed the stewardship threshold for at least 2 priority resource concerns by the end of the contract or partnership agreement by—

“(I) installing and adopting additional conservation activities; and

“(II) improving, maintaining, and managing conservation activities in place at the operation of the producer at the time the contract or partnership agreement offer is accepted by the Secretary.

“(C) PAYMENT AMOUNT.—An initiative payment to a producer shall be based on the
conservation performance to be achieved on eligible land in an amount determined by the Secretary.

“(4) COMPETITIVE GRANTS FOR INNOVATIVE CONSERVATION APPROACHES.—

“(A) IN GENERAL.—The Secretary may use funds made available to carry out this chapter to pay the cost of competitive grants that are intended to stimulate innovative approaches to leveraging the Federal investment in environmental enhancement and protection, in conjunction with agricultural production or forest resource management, through the program.

“(B) USE.—The Secretary may provide grants under this paragraph to governmental and nongovernmental organizations, individuals, and legal entities, on a competitive basis, to carry out projects that—

“(i) involve producers or partners who are eligible for payments or technical assistance under the program;

“(ii) leverage Federal funds made available to carry out the program with matching funds provided by State and local governments and private organiza-
tions to promote environmental enhancement and protection in conjunction with agricultural production;

“(iii) ensure efficient and effective transfer of innovative technologies and approaches demonstrated through projects that receive funding under this paragraph, such as market systems for pollution reduction and practices for the storage of carbon in soil; and

“(iv) provide environmental and resource conservation benefits through increased participation by producers of specialty crops.

“(5) ORGANIC PRODUCTION CONSERVATION INITIATIVES.—

“(A) IN GENERAL.—The Secretary may provide payments under this paragraph for conservation practices, on some or all of the operations of a producer or partner, relating to—

“(i) organic production; and

“(ii) the transition to organic production.
“(B) Eligibility Requirements.—As a condition for receiving payments under this paragraph, a producer or partner shall agree—

“(i) to develop and carry out an organic system plan in furtherance of transitioning to organic production; or

“(ii) to develop and implement conservation practices for certified organic production that are consistent with an organic system plan and the purposes of the program.

“(C) Payment Limitations.—

“(i) In general.—Subject to clause (ii), payments under this paragraph to a person or legal entity, directly or indirectly, may not exceed, in the aggregate, $20,000 per year or $80,000 in payments made pursuant to contracts or partnership agreements entered into during the period of fiscal years 2013 through 2017.

“(ii) Technical Assistance Excluded.—In applying clause (i), the Secretary shall not take into account payments received for technical assistance.
“(D) Exclusion of certain organic certification costs.—Payments may not be made under this paragraph to cover the costs associated with organic certification that are eligible for cost-share payments under section 10606 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 6523).

“(E) Termination of contracts or partnership agreements.—The Secretary may cancel or otherwise nullify a contract or partnership agreement to provide payments under this paragraph if the Secretary determines that the producer—

“(i) is not pursuing organic certification; or

“(ii) is not in compliance with the Organic Foods Production Act of 1990 (7 U.S.C. 6501 et seq.).

“(6) Water conservation or irrigation efficiency initiative.—

“(A) In general.—The Secretary may provide payments under this paragraph to a producer or partner for a water conservation or irrigation practice.
“(B) PRIORITY.—In providing payments to a producer or partner for a water conservation or irrigation practice, the Secretary shall give priority to applications in which—

“(i) consistent with the law of the State in which the eligible land of the producer or partner is located, there is a reduction in water use in the operation of the producer or partner; or

“(ii) the producer or partner agrees not to use any associated water savings to bring new land, other than incidental land needed for efficient operations, under irrigated production, unless the producer or partner is participating in a watershed-wide project that will effectively conserve water, as determined by the Secretary.

“(7) WILDLIFE HABITAT INITIATIVE.—

“(A) IN GENERAL.—Of the funds made available to carry out this chapter, the Secretary, in consultation with the State technical committees established under section 1261, shall make available to producers and owners of eligible land not less than $85,000,000 to pro-
vide payments for the development of wildlife habitat, including—

“(i) upland wildlife habitat;
“(ii) wetland wildlife habitat;
“(iii) habitat for threatened or endangered species;
“(iv) fish habitat;
“(v) aquatic wildlife habitat associated with riparian or submerged land, even if the land is subject to title being held by the State when submerged if consistent with State law; and
“(vi) other types of wildlife habitat approved by the Secretary, including habitat developed on pivot corners and irregular areas.

“(B) Priority for certain conservation initiatives.—In carrying out this paragraph, the Secretary may give priority to projects that would address issues raised by State, regional, and national conservation initiatives.
“SEC. 1240D. FUNDING.

“(a) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out this chapter $2,250,000,000 for each fiscal year.

“(b) PAYMENT LIMITATIONS.—

“(1) IN GENERAL.—Subject to paragraph (2), a person or legal entity may not receive, directly or indirectly, practice payments or incentive payments under this chapter that, in the aggregate, exceed $300,000 for all contracts or partnership agreements entered into under this chapter by the person or legal entity during the period of fiscal years 2013 through 2017 (excluding funding arrangements with federally recognized Native American Indian tribes or Alaska Native Corporations under section 1240A(f)), regardless of the number of contracts or partnership agreements entered into under this chapter by the person or entity.

“(2) WAIVER AUTHORITY.—In the case of contracts or partnership agreements under this chapter for projects of special environmental significance (including projects involving methane digesters), as determined by the Secretary, the Secretary may—

“(A) waive the limitation otherwise applicable under paragraph (1); and
“(B) raise the limitation to not more than $450,000 for all contracts or partnership agreements entered into during the period of fiscal years 2013 through 2017.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 344(f)(8) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1344(f)(8)) is amended by striking “environmental quality incentives program” and inserting “working land program”.

(2) Section 377 of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1377) is amended by striking “environmental quality incentives program” and inserting “working land program”.

(3) Section 101(1) of the Department of Agriculture and Farm Credit Administration Appropriation Act, 1959 (7 U.S.C. 1831a(1)) is amended by striking “environmental quality incentives program” and inserting “working land program”.

(4) Section 1271(c)(3)(C) of the Forest Stewardship Act of 1990 (16 U.S.C. 2106a(c)(3)(C)) is amended by striking “environmental quality incentives program” and inserting “working land program”.

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(5) Section 202(c) of the Colorado River Basin Salinity Control Act (43 U.S.C. 1592(e)) is amended by striking “environmental quality incentives program” and inserting “working land program”.


(7) Section 1221(b)(3)(A) of the Food Security Act of 1985 (16 U.S.C. 3821(b)(3)(A)) is amended by striking “environmental quality incentives program” and inserting “working land program”.

Subtitle D—Other Conservation Programs


(a) CONSERVATION OF PRIVATE GRAZING LAND.—Section 1240M(e) of the Food Security Act of 1985 (16 U.S.C. 3839bb(e)) is amended by striking “2012” and inserting “2017”.

(b) GRASSROOTS SOURCE WATER PROTECTION PROGRAM.—Section 1240O(b) of the Food Security Act of 1985 (16 U.S.C. 3839bb–2(b)) is amended by striking “2012” and inserting “2017”.

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(d) Chesapeake Bay Watershed Program.—Section 1240Q of the Food Security Act of 1985 (16 U.S.C. 3839bb–4) is amended by striking subsection (h) and inserting the following:

“(h) Funding.—There is authorized to be appropriated to carry out this section $50,000,000 for each of fiscal years 2012 through 2017.”.

(e) Voluntary Public Access and Habitat Incentive Program.—Section 1240R(f) of the Food Security Act of 1985 (16 U.S.C. 3839bb–5(f)) is amended by striking “2012” and inserting “2017”.

SEC. 2302. FUNDING OF CONSERVATION PROGRAMS UNDER FOOD SECURITY ACT OF 1985.

(a) In General.—Section 1241(a) of the Food Security Act of 1985 (16 U.S.C. 3841(a)) is amended in the matter preceding paragraph (1) by striking “2012” and inserting “2017”.

(b) Conservation Reserve Program.—Section 1241(a)(1) of the Food Security Act of 1985 (16 U.S.C. 3841(a)(1)) is amended by striking “2012” each place it appears and inserting “2017”.

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(c) REPEALS.—Section 1241 of the Food Security Act of 1985 (16 U.S.C. 3841) is amended—

(1) in subsection (a)—

(A) in paragraph (3)—

(i) by striking ``(A)''; and

(ii) by striking subparagraph (B);

(B) by striking paragraphs (2), (4), (5), (6), and (7); and

(C) by redesignating paragraph (3) as paragraph (2);

(2) in subsection (b), in the matter preceding paragraph (1), by striking “paragraphs (1) through (7) of”; and

(3) in subsection (h)—

(A) in paragraph (1), by striking “wetlands reserve program” and inserting “easement benefits program”;

(B) in paragraph (4), by striking “environmental quality incentives program for land determined to have special environmental significance pursuant to section 1240G(b)” and inserting “working land program for land determined to have special environmental significance”;

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(C) by striking paragraphs (2), (3), and (5); and

(D) by redesignating paragraphs (4) and (6) as paragraphs (2) and (3), respectively.

(d) **Regional Equity.**—Section 1241 of the Food Security Act of 1985 (16 U.S.C. 3841) is amended—

1 by striking subsection (d); and

2 by redesignating subsections (e) through (h) as subsections (d) through (g), respectively.

(e) **Assistance to Certain Farmers or Ranchers for Conservation Access.**—Subsection (f) of section 1241 of the Food Security Act of 1985 (16 U.S.C. 3841) (as redesignated by subsection (d)(2)) is amended—

1 in paragraph (1), in the matter preceding subparagraph (A), by striking “made available for” and all that follows through “shall use” and inserting “and acres made available for each of fiscal years 2012 through 2017 to carry out the working land program, the Secretary shall use”; and

2 in paragraph (3), by striking “conservation stewardship program” and inserting “working land program”.

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SEC. 2303. COOPERATIVE CONSERVATION PARTNERSHIP INITIATIVE.

(a) Initiative Programs.—Section 1243(c) of the Food Security Act of 1985 (16 U.S.C. 3843(c)) is amended by striking paragraph (2) and inserting the following:

“(2) Limitation and Coordination with the Conservation Reserve Program.—

“(A) In general.—The Initiative shall not include the conservation reserve program.

“(B) Coordination.—The Secretary shall coordinate implementation of the cooperative conservation partnership initiative and those portions of the conservation reserve program eligible for continuous enrollment.”.

(b) Applications.—Section 1243(f)(2) of the Food Security Act of 1985 (16 U.S.C. 3843(f)(2)) is amended—

(1) in subparagraph (A), by inserting “, and may consider applications that have identified producers for participation in the project” before the semicolon at the end;

(2) in subparagraph (D), by striking “or” at the end;

(3) by redesignating subparagraph (E) as subparagraph (F); and

(4) by inserting after subparagraph (D) the following:
“(E) will benefit economic development of rural communities, including as integrated into local economic development plans; or”.

(c) RELATIONSHIP TO COVERED PROGRAMS.—Section 1243(g) of the Food Security Act of 1985 (16 U.S.C. 3843(g)) is amended by adding at the end the following:

“(3) ADJUSTMENT OF PROGRAMS BY ELIGIBLE PARTNERS.—The Secretary shall allow eligible partners to adjust conservation programs during the implementation phase if the adjustments—

“(A) achieve purposes consistent with the purposes of this section; and

“(B) are approved by the Secretary prior to the adjustments being implemented.”.

(d) FUNDING.—Section 1243(i) of the Food Security Act of 1985 (16 U.S.C. 3843(i)) is amended—

(1) by striking paragraph (1) and inserting the following:

“(1) RESERVATION.—Of the funds and acres made available for each fiscal year to implement the programs described in subsection (c)(1), to ensure an adequate source of funds and acres for the Initiative, the Secretary shall reserve—

“(A) for fiscal year 2013, 10 percent of the funds and acres;
“(B) for fiscal year 2014, 12.5 percent of the funds and acres; and

“(C) for fiscal year 2015 and each fiscal year thereafter, 15 percent of the funds and acres.”; and

(2) in paragraph (4)—

(A) by striking “Overhead” and inserting the following:

“(A) IN GENERAL.—Overhead”; and

(B) by adding at the end the following:

“(B) TECHNICAL ASSISTANCE.—The use of funds for technical assistance to achieve conservation goals—

“(i) is not subject to subparagraph (A); and

“(ii) is subject to review by the Secretary.”.

SEC. 2304. ADMINISTRATIVE REQUIREMENTS FOR CONSERVATION PROGRAMS.

Section 1244 of the Food Security Act of 1985 (16 U.S.C. 3844) is amended—

(1) in subsection (c)—

(A) in paragraph (1)(C), by striking “wetlands reserve program” and inserting “case-management benefits program”; and

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(B) in paragraph (2), by striking “environmental quality incentives program” and inserting “working land program”; and

(2) by striking subsection (i) and inserting the following:

“(i) CONSERVATION APPLICATION PROCESS.—

“(1) INITIAL APPLICATION.—

“(A) IN GENERAL.—Not later than 1 year after the date of enactment of this subsection, the Secretary shall establish a single, simplified application for eligible entities to use in initially requesting assistance under any conservation program administered by the Secretary (referred to in this subsection as the ‘initial application’).

“(B) REQUIREMENTS.—To the maximum extent practicable, the Secretary shall ensure that—

“(i) a conservation program applicant is not required to provide information that is duplicative of information or resources already available to the Secretary for that applicant and the specific operation of the applicant; and
“(ii) the initial application process is streamlined to minimize complexity and redundancy.

“(2) REVIEW OF APPLICATION PROCESS.—

“(A) IN GENERAL.—Not later than 1 year after the date of enactment of this subsection, the Secretary shall review the application process for each conservation program administered by the Secretary, including the forms and processes used to receive assistance requests from eligible program participants.

“(B) REQUIREMENTS.—In carrying out the review, the Secretary shall determine what information the participant is required to submit during the application process, including—

“(i) identification information for the applicant;

“(ii) identification and location information for the land parcel or tract of concern;

“(iii) a general statement of the need or resource concern of the applicant for the land parcel or tract; and

“(iv) the minimum amount of other information the Secretary considers to be
essential for the applicant to provide personally.

“(3) Revision and Streamline.—

“(A) In general.—Not later than 1 year after the date of enactment of this subsection, the Secretary shall carry out a revision of the application forms and processes for each conservation program administered by the Secretary to enable use of information technology to incorporate appropriate data and information concerning the conservation needs and solutions appropriate for the land area identified by the applicant.

“(B) Goal.—The goal of the revision shall be to streamline the application process to minimize the burden placed on applicants.

“(4) Conservation Program Application.—

“(A) In general.—Once the needs of an applicant have been adequately assessed by the Secretary, or a third party provider under section 1242, based on the initial application, in order to determine the 1 or more programs under this title that best match the needs of the applicant, with the approval of the applicant, the Secretary may convert the initial application
into the specific application for assistance for
the relevant conservation program.

“(B) SECRETARIAL BURDEN.—To the
maximum extent practicable, the Secretary
shall—

“(i) complete the specific application
for conservation program assistance for
each applicant; and

“(ii) request only that specific further
information from the applicant that is not
already available to the Secretary.

“(5) IMPLEMENTATION AND NOTIFICATION.—
Not later than 1 year after the date of enactment
of this subsection, the Secretary shall submit to the
Committee on Agriculture of the House of Rep-
resentatives and the Committee on Agriculture, Nu-
trition, and Forestry of the Senate written notifica-
tion that the Secretary has fulfilled the requirements
of this subsection.”.

SEC. 2305. REPEAL OF HEALTHY FORESTS RESERVE PRO-
GRAM.

Title V of the Healthy Forests Restoration Act of
2003 (16 U.S.C. 6571 et seq.) is repealed.
TITLE III—NUTRITION
Subtitle A—Supplemental
Nutrition Assistance Program

SEC. 3001. CATEGORICAL ELIGIBILITY LIMITATIONS.

Section 5 of the Food and Nutrition Act of 2008 (7 U.S.C. 2014) is amended—

(1) by striking the section heading and all that follows through “(a) Participation” and inserting the following:

“SEC. 5. ELIGIBLE HOUSEHOLDS.

“(a) REQUIREMENTS.—

“(1) IN GENERAL.—Participation”;

(2) in subsection (a)—

(A) by striking the second sentence and inserting the following:

“(2) RECIPIENTS OF OTHER FEDERAL BENEFITS.—Except as provided in section 3(n)(4) and subsections (b), (d)(2), and (g) of section 6, a household shall be eligible to participate in the supplemental nutrition assistance program if each member of the household receives—

“(A) cash assistance in the form of ongoing basic needs benefit payments for financially needy families under the program of block grants to States for temporary assistance for
needy families established under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.);

“(B) cash assistance under the supplemental security income program established under title XVI of that Act (42 U.S.C. 1381 et seq.); or

“(C) aid to the aged, blind, or disabled under title I, X, XIV, or XVI of that Act (42 U.S.C. 301 et seq.).”;

(B) in the third sentence, by striking “Except for sections 6, 16(e)(1), and section 3(n)(4), households” and inserting the following:

“(3) GENERAL ASSISTANCE.—Except as provided in sections 3(n)(4), 6, and 16(e)(1), a household”; and

(C) in the fourth sentence, by striking “Assistance” and inserting the following:

“(4) APPLICATIONS.—Assistance”; and

(3) in subsection (j)—

(A) by inserting “cash assistance in the form of” before “supplemental security income benefits”; and
(B) by striking “or who receives benefits” and inserting “or who receives cash assistance”.

SEC. 3002. REPEAL OF FUNDING FOR EMPLOYMENT AND TRAINING PROGRAMS.

(a) IN GENERAL.—Section 6(d)(4) of the Food and Nutrition Act of 2008 (7 U.S.C. 2015(d)(4)) is amended—

(1) by striking “(A) IN GENERAL.—”; and all that follows through “the following components” in the matter preceding clause (i) in subparagraph (B) and inserting the following:

“(A) DEFINITION OF EMPLOYMENT AND TRAINING PROGRAM.—In this Act, the term ‘employment and training program’ means a Federal, State, or private program not administered by the Secretary or funded through the Food and Nutrition Service that contains 1 or more of the following components”;

(2) by striking clause (viii) in subparagraph (A) (as designated in paragraph (1)) and inserting the following:

“(viii) As approved by the State, other employment, educational and training programs, projects, and experiments, such as a supported work program, aimed at ac-
complishing the purpose of the employment
and training program.”;

(3) in subparagraph (E), by striking “subpara-
grah (D)” and inserting “subparagraph (C)”;

(4) by striking subparagraphs (H) through (K);
and

(5) by redesignating subparagraphs (C) through
(G) and (L) and (M) as subparagraphs (B) through
(F) and (G) and (H), respectively.

(b) REPEAL OF FUNDING.—Section 16 of the Food
and Nutrition Act of 2008 (7 U.S.C. 2025) is amended
by striking subsection (h).

(e) CONFORMING AMENDMENTS.—

(1) Section 5(d) of the Food and Nutrition Act
of 2008 (7 U.S.C. 2014(d)) is amended—

 (A) by striking paragraph (14); and

 (B) by redesignating paragraphs (15)
 through (19) as paragraphs (14) through (18),
 respectively.

(2) Section 17(b)(1)(B)(iv)(III) of the Food
and Nutrition Act of 2008 (7 U.S.C.
2026(b)(1)(B)(iv)(III)) is amended—

 (A) in item (dd), by striking “(4)(F)(i) or
(4)(K)” and inserting “or (4)(E)”;

and
(B) in item (hh), by striking “(g), (h)(2),
or (h)(3) of section 16” and inserting “or (g)
of section 16”.

SEC. 3003. REPEAL OF INCENTIVE PAYMENTS TO STATES
WITH LOW SNAP BENEFIT ALLOCATION ERROR RATES.

(a) IN GENERAL.—Section 16 of the Food and Nutrition Act of 2008 (7 U.S.C. 2025) is amended by striking subsection (d).

(b) CONFORMING AMENDMENTS.—Section 16 of the Food and Nutrition Act of 2008 (7 U.S.C. 2025) is amended—

(1) in subsection (c), by striking “, or performance under the performance measures under subsection (d)” each place it appears in paragraphs (4) and (5); and

(2) in subsection (i)(1), by striking “as defined in subsection (d)(1))” and inserting “as defined in guidance issued by the Secretary”.

SEC. 3004. QUALITY CONTROL.

(a) IN GENERAL.—Section 16(e) of the Food and Nutrition Act of 2008 (7 U.S.C. 2025(e)) is amended—

(1) in paragraph (1)—
(A) in subparagraph (D)(i)(II), by inserting “except as provided in clause (iii),” before “require”; and

(B) by adding at the end the following:

“(H) STATES IN LIABILITY STATUS FOR A THIRD CONSECUTIVE FISCAL YEAR.—

“(i) IN GENERAL.—If a liability amount has been established for a State agency under subparagraph (C) for 3 or more consecutive fiscal years, the Secretary shall require the State to pay the entire liability amount for those fiscal years.

“(ii) ALTERNATIVES TO FULL PAYMENT NOT AVAILABLE.—Subparagraph (D) shall not apply to a State agency described in clause (i).”; and

(2) by redesignating paragraph (9) as paragraph (10); and

(3) by inserting after paragraph (8) the following:

“(9) PENALTY FOR NEGATIVE ERROR RATE.—

“(A) DEFINITIONS.—In this paragraph:

“(i) AFFECTED STATE AGENCY.—The term ‘affected State agency’ means a State
agency that maintains, for 2 or more consecutive fiscal years, a negative error rate that is more than 50 percent higher than the national average negative error rate, as determined by the Secretary.

“(ii) Average negative error rate.—The term ‘average negative error rate’ means the product obtained by multiplying—

“(I) the negative error rate of a State agency; and

“(II) the proportion of the total negative caseload of that State agency for the fiscal year, as calculated under the quality control sample at the time of the notifications issued under subparagraph (C), as determined by the Secretary.

“(iii) Negative error rate.—

“(I) In general.—The term ‘negative error rate’ means, for a State agency, the proportion that—

“(aa) the total number of actions erroneously taken by the State agency to deny applications
or suspend or terminate benefits of a household participating in the supplemental nutrition assistance program established under this Act, as determined by the Secretary, in that fiscal year; bears to

“(bb) the total number of actions taken by the State agency to deny applications or suspend or terminate benefits of households participating in the supplemental nutrition assistance program established under this Act in that fiscal year.

“(II) Exclusions.—The term ‘negative error rate’ does not include—

“(aa) an error resulting from the application of regulations promulgated under this Act during the period—

“(AA) beginning on the date of enactment of this clause; and
“(BB) ending on date that is 121 days after the date on which the regulation is implemented; and

“(bb) an error resulting from—

“(AA) the use by a State agency of correctly processed information concerning households or individuals received under a Federal program; or

“(BB) an action that is based on policy information that is approved or disseminated, in writing, by the Secretary or a designee of the Secretary.

“(B) PENALTY AMOUNT.—For fiscal year 2012 and each subsequent fiscal year, the amount of the penalty for an affected State agency shall be equal to 5 percent of the amount otherwise payable under subsection (a).

“(C) INFORMATION REPORTING BY STATES.—
“(i) IN GENERAL.—For each fiscal year, each State agency shall expeditiously submit to the Secretary data concerning the operations of the State agency sufficient for the Secretary to establish the negative error rate and penalty amount of the State agency.

“(ii) RELEVANT INFORMATION.—The Secretary may require a State agency to report any factors necessary to determine the negative error rate of the State agency.

“(iii) INFORMATION NOT REPORTED.—If a State agency fails to report information required by the Secretary, the Secretary may use any information, as the Secretary considers appropriate, to establish the negative error rate of the State agency for the applicable year.

“(iv) NATIONAL AVERAGE ERROR RATE.—If a State agency fails to report information required by the Secretary, the Secretary may use the national average negative error rate to establish the negative error rate for the State agency.
“(D) Announcement of error rates.—

“(i) Case review.—Not later than May 31 of each fiscal year, the case review and all arbitration of State-Federal differences on negative error rates for the previous fiscal year shall be completed.

“(ii) Determination and announcement.—Not later than June 30 of each fiscal year, the Secretary shall, for the previous fiscal year—

“(I) determine—

“(aa) final negative error rates;

“(bb) the national average negative error rate; and

“(cc) penalty amounts;

“(II) notify affected State agencies of the penalty amounts;

“(III) provide a copy of the notification under subclause (II) to the chief executive officer and the legislature of the affected State; and

“(IV) establish a claim against the State agency for the monetary
penalty amount assessed against the
State agency.

“(E) Review.—

“(i) In general.—For any fiscal
year, if the Secretary imposes a penalty
amount against a State agency under sub-
paragraph (D)(ii), the following determina-
tions of the Secretary shall be subject to
administrative and judicial review:

“(I) The final negative error rate
of the State agency.

“(II) A determination of the Sec-
retary that the negative error rate of
the State agency exceeds 50 percent
of the national average negative error
rate.

“(III) The monetary penalty
amount assessed against the State
agency.

“(ii) Determination not review-
able.—The national average negative
error rate under this paragraph shall not
be subject to administrative or judicial re-
view.

“(F) Payment of penalty amount.—
“(i) **IN GENERAL.**—On completion of administrative and judicial review under subparagraph (E), an affected State agency shall pay to the Secretary the penalty amount designated under subparagraph (D)(ii), subject to the findings of the administrative or judicial review, not later than September 30 of the fiscal year for which the claim has been issued to the State agency.

“(ii) **ALTERNATIVE METHOD OF COLLECTION.**—

“(I) **IN GENERAL.**—If a State agency fails to make a payment under clause (i) by September 30 of the fiscal year for which the claim has been issued to the State agency, the Secretary may reduce any amount due to the State agency under any other provision of this Act by the amount of the monetary penalty established under subparagraph (D)(ii).

“(II) **ACCRUAL OF INTEREST.**—Interest on the amount owed shall not
Subtitle B—Extensions

SEC. 3101. SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM.

(a) Food Distribution Program on Indian Reservations.—Section 4(b)(6)(F) of the Food and Nutrition Act of 2008 (7 U.S.C. 2013(b)(6)(F)) is amended by striking “2012” and inserting “2017”.

(b) Projects To Evaluate Health and Nutrition Promotion in the Supplemental Nutrition Assistance Program.—Section 17(k)(5)(A) of the Food and Nutrition Act of 2008 (7 U.S.C. 2026(k)(5)(A)) is amended by striking “2012” and inserting “2017”.

(c) Authorization of Appropriations.—Section 18(a)(1) of the Food and Nutrition Act of 2008 (7 U.S.C. 2027(a)(1)) is amended in the first sentence by striking “2012” and inserting “2017”.

(d) Healthy Urban Food Enterprise Development Center.—Section 25(h)(9) of the Food and Nutrition Act of 2008 (7 U.S.C. 2034(h)(9)) is amended—

(1) in subparagraph (A), by striking “2011” and inserting “2017”; and
(2) in subparagraph (B), by striking “fiscal year 2012” and inserting “each of fiscal years 2012 through 2017”.

(c) Emergency Food Assistance.—

(1) Purchase of Commodities.—Section 27(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2036(a)) is amended in paragraphs (1) and (2)(C) by striking “2012” each place it appears and inserting “2017”.

(2) Emergency Food Program Infrastructure Grants.—Section 209(d) of the Emergency Food Assistance Act of 1983 (7 U.S.C. 7511a(d)) is amended by striking “2012” and inserting “2017”.

(f) Technical and Conforming Amendments.—

(1) Section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012) is amended—

(A) in subsection (g), by striking “coupon,” and inserting “coupon”; 

(B) in subsection (k)(7), by striking “or are” and inserting “and”; 

(C) by striking subsection (l); 

(D) by redesignating subsections (m) through (t) as subsections (l) through (s), respectively; and
(E) by inserting after subsection (s) (as so redesignated) the following:

“(t) ‘Supplemental nutritional assistance program’ means the program operated pursuant to this Act.’’.

(2) Section 4(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2013(a)) is amended in the last sentence by striking “benefits” and inserting “Benefits”.

(3) Section 5 of the Food and Nutrition Act of 2008 (7 U.S.C. 2014) is amended—

(A) in the last sentence of subsection (i)(2)(D), by striking “section 13(b)(2)” and inserting “section 13(b)”; and

(B) in subsection (k)(4)(A), by striking “paragraph (2)(H)” and inserting “paragraph (2)(G)”.

(4) Section 7(h) of the Food and Nutrition Act of 2008 (7 U.S.C. 2016(h)) is amended by redesignating the second paragraph (12) (relating to interchange fees) as paragraph (13).

(5) Section 9(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2018(a)) is amended by indenting paragraph (3) appropriately.

(6) Section 12 of the Food and Nutrition Act of 2008 (7 U.S.C. 2021) is amended—
(A) in subsection (b)(3)(C), by striking “civil money penalties” and inserting “civil penalties”; and

(B) in subsection (g)(1), by striking “(7 U.S.C. 1786)” and inserting “(42 U.S.C. 1786)”.

(7) Section 15(b)(1) of the Food and Nutrition Act of 2008 (7 U.S.C. 2024(b)(1)) is amended in the first sentence by striking “an benefit” and inserting “a benefit”.

(8) Section 16(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2025(a)) is amended in the proviso following paragraph (8) by striking “as amended.”.

(9) Section 18(e) of the Food and Nutrition Act of 2008 (7 U.S.C. 2027(e)) is amended in the first sentence by striking “sections 7(f)” and inserting “section 7(f)”.

(10) Section 22(b)(10)(B)(i) of the Food and Nutrition Act of 2008 (7 U.S.C. 2031(b)(10)(B)(i)) is amended in the last sentence by striking “Food benefits” and inserting “Benefits”.

(11) Section 26(f)(3)(C) of the Food and Nutrition Act of 2008 (7 U.S.C. 2035(f)(3)(C)) is amend-
ed by striking “subsection” and inserting “sub-
sections”.

(12) Section 27(a)(1) of the Food and Nutri-
tion Act of 2008 (7 U.S.C. 2036(a)(1)) is amended
by striking “(Public Law 98–8; 7 U.S.C. 612c
note)” and inserting “(7 U.S.C. 7515)”.

(13) Section 509 of the Older Americans Act of
1965 (42 U.S.C. 3056g) is amended in the section
heading by striking “FOOD STAMP PROGRAMS”
and inserting “SUPPLEMENTAL NUTRITION AS-
SISTANCE PROGRAMS”.

(14) Section 4115(c)(2)(H) of the Food, Con-
servation, and Energy Act of 2008 (Public Law
110–246; 122 Stat. 1871) is amended by striking
“531” and inserting “454”.

SEC. 3102. COMMODITY DISTRIBUTION PROGRAMS.

(a) Commodity Distribution Program.—Section
4(a) of the Agriculture and Consumer Protection Act of
1973 (7 U.S.C. 612c note; Public Law 93–86) is amended
in the first sentence by striking “2012” and inserting
“2017”.

(b) Commodity Supplemental Food Program.—
Section 5 of the Agriculture and Consumer Protection Act
of 1973 (7 U.S.C. 612c note; Public Law 93–86) is
amended—
(1) in paragraphs (1) and (2)(B) of subsection (a), by striking “2012” each place it appears and inserting “2017”; and

(2) in the first sentence of subsection (d)(2), by striking “2012” and inserting “2017”.

(c) Distribution of Surplus Commodities to Special Nutrition Projects.—Section 1114(a)(2)(A) of the Agriculture and Food Act of 1981 (7 U.S.C. 1431e(2)(A)) is amended in the first sentence by striking “2012” and inserting “2017”.

(d) Technical and Conforming Amendments.—

(1) Section 3 of the Commodity Distribution Reform Act and WIC Amendments of 1987 (7 U.S.C. 612c note; Public Law 100–237) is amended—

(A) in subsection (a)—

(i) in paragraph (2), by striking subparagraph (B) and inserting the following:

“(B) the supplemental nutrition assistance program established under the Food and Nutrition Act of 2008 (7 U.S.C. 2011 et seq.);”; and

(ii) in paragraph (3)(D), by striking “the Committee on Education and Labor” and inserting “the Committee on Education and the Workforce”;

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(C) in subsection (e)(1)(D)(iii), by striking subclause (II) and inserting the following:

“(II) the supplemental nutrition assistance program established under the Food and Nutrition Act of 2008 (7 U.S.C. 2011 et seq.);”;

(D) in subsection (k), by striking “the Committee on Education and Labor” and inserting “the Committee on Education and the Workforce”.

SEC. 3103. MISCELLANEOUS.

(a) Purchase of Fresh Fruits and Vegetables for Distribution to Schools and Service Institutions.—Section 10603(b) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 612c–4(b)) is amended by striking “2012” and inserting “2017”.

(b) Seniors Farmers’ Market Nutrition Program.—Section 4402(a) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 3007(a)) is amended by striking by striking “2012” and inserting “2017”.

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(c) Nutrition Information and Awareness Program.—Section 4403(f) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 3171 note; Public Law 107–171) is amended by striking “2012” and inserting “2017”.

(d) Hunger-Free Communities.—Section 4405(e) of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 7517(e)) is amended by striking “2012” and inserting “2017”.

**Title IV—Energy from Rural America**

**Sec. 4001. Definitions.**

Section 9001 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8101) is amended—

(1) in paragraph (3)—

(A) in subparagraph (B)(iii), by inserting “post-recycled municipal solid waste, sewage waste,” before “and yard waste”; and

(B) by adding at the end the following:

“(C) Exclusion.—The term ‘advanced biofuel’ does not include any fuel for which—

“(i) more than 4 percent of the fuel (determined by weight) is any combination of water and sediment; or
“(ii) the ash content of the fuel is more than 1 percent (determined by weight).”;

(2) in paragraph (6)—

(A) in subparagraph (D), by striking the period at the end and inserting “; and”;

(B) by redesignating subparagraphs (A) through (D) as clauses (i) through (iv), respectively, and indenting appropriately;

(C) by striking “a facility that converts” and inserting the following: “a facility that—

“(A) converts”; and

(D) by adding at the end the following:

“(B) in the case of a facility in existence as of the date of enactment of the Rural Economic Farm and Ranch Sustainability and Hunger Act of 2011 that uses less than 90 percent biomass for conversion, agrees to increase the use by the facility of biomass for conversion purposes by a percentage increase, as determined by the Secretary but not less than a substantial increase above the 5-year baseline for the facility.”.
(3) by redesignating paragraphs (9) through (13) and (14) as paragraphs (10) through (14) and (17), respectively;

(4) by inserting after paragraph (8) the following:

“(9) ELIGIBLE RURAL COMMUNITY.—The term ‘eligible rural community’ means a community located in a rural area.”;

(5) in subparagraph (B)(ii) of paragraph (13) (as redesignated by paragraph (2)) —

(A) in subclause (III), by striking “and” at the end;

(B) in subclause (IV), by striking the period at the end and inserting a semicolon; and

(C) by adding at the end the following:

“(V) post-recycled municipal solid waste; and

“(VI) sewage.”; and

(6) by inserting after paragraph (14) (as so redesignated) the following:

“(15) RURAL AREA.—The term ‘rural area’ has the meaning given the term in section 343(a)(13)(A) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1991(a)(13)(A)).
“(16) Rural school district.—The term ‘rural school district’ means a school district that serves 1 or more schools located in a rural area.”

SEC. 4002. BIOBASED MARKETS PROGRAM.

(a) In General.—Section 9002 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8102) is amended—

(1) in subsection (a)(4)—

(A) in subparagraph (B)—

(i) in the matter preceding clause (i), by inserting “and to improve fiscal transparency in Federal procurement” after “subparagraph (A)”;

(ii) in clause (i),—

(I) in the matter preceding subclause (I), by striking “, to the maximum extent practicable,”; and

(II) in subclause (V), by striking “and” at the end;

(iii) in clause (ii), by striking the period at the end and inserting “; and”; and

(iv) by adding at the end the following:

“(iii) information required to be submitted under clauses (i) and (ii) shall be
made publicly available on a website by the Office of Federal Procurement Policy not later than 30 days after submission of the information to the Office of Federal Procurement Policy.”;

(2) in subsection (b)—

(A) in paragraph (1), by striking “, in consultation with the Administrator,”;

(B) in paragraph (2)—

(i) by striking “(2) ELIGIBILITY CRITERIA.—” and all that follows through “(B) REQUIREMENTS.—Criteria issued under subparagraph (A)” and inserting the following:

“(2) REQUIREMENTS.—Labels issued under paragraph (1)”; and

(ii) by redesignating clauses (i) through (iii) as subparagraphs (A) through (C), respectively, and indenting appropriately; and

(C) in paragraph (3), by striking “criteria issued pursuant to” and inserting “requirements described in”;
“(c) PROMOTION.—

“(1) IN GENERAL.—The Secretary shall make competitive grants to eligible entities to provide information to organizations that have large procurement needs or vehicle fleets, or that produce products with which biobased products or biofuels can be integrated (as determined by the Secretary), about the benefits of biobased products or biofuels.

“(2) ELIGIBLE ENTITIES.—To be eligible to receive a grant under paragraph (1), an entity shall—

“(A) be a nonprofit organization or institution of higher education;

“(B) have demonstrated a knowledge of biobased product or biofuel production, use, or distribution; and

“(C) have demonstrated the ability to conduct educational and technical support programs.

“(3) LIMITATION.—Grants made under this subsection may not be used for the marketing or promotion of brand name products.”;

(4) in subsection (d), by striking “this section” and inserting “subsection (a)”;

(5) by striking subsections (e) through (g);
(6) by redesignating subsection (h) as subsection (e); and

(7) in subsection (e) (as so redesignated)—

(A) in paragraph (1), by striking “this section—” and all that follows through the end of subparagraph (B) and inserting “this section $5,000,000 for each of fiscal years 2013 through 2017, of which not more than $2,000,000 may be used to make grants under subsection (c).”; and

(B) in paragraph (2), by striking “this section” and all that follows through “2012” and inserting “$3,000,000 for each of fiscal years 2013 through 2017.”


SEC. 4003. BIOREFINERY ASSISTANCE.

Section 9003 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8103) is amended—

(1) by striking subsections (a), (d), and (g);
(2) by redesignating subsections (b), (c), (e),
(f), and (h) as subsections (a) through (e), respec-
tively;

(3) in subsection (b) (as so redesignated), by
striking “eligible entities—” and all that follows
through “(2) guarantees” and inserting “eligible en-
tities guarantees”;

(4) in subsection (c) (as so redesignated)—

(A) in paragraph (1)(C) —

(i) in the matter preceding clause (i),
by striking “subsection (c)(2)” and insert-
ing “subsection (b)”;

(ii) in clause (ix), by striking “and”
at the end;

(iii) in clause (x), by striking the pe-
riod at the end and inserting “; and”; and

(iv) by adding at the end the fol-
lowing:

“(xi) whether the project can lead to
reductions in production costs.”; and

(B) in paragraph (2)—

(i) by striking “subsection (c)(2)”
each place it appears and inserting “sub-
section (b)” ; and
(ii) in subparagraph (C), by striking “subsection (h)” and inserting “subsection (e)”;

and

(5) in subsection (e) (as so redesignated)—

(A) in paragraph (1), by striking subparagraphs (A) and (B) and inserting the following:

“(A) $100,000,000 for fiscal year 2013;

and

“(B) $80,000,000 for each of fiscal years 2014 and 2015.”; and

(B) in paragraph (2), by striking “2012” and inserting “2017”.

SEC. 4004. RURAL ENERGY FOR AMERICA PROGRAM.

Section 9007 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8107) is amended—

(1) in subsection (b)—

(A) in paragraph (1), in the matter preceding subparagraph (A), by inserting “, rural school districts, eligible rural communities,” before “and rural small businesses”; and

(B) in paragraph (4), in the matter preceding subparagraph (A), by inserting “, rural school districts, eligible rural communities,” before “and rural small businesses”;}

(2) in subsection (c)—
(A) in paragraph (1), in the matter preceding subparagraph (A), by inserting “, rural school districts, eligible rural communities,” before “and rural small businesses”; 

(B) by redesignating paragraphs (2) through (4) as paragraphs (3) through (5), respectively; 

(C) by inserting after paragraph (1) the following: 

“(2) AWARD PRIORITIZATION.—In determining the amount of a loan guarantee or grant provided under this section, the Secretary may give priority—

“(A) to loan guarantees rather than grants or combined grant and loan guarantees, so as to maximize leverage of private financing; and

“(B) in the case of energy efficiency projects, to loans under section 9014 or similar financing mechanisms if locally available (as determined by the Secretary).”;

(D) in paragraph (3) (as redesignated by subparagraph (A))—

(i) by striking subparagraph (A) and

inserting the following:
“(A) the ability of a project to demonstrate the economic viability for similar potential energy investment projects in the locality;’’;

(ii) in subparagraph (F), by striking “and” at the end;

(iii) by redesignating subparagraph (G) as subparagraph (H); and

(iv) by inserting after subparagraph (F) the following:

“(G) the type of renewable energy system to be purchased; and”; and

(E) in paragraph (5) (as so redesignated)—

(i) in subparagraph (A)—

(I) by striking “(A) GRANTS.—The amount” and inserting the following:

“(A) GRANTS.—

“(i) IN GENERAL.—The amount”; and

(II) by adding at the end the following:

“(ii) LIMITATION.—

“(I) IN GENERAL.—Subject to subclause (II), not more than 15 percent of the total amount of funds
made available under subsection (f) that is allocated by the Secretary for grants under this subsection may be used for grants in excess of $250,000.

“(II) LIMITATION.—No grant under this subsection may exceed $500,000.”; and

(ii) by adding at the end the following:

“(D) MAXIMUM AMOUNT OF LOAN GUARANTEE RELATIVE TO COST OF ACTIVITY FUNDED.—The amount of a loan guaranteed under this subsection shall not exceed 90 percent of the cost of the activity funded under this subsection.”;

(3) in subsection (e)—

(A) in paragraph (1), by striking “subsection (g)” and inserting “subsection (f) and allocated by the Secretary for grants”; and

(B) in paragraph (2), by striking “subsection (g)” and inserting “subsection (f)”;

(4) by striking subsection (f);

(5) by redesignating subsection (g) as subsection (f); and

(6) in subsection (f) (as so redesignated)—
(A) in paragraph (1), by striking “, to re-
main available until expended—” and all that
follows through the end of subparagraph (D)
and inserting “$70,000,000 for each of fiscal
years 2013 through 2017, to remain available
until expended.”;

(B) by redesignating paragraph (3) as
paragraph (4);

(C) by inserting after paragraph (2) the
following:

“(3) LIMITATION.—Of the funds made available
for a fiscal year under paragraph (1), not more than
10 percent may be made available for grants or loan
guarantees to rural school districts or eligible rural
communities.”; and

(D) in paragraph (4) (as redesignated by
subparagraph (B), by striking “there is author-
ized” and all that follows through the end and
inserting “there is authorized to be appro-
 priated to carry out this section $80,000,000
 for each of fiscal years 2013 through 2017.”).

SEC. 4005. REPEAL OF FEEDSTOCK FLEXIBILITY PROGRAM
FOR BIOENERGY PRODUCERS.

Section 9010 of the Farm Security and Rural Invest-
ment Act of 2002 (7 U.S.C. 8110) is repealed.
SEC. 4006. BIOMASS CROP ASSISTANCE PROGRAM.

Section 9011 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8111) is amended—

(1) in subsection (a)—

(A) by redesignating paragraphs (4) through (8) as paragraphs (5) through (9), respectively;

(B) by inserting after paragraph (3) the following:

“(4) DELIVERY.—The term ‘delivery’ means the point of delivery of an eligible material or an eligible crop, as determined by the Secretary.”;

(C) in subparagraph (B) of paragraph (5) (as so redesignated)—

(i) in clause (i), by striking “that is eligible” and inserting “that, as of the day before the date of enactment of the Rural Economic Farm and Ranch Sustainability and Hunger Act of 2011, was eligible”;

and

(ii) in clause (ii), by striking “or has the potential to become invasive or noxious”;

(D) in subparagraph (B) of paragraph (6) (as so redesignated)—
(i) in clause (i), by adding “or” after the semicolon at the end;

(ii) in clause (ii), by striking the semicolon at the end and inserting a period; and

(iii) by striking clauses (iii) through (v); and

(E) in paragraph (7) (as so redesignated)—

(i) by redesignating subparagraph (B) as subparagraph (C);

(ii) by inserting after subparagraph (A) the following:

“(B) ADDITIONAL REQUIREMENT FOR ELIGIBLE MATERIAL FROM NON-FEDERAL FOREST LAND.—In the case of non-Federal forest land and forest land belonging to an Indian or Indian tribe that is in trust by the United States or subject to a restriction against alienation imposed by the United States, the Secretary shall ensure that the definition of the term ‘eligible material’—

“(i) ensures that the renewable biomass defined as ‘eligible material’—
“(I) is not diverted from use in markets as of the date of enactment of the Rural Economic Farm and Ranch Sustainability and Hunger Act of 2011;

“(II) has been determined to be otherwise uneconomically retrievable; and

“(III) is harvested in accordance with an approved conservation, forest stewardship, or equivalent plan; and

“(ii) includes a requirement that the renewable biomass is harvested directly from the land for delivery to a biomass conversion facility.”; and

(iii) in subparagraph (C) (as redesignated by clause (i))—

(I) in clause (i)—

(aa) by striking “that is eligible” and inserting “that, as of the day before the date of enactment of the Rural Economic Farm and Ranch Sustainability and Hunger Act of 2011, was eligible”; and
(bb) by inserting before the semicolon at the end “, except that residues from such crops are eligible if harvested from the land in accordance with an approved conservation or equivalent plan”; and

(II) in clause (iii), by striking “and yard waste” and inserting “, yard waste, municipal solid waste, and sewage”; 

(2) in subsection (b)(2), by inserting “collected directly from the land” after “eligible material”; 

(3) in subsection (c)(5)—

(A) in subparagraph (B)—

(i) by redesignating clauses (i) through (iii) as items (aa) through (cc), respectively, and indenting appropriately;

(ii) by striking “shall be up to 75” and inserting “shall be—

“(i) up to 50”; 

(iii) in item (cc) (as designated by clause (i)), by striking the period at the end and inserting “; and”; and
(iv) by adding at the end the following:

“(ii) if the Secretary determines that a greater amount of support is necessary to demonstrate more capital intensive cropping opportunities or in the case of socially disadvantaged farmers or ranchers (as defined in section 355(e) of the Consolidated Farm and Rural Development Act (7 U.S.C. 2003(e))), up to 65 percent of the costs of establishing an eligible perennial crop covered by the contract (as determined under clause (i)); and

“(iii) determined by the Secretary in a manner that seeks to minimize Federal costs, recognizing that the Secretary is not obligated to provide maximum cost-share allowances under this section.”;

(B) in subparagraph (C)(ii), in the clause heading, by inserting “IN ANNUAL PAYMENTS UNDER CONTRACT” after “REDUCTION”; and

(C) by adding at the end the following:

“(D) REQUIREMENTS.—Subject to subparagraphs (B) and (C), the Secretary shall award payments under this subsection on a
competitive basis, taking into consideration the needs—

“(i) to demonstrate the economic viability of diverse bioenergy crops; and

“(ii) to encourage cost competition in establishment of eligible crops.”;

(4) in subsection (d)—

(A) in paragraph (1), in the matter preceding subparagraph (A), by inserting “collected directly from the land” after “eligible material”; and

(B) in paragraph (2), by striking subparagraph (B) and inserting the following:

“(B) AMOUNT.—

“(i) IN GENERAL.—The amount of a matching payment under this subsection shall be determined by the Secretary.

“(ii) REQUIREMENTS.—Subject to subparagraph (C), the Secretary shall award payments on a competitive basis, taking into consideration the need—

“(I) to demonstrate the economic viability of diverse eligible crops and eligible materials that otherwise would be uneconomically retrievable for high
priority uses (such as advanced biofuels and biobased products); and

“(II) to encourage cost competition in the collection, harvest, storage, and transportation of eligible crops to a biomass conversion facility.

“(C) MAXIMUM PAYMENT.—Subject to paragraph (3), the Secretary may provide matching payments at a maximum rate of $0.50 for each $1 per dry ton provided by the biomass conversion facility, in an amount equal to not more than $35 per ton for a period of 2 years.

“(D) MINIMIZATION OF COSTS.—In determining payment levels under this section, the Secretary shall—

“(i) seek to minimize costs; and

“(ii) not be required to provide the maximum rate of payment allowed under this section.

“(E) PROHIBITION.—Payments may not be made under this section for eligible materials collected or harvested that, after delivery to a biomass conversion facility, the campus of the facility, or affiliated facilities, as determined by
the Secretary, are required to be separated from eligible materials used for a higher-value product in order to be used for heat, power, biobased products, or advanced biofuels.”; and

(5) by striking subsections (e) and (f) and inserting the following:

“(e) FUNDING.—

“(1) MANDATORY FUNDING.—

“(A) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out this section $55,000,000 for each of the fiscal years 2013 through 2017, to remain available until expended.

“(B) BCAP PROJECT AREA.—Of the funds made available for each fiscal year under subparagraph (A), not less than 50 percent shall be made available to carry out subsection (c).

“(2) DISCRETIONARY FUNDING.—In addition to any other funds made available to carry out this section, there is authorized to be appropriated to carry out this section $150,000,000 for each of fiscal years 2013 through 2017.

“(3) TECHNICAL ASSISTANCE.—Notwithstanding paragraph (1)(B), the Secretary may use
funds made available for each fiscal year under this subsection to provide technical assistance.”.

SEC. 4007. RURAL ENERGY SAVINGS PROGRAM.

Title IX of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8101 et seq.) is amended by adding at the end the following:

“SEC. 9014. RURAL ENERGY SAVINGS PROGRAM.

“(a) DEFINITIONS.—In this section:

“(1) ELIGIBLE ENTITY.—The term ‘eligible entity’ means—

“(A) any public power district, public utility district, or similar entity, or any electric cooperative described in section 501(c)(12) or 1381(a)(2) of the Internal Revenue Code of 1986, that borrowed and repaid, prepaid, or is paying an electric loan made or guaranteed by the Rural Utilities Service (or any predecessor agency);

“(B) any entity primarily owned or controlled by 1 or more entities described in subparagraph (A); or

“(C) any other entity that is an eligible borrower of the Rural Utility Service (as determined under section 1710.101 of title 7, Code
of Federal Regulations (or a successor regulation)).

“(2) Energy Efficiency Measures.—The term ‘energy efficiency measures’ means, for or at property served by an eligible entity, structural improvements and investments in cost-effective, commercial technologies to increase energy efficiency.

“(3) Qualified Consumer.—The term ‘qualified consumer’ means a consumer served by an eligible entity that has the ability to repay a loan made under subsection (c), as determined by the eligible entity.

“(4) Secretary.—The term ‘Secretary’ means the Secretary of Agriculture, acting through the Administrator of the Rural Utilities Service.

“(b) Loans to Eligible Entities.—

“(1) In General.—Subject to paragraph (2), the Secretary shall make loans to eligible entities that agree to use the loan funds to make loans to qualified consumers for the purpose of implementing energy efficiency measures.

“(2) Requirements.—

“(A) In General.—As a condition of receiving a loan under this subsection, an eligible entity shall—
“(i) establish a list of energy efficiency measures that is expected to decrease energy use or costs of qualified consumers;

“(ii) prepare an implementation plan for use of the loan funds, including for interest rate utilization under subsection (c)(1)(A);

“(iii) provide for appropriate measurement and verification to ensure—

“(I) the effectiveness of the energy efficiency loans made by the eligible entity; and

“(II) that there is no conflict of interest in carrying out this section; and

“(iv) demonstrate expertise in effective use of energy efficiency measures at scale.

“(B) Revision of list of energy efficiency measures.—Subject to the approval of the Secretary, an eligible entity may update the list required under subparagraph (A)(i) to account for newly available efficiency technologies.
“(C) Existing energy efficiency programs.—An eligible entity that, at any time before the date that is 60 days after the date of enactment of this section, has established an energy efficiency program for qualified consumers may use an existing list of energy efficiency measures, implementation plan, or measurement and verification system of that program to satisfy the requirements of subparagraph (A) if the Secretary determines the list, plan, or systems are consistent with the purposes of this section.

“(3) No interest.—A loan under this subsection shall bear no interest.

“(4) Repayment.—With respect to a loan under paragraph (1)—

“(A) the term shall not exceed 20 years from the date on which the loan is closed; and

“(B) except as provided in paragraph (6), the repayment of each advance shall be amortized for a period not to exceed 10 years.

“(5) Amount of advances.—Any advance of loan funds to an eligible entity in any single year shall not exceed 50 percent of the approved loan amount.
“(6) SPECIAL ADVANCE FOR START-UP ACTIVITIES.—

“(A) IN GENERAL.—In order to assist an eligible entity in defraying the appropriate start-up costs (as determined by the Secretary) of establishing new programs or modifying existing programs to carry out subsection (c), the Secretary shall allow an eligible entity to request a special advance.

“(B) AMOUNT.—No eligible entity may receive a special advance under this paragraph for an amount that is greater than 4 percent of the loan amount received by the eligible entity under paragraph (1).

“(C) REPAYMENT.—Repayment of the special advance—

“(i) shall be required during the 10-year period beginning on the date on which the special advance is made; and

“(ii) at the election of the eligible entity, may be deferred to the end of the 10-year period.

“(7) LIMITATION.—All special advances shall be made under a loan described in paragraph (1) during the first 10 years of the term of the loan.
“(c) LOANS TO QUALIFIED CONSUMERS.—

“(1) TERMS OF LOANS.—Loans made by an eligible entity to qualified consumers using loan funds provided by the Secretary under subsection (b)—

“(A) may bear interest, not to exceed 3 percent, to be used for purposes that include—

“(i) to establish a loan loss reserve;

and

“(ii) to offset additional personnel and program costs of eligible entities to provide the loans;

“(B) shall finance energy efficiency measures for the purpose of decreasing energy usage or costs of the qualified consumer by an amount that ensures, to the maximum extent practicable, that a loan term of not more than 10 years will not pose an undue financial burden on the qualified consumer, as determined by the eligible entity;

“(C) shall not be used to fund purchases of, or modifications to, personal property, unless the personal property is or becomes attached to real property (including a manufactured home) as a fixture;
'“(D) shall be repaid through charges added to the electric bill for the property for, or at which, energy efficiency measures are or will be implemented, on the condition that this requirement does not prohibit—

“(i) the voluntary prepayment of a loan by the owner of the property; or

“(ii) the use of any additional repayment mechanisms that are—

“(I) demonstrated to have appropriate risk mitigation features, as determined by the eligible entity; or

“(II) required if the qualified consumer is no longer a customer of the eligible entity; and

“(E) shall require an energy audit by an eligible entity to determine the impact of proposed energy efficiency measures on the energy costs and consumption of the qualified consumer.

“(2) CONTRACTORS.—In addition to any other qualified general contractor, eligible entities may serve as general contractors.
“(d) Contract for Measurement and Verification, Training, and Technical Assistance.—

“(1) In general.—Not later than 90 days after the date of enactment of this section, the Secretary—

“(A) shall establish a plan for measurement and verification, training, and technical assistance of the program; and

“(B) may enter into 1 or more contracts with a qualified entity for the purposes of—

“(i) providing measurement and verification activities; and

“(ii) developing a program to provide technical assistance and training to the employees of eligible entities to carry out this section.

“(2) Use of Subcontractors Authorized.—A qualified entity that enters into a contract under paragraph (1) may use subcontractors to assist the qualified entity in carrying out the contract.

“(e) Fast Start Demonstration Projects.—

“(1) In general.—The Secretary shall offer to enter into agreements with eligible entities (or groups of eligible entities) that have energy effi-
ciency programs described in subsection (b)(2)(C) to establish an energy efficiency loan demonstration projects consistent with the purposes of this section.

“(2) EVALUATION CRITERIA.—In determining which eligible entities to award loans under this sec-
tion, the Secretary shall take into consideration eligible entities that—

“(A) implement approaches to energy audits and investments in energy efficiency measures that yield measurable and predictable savings;

“(B) use measurement and verification processes to determine the effectiveness of energy efficiency loans made by eligible entities;

“(C) include training for employees of eligible entities, including any contractors of such entities, to implement or oversee the activities described in subparagraphs (A) and (B);

“(D) provide for the participation of a majority of eligible entities in a State;

“(E) reduce the need for generating capacity;

“(F) provide efficiency loans to—

“(i) in the case of a single eligible entity, not fewer than 20,000 consumers; or
“(ii) in the case of a group of eligible entities, not fewer than 80,000 consumers; and

“(G) serve areas in which, as determined by the Secretary, a large percentage of consumers reside—

“(i) in manufactured homes; or

“(ii) in housing units that are more than 50 years old.

“(3) Deadline for implementation.—To the maximum extent practicable, the Secretary shall enter into agreements described in paragraph (1) by not later than 90 days after the date of enactment of this section.

“(4) Effect on availability of loans nationally.—Nothing in this subsection shall delay the availability of loans to eligible entities on a national basis beginning not later than 180 days after the date of enactment of this section.

“(5) Additional demonstration project authority.—

“(A) In general.—The Secretary may conduct demonstration projects in addition to the project required by paragraph (1).
“(B) Inapplicability of certain criteria.—The additional demonstration projects may be carried out without regard to subparagraphs (D), (F), or (G) of paragraph (2).

“(f) Additional authority.—The authority provided in this section is in addition to any other authority of the Secretary to offer loans under any other law.

“(g) Funding.—

“(1) Mandatory funding.—Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out this section $70,000,000 for each of fiscal years 2013 through 2017.

“(2) Discretionary funding.—In addition to any other funds made available to carry out this section, there is authorized to be appropriated to the Secretary to carry out this section $80,000,000 for each of fiscal years 2013 through 2017, to remain available until expended.

“(h) Effective period.—Subject to the availability of funds under subsection (g) and except as otherwise provided in this section, the loans and other expenditures required to be made under this section shall be available until expended, with the Secretary authorized to make new loans as loans are repaid.

“(i) Regulations.—
“(1) IN GENERAL.—Except as otherwise provided in this subsection, not later than 180 days after the date of enactment of this section, the Secretary shall promulgate such regulations as are necessary to implement this section.

“(2) PROCEDURE.—The promulgation of the regulations and administration of this section shall be made without regard to—

“(A) the Statement of Policy of the Secretary of Agriculture effective July 24, 1971 (36 Fed. Reg. 13804), relating to notices of proposed rulemaking and public participation in rulemaking; and

“(B) chapter 35 of title 44, United States Code (commonly known as the ‘Paperwork Reduction Act’).

“(3) CONGRESSIONAL REVIEW OF AGENCY RULEMAKING.—In carrying out this section, the Secretary shall use the authority provided under section 808 of title 5, United States Code.

“(4) INTERIM REGULATIONS.—Notwithstanding paragraphs (1) and (2), to the extent regulations are necessary to carry out any provision of this section, the Secretary shall implement such regulations through the promulgation of an interim rule.”.
TITLE V—TECHNICAL IMPROVEMENTS TO RESEARCH

SEC. 5001. MATCHING FUND REQUIREMENT UNDER MCINTIRE-STENNIS COOPERATIVE FORESTRY ACT.

(a) 1890 WAIVERS.—Section 4 of Public Law 87–788 (commonly known as the “McIntire-Stennis Cooperative Forestry Act”) (16 U.S.C. 582a–3) is amended—

(1) by designating the first sentence and the second through fifth sentences as subsection (a) and subsections (c) through (f), respectively; and

(2) by inserting after subsection (a) (as so designated) the following:

“(b) 1890 INSTITUTIONS.—The matching funds requirement of this section shall not be applicable to 1890 Institutions (as defined in section 2 of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7601)) if the allocation is below $200,000 for a fiscal year.”.

(b) PARTICIPATION.—Section 8 of Public Law 87–788 (commonly known as the “McIntire-Stennis Cooperative Forestry Act”) (16 U.S.C. 582a–7) is amended by inserting “the Federated States of Micronesia, American Samoa, the Commonwealth of the Northern Mariana Islands,” after “the Virgin Islands,”.
SEC. 5002. MATCHING FUND REQUIREMENT UNDER HATCH ACT OF 1887.

Section 3(d) of the Hatch Act of 1887 (7 U.S.C. 361c(d)) is amended—

(1) in paragraph (1), by inserting before the period at the following: “, except that a State may obtain $2 from private sources for each $1 the State is required to match under this Act”; and

(2) in paragraph (4)(A), by inserting before the period at the following: “, except that an insular area or the District of Columbia may obtain $2 from private sources for each $1 the insular area or the District of Columbia, respectively, is required to match under this Act”.

SEC. 5003. MATCHING FUND REQUIREMENT UNDER SMITH-LEVER ACT.

Section 3(e) of the Smith-Lever Act (7 U.S.C. 343(e)) is amended—

(1) in paragraph (1), by inserting before the period at the following: “, except that a State may obtain $2 from private sources for each $1 the State is required to match under this Act”; and

(2) in paragraph (4)(A), by inserting before the period at the following: “, except that an insular area or the District of Columbia may obtain $2 from private sources for each $1 the insular area or the
District of Columbia, respectively, is required to match under this Act’.

SEC. 5004. BIOMASS RESEARCH AND DEVELOPMENT INITIATIVE.

(a) MOVEMENT OF INITIATIVE.—Section 9008 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8108) is—

(1) redesignated as section 1473H of the National Agricultural Research, Extension, and Teaching Policy Act of 1977; and

(2) moved so as to appear at the end of subtitle K of that Act (7 U.S.C. 3310 et seq.).

(b) REAUTHORIZATION AND IMPROVEMENT OF INITIATIVE.—Section 1473H of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (as redesignated and moved by subsection (a)) is amended—

(1) in subsection (a)—

(A) by redesignating paragraphs (1), (2), and (3) as paragraphs (2), (6), and (7), respectively;

(B) by inserting before paragraph (2) (as so redesignated) the following:

“(1) ADVISORY COMMITTEE.—The term ‘Advisory Committee’ means the Biomass Research and
Development Technical Advisory Committee established by subsection (d)(1)."

(C) by inserting after paragraph (2) (as so redesignated) the following:

"(3) BIOFUEL.—The term ‘biofuel’ means a fuel derived from renewable biomass.

"(4) BIOREFINERY.—The term ‘biorefinery’ means a facility (including equipment and processes) that—

"(A) converts renewable biomass into biofuels and biobased products; and

"(B) may produce electricity.

"(5) BOARD.—The term ‘Board’ means the Biomass Research and Development Board established by subsection (c)."; and

(D) by adding at the end the following:

"(8) INSTITUTION OF HIGHER EDUCATION.—The term ‘institution of higher education’ has the meaning given the term in section 102(a) of the Higher Education Act of 1965 (20 U.S.C. 1002(a)).

"(9) RENEWABLE BIOMASS.—The term ‘renewable biomass’ has the meaning given the term in section 9001 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8101).";
(A) in paragraph (3)—

(i) in the matter preceding subparagraph (A), by striking “the Administrator of the Environmental Protection Agency and”; and

(ii) by subparagraph (B)(i), by striking “cellulosic”; and

(B) in paragraph (4)(C), by striking “cellulosic”;

(3) in subsection (g), in the matter preceding paragraph (1), by striking “For each fiscal year for which funds are made available to carry out this section” and inserting “Every 2 years”; and

(4) in subsection (h)—

(A) in paragraph (1), by striking “expended—” and all that follows through the period at the end and inserting “expended, $60,000,000 for each of fiscal years 2013 through 2017.”; and

(B) in paragraph (2), by striking “$35,000,000 for each of fiscal years 2009 through 2012” and inserting “$115,000,000 for each of fiscal years 2013 through 2017”.

(c) CONFORMING AMENDMENTS.—Section 9001 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8101) is amended—

(1) by striking paragraphs (2) and (8);

(2) by redesignating paragraphs (3) through (7) as paragraphs (2) through (6), respectively; and

(3) by redesignating paragraphs (9) through (14) as paragraphs (7) through (12), respectively.