

AGRICULTURAL RISK PROTECTION ACT OF 1999

AUGUST 5, 1999.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COMBEST, from the Committee on Agriculture,
submitted the following

R E P O R T

together with

ADDITIONAL VIEWS

[To accompany H.R. 2559]

The Committee on Agriculture, to whom was referred the bill (H.R. 2559) to amend the Federal Crop Insurance Act to strengthen the safety net for agricultural producers by providing greater access to more affordable risk management tools and improved protection from production and income loss, to improve the efficiency and integrity of the Federal crop insurance program, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “Agricultural Risk Protection Act of 1999”.

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—STRENGTHENING THE FARM SAFETY NET

- Sec. 101. Premium schedule for additional coverage.
- Sec. 102. Premium schedule for other plans of insurance.
- Sec. 103. Adjustment in actual production history to establish insurable yields.
- Sec. 104. Review and adjustment in rating methodologies.
- Sec. 105. Conduct of pilot programs, including livestock.
- Sec. 106. Cost of production as a price election.
- Sec. 107. Premium discounts for good performance.
- Sec. 108. Options for catastrophic risk protection.

Sec. 109. Authority for nonprofit associations to pay fees on behalf of producers.
 Sec. 110. Elections regarding prevented planting coverage.
 Sec. 111. Limitations under noninsured crop disaster assistance program.
 Sec. 112. Quality grade loss adjustment.
 Sec. 113. Application of amendments.

TITLE II—IMPROVING PROGRAM INTEGRITY

Sec. 201. Limitation on double insurance.
 Sec. 202. Improving program compliance and integrity.
 Sec. 203. Sanctions for false information.
 Sec. 204. Protection of confidential information.
 Sec. 205. Records and reporting.
 Sec. 206. Compliance with State licensing requirements.

TITLE III—ADMINISTRATION

Sec. 301. Board of Directors of Corporation.
 Sec. 302. Promotion of submission of policies and related materials.
 Sec. 303. Research and development, including contracts regarding underserved commodities.
 Sec. 304. Funding for reimbursement and research and development.
 Sec. 305. Board consideration of submitted policies and materials.
 Sec. 306. Contracting for rating of plans of insurance.
 Sec. 307. Electronic availability of crop insurance information.
 Sec. 308. Fees for use of new policies and plans of insurance.
 Sec. 309. Clarification of producer requirement to follow good farming practices.
 Sec. 310. Reimbursements and negotiation of standard reinsurance agreement.

TITLE I—STRENGTHENING THE FARM SAFETY NET

SEC. 101. PREMIUM SCHEDULE FOR ADDITIONAL COVERAGE.

(a) **PREMIUM AMOUNTS.**—Section 508(d)(2) of the Federal Crop Insurance Act (7 U.S.C. 1508(d)(2)) is amended by striking subparagraphs (B) and (C) and inserting the following new subparagraph:

“(B) In the case of additional coverage equal to or greater than 50 percent of the recorded or appraised average yield indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, 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.”.

(b) **PAYMENT SCHEDULE.**—Section 508(e)(2) of the Federal Crop Insurance Act (7 U.S.C. 1508(e)(2)) is amended by striking subparagraphs (B) and (C) and inserting the following new subparagraphs:

“(B) In the case of additional coverage equal to or greater than 50 percent, but less than 55 percent, of the recorded or appraised average yield indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, the amount shall be equal to the sum of—

“(i) 67 percent of the amount of the premium established under subsection (d)(2)(B)(i) for the coverage level selected; and

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

“(C) In the case of additional coverage equal to or greater than 55 percent, but less than 65 percent, of the recorded or appraised average yield indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, the amount shall be equal to the sum of—

“(i) 64 percent of the amount of the premium established under subsection (d)(2)(B)(i) for the coverage level selected; and

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

“(D) In the case of additional coverage equal to or greater than 65 percent, but less than 75 percent, of the recorded and appraised average yield indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, the amount shall be equal to the sum of—

“(i) 59 percent of the amount of the premium established under subsection (d)(2)(B)(i) for the coverage level selected; and

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

“(E) In the case of additional coverage equal to or greater than 75 percent, but less than 80 percent, of the recorded or appraised average yield

indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, the amount shall be equal to the sum of—

- “(i) 54 percent of the amount of the premium established under subsection (d)(2)(B)(i) for the coverage level selected; and
- “(ii) the amount determined under subsection (d)(2)(B)(ii) for the coverage level selected to cover operating and administrative expenses.

“(F) In the case of additional coverage equal to or greater than 80 percent, but less than 85 percent, of the recorded or appraised average yield indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, the amount shall be equal to the sum of—

- “(i) 40.6 percent of the amount of the premium established under subsection (d)(2)(B)(i) for the coverage level selected; and
- “(ii) the amount determined under subsection (d)(2)(B)(ii) for the coverage level selected to cover operating and administrative expenses.

“(G) Subject to subsection (c)(4), in the case of additional coverage equal to or greater than 85 percent of the recorded or appraised average yield indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, the amount shall be equal to the sum of—

- “(i) 30.6 percent of the amount of the premium established under subsection (d)(2)(B)(i) for the coverage level selected; and
- “(ii) the amount determined under subsection (d)(2)(B)(ii) for the coverage level selected to cover operating and administrative expenses.”.

(c) PREMIUM PAYMENT DISCLOSURE.—Section 508(e) of the Federal Crop Insurance Act (7 U.S.C. 1508(e)) is amended by adding at the end the following new paragraph:

- “(5) PREMIUM PAYMENT DISCLOSURE.—Each policy or plan of insurance under this title shall prominently indicate the dollar amount of the portion of the premium paid by the Corporation under this subsection or subsection (h)(2).”.

SEC. 102. PREMIUM SCHEDULE FOR OTHER PLANS OF INSURANCE.

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

- (1) by striking “A policy” and inserting the following:
 - “(A) PREPARATION.—A policy”;
- (2) by striking the second sentence; and
- (3) by adding at the end the following new subparagraph:
 - “(B) PREMIUM SCHEDULE.—In the case of a policy offered under this subsection (except paragraph (10)) or subsection (m)(4), the Corporation shall pay a portion of the premium of the policy that shall be equal to—
 - “(i) the percentage, specified in subsection (e) for a similar level of coverage, of the total amount of the premium used to define loss ratio; and
 - “(ii) the dollar amount of the administrative and operating expenses that would be paid by the Corporation under subsection (e) for a similar level of coverage.”.

SEC. 103. ADJUSTMENT IN ACTUAL PRODUCTION HISTORY TO ESTABLISH INSURABLE YIELDS.

(a) USE OF PERCENTAGE OF TRANSITIONAL YIELD.—Section 508(g) of the Federal Crop Insurance Act (7 U.S.C. 1508(g)) is amended by adding at the end the following new paragraph:

- “(4) ADJUSTMENT IN ACTUAL PRODUCTION HISTORY TO ESTABLISH INSURABLE YIELDS.—

“(A) APPLICATION.—This paragraph shall apply whenever the Corporation uses the actual production history of the producer to establish insurable yields for an agricultural commodity for the 2000 and subsequent crop years.

“(B) ELECTION TO USE PERCENTAGE OF TRANSITIONAL YIELD.—If, for one or more of the crop years used to establish the producer’s actual production history of an agricultural commodity, the producer’s recorded or appraised yield of the commodity was less than 60 percent of the applicable transitional yield, as determined by the Corporation, the Corporation shall, at the election of the producer—

- “(i) exclude any of such recorded or appraised yield; and
- “(ii) replace each excluded yield with a yield equal to 60 percent of the applicable transitional yield.”.

(b) APH ADJUSTMENT TO REFLECT PARTICIPATION IN MAJOR PEST CONTROL EFFORTS.—Section 508(g) of the Federal Crop Insurance Act (7 U.S.C. 1508(g)) is

amended by inserting after paragraph (4), as added by subsection (a), the following new paragraph:

“(5) ADJUSTMENT TO REFLECT INCREASED YIELDS FROM SUCCESSFUL PEST CONTROL EFFORTS.—

“(A) SITUATIONS JUSTIFYING ADJUSTMENT.—The Corporation shall develop a methodology for adjusting the actual production history of a producer when each of the following apply:

“(i) The producer’s farm is located in an area where systematic, area-wide efforts have been undertaken using certain operations or measures, or the producer’s farm is a location at which certain operations or measures have been undertaken, to detect, eradicate, suppress, or control, or at least to prevent or retard the spread of, a plant disease or plant pest, including a plant pest covered by the definition in section 102 of the Department of Agriculture Organic Act of 1944 (7 U.S.C. 147a).

“(ii) The presence of the plant disease or plant pest has been found to adversely affect the yield of the agricultural commodity for which the producer is applying for insurance.

“(iii) The efforts described in clause (i) have been effective.

“(B) ADJUSTMENT AMOUNT.—The amount by which the Corporation adjusts the actual production history of a producer of an agricultural commodity shall reflect the degree to which the success of the systematic, area-wide efforts described in paragraph (1)(A), on average, increases the yield of the commodity on the producer’s farm, as determined by the Corporation.”.

SEC. 104. REVIEW AND ADJUSTMENT IN RATING METHODOLOGIES.

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

“(7) REVIEW AND ADJUSTMENT OF RATES.—

“(A) REVIEW REQUIRED.—To maximize participation in the Federal crop insurance program and to ensure equity for producers, the Corporation shall periodically review the methodologies employed for rating plans of insurance under this title consistent with section 507(c)(2).

“(B) PREMIUM ADJUSTMENT.—The Corporation shall analyze the rating and loss history of approved policies and plans of insurance for agricultural commodities by area. If the Corporation makes a determination that premium rates are excessive for an agricultural commodity in an area relative to the requirements of subsection (d)(2)(B) for that area, then, in the 2000 crop year or as soon as practicable after the determination is made, the Corporation shall make appropriate adjustments in the premium rates for that area for that agricultural commodity.”.

SEC. 105. CONDUCT OF PILOT PROGRAMS, INCLUDING LIVESTOCK.

(a) REPEAL OF OBSOLETE PILOT PROGRAMS.—Section 508(h) of the Federal Crop Insurance Act (7 U.S.C. 1508(h)) is amended by striking paragraphs (6) and (8).

(b) GENERAL REQUIREMENTS.—Section 508(h) of the Federal Crop Insurance Act (7 U.S.C. 1508(h)) is amended by inserting after paragraph (7) the following new paragraph:

“(8) GENERAL REQUIREMENTS APPLICABLE TO PILOT PROGRAMS.—In conducting any pilot program of insurance or reinsurance authorized or required by this title, the Corporation—

“(A) may offer the pilot program on a regional, whole State, or national basis after considering the interests of affected producers and the interests of and risks to the Corporation;

“(B) may operate the pilot program, including any modifications thereof, for a period of up to 3 years; and

“(C) may extend the time period for the pilot program for additional periods, as determined appropriate by the Corporation.”.

(c) EXPEDITED CONSIDERATION.—Section 508(h)(4) of the Federal Crop Insurance Act (7 U.S.C. 1508(h)(4)) is amended—

(1) by redesignating subparagraphs (A), (B), (C), and (D) as clauses (i), (ii), (iii), and (iv), respectively;

(2) by moving the text of the clauses (as so designated) 2 ems to the right;

(3) by striking “The Corporation” in the first sentence and inserting the following:

“(A) GUIDELINES REQUIRED.—Not later than 180 days after the date of the enactment of the Agricultural Risk Protection Act of 1999, the Corporation”; and

(4) by adding at the end the following new subparagraph:

“(B) EXPEDITED CONSIDERATION OF PROPOSED PILOT PROGRAMS.—The regulations required by subparagraph (A) shall include streamlined guidelines for the submission, and Board review, of pilot programs that the Board determines are limited in scope and duration and involve a reduced level of liability to the Federal Government, and an increased level of risk to approved insurance providers participating in the pilot program, relative to other policies or materials submitted under this subsection. The streamlined guidelines shall be consistent with the guidelines established under subparagraph (A), except as follows:

“(i) Not later than 60 days after submission of the proposed pilot program, the Corporation shall provide an applicant with notification of its intent to recommend disapproval of the proposal to the Board.

“(ii) Not later than 90 days after the proposed pilot program is submitted to the Board, the Board shall make a determination to approve or disapprove the pilot program. Any determination by the Board to disapprove the pilot program shall be accompanied by a complete explanation of the reasons for the Board's decision to deny approval. In the event the Board fails to make a determination within the prescribed time period, the pilot program submitted shall be deemed approved by the Board for the initial reinsurance year designated for the pilot program, except in the case where the Board and the applicant agree to an extension.”.

(d) LIVESTOCK PILOT PROGRAMS.—

(1) PROGRAMS REQUIRED.—Section 508(h) of the Federal Crop Insurance Act (7 U.S.C. 1508(h)) is amended by striking paragraph (10) and inserting the following new paragraph:

“(10) LIVESTOCK PILOT PROGRAMS.—

“(A) PROGRAMS REQUIRED.—The Corporation shall conduct one or more pilot programs to evaluate the effectiveness of risk management tools for livestock producers, including the use of futures and options contracts and policies and plans of insurance that provide livestock producers with reasonable protection from the financial risks of price or income fluctuations inherent in the production and marketing of livestock, provide protection for production losses, and otherwise protect the interests of livestock producers. To the maximum extent practicable, the Corporation shall evaluate the greatest number and variety of such programs to determine which of the offered risk management tools are best suited to protect livestock producers from the financial risks associated with the production and marketing of livestock.

“(B) IMPLEMENTATION; ASSISTANCE.—The Corporation shall begin conducting livestock pilot programs under this paragraph during fiscal year 2001, and any policy or plan of insurance offered under this paragraph may be prepared without regard to the limitations contained in this title. As part of such a pilot program, the Corporation may provide assistance to producers to purchase futures and options contracts or policies and plans of insurance offered under that pilot program. However, no action may be undertaken with respect to a risk under this paragraph if the Corporation determines that insurance protection for livestock producers against the risk is generally available from private companies.

“(C) LOCATION.—The Corporation shall conduct the livestock pilot programs under this paragraph in a number of counties that is determined by the Corporation to be adequate to provide a comprehensive evaluation of the feasibility, effectiveness, and demand among producers for the risk management tools evaluated in the pilot programs.

“(D) ELIGIBLE PRODUCERS; LIVESTOCK.—Any producer of a type of livestock covered by a pilot program under this paragraph who owns or operates a farm or ranch in a county selected as a location for that pilot program shall be eligible to participate in that pilot program. In this paragraph, the term ‘livestock’ means cattle, sheep, swine, goats, and poultry.

“(E) RELATION TO OTHER LAWS.—The terms and conditions of any policy or plan of insurance offered under this paragraph that is reinsured by the Corporation is not subject to the jurisdiction of the Commodity Futures Trading Commission or the Securities and Exchange Commission or considered as accounts, agreements (including any transaction which is of the character of, or is commonly known to the trade as, an ‘option’, ‘privilege’, ‘indemnity’, ‘bid’, ‘offer’, ‘put’, ‘call’, ‘advance guaranty’, or ‘decline guaranty’), or transactions involving contracts of sale of a commodity for future

delivery, traded or executed on a contract market for the purposes of the Commodity Exchange Act (7 U.S.C. 1 et seq.). Nothing in this subparagraph is intended to affect the jurisdiction of the Commodity Futures Trading Commission or the applicability of the Commodity Exchange Act to any transaction conducted on a designated contract market (as that term is used in such Act) by an approved insurance provider to offset the provider's risk under a plan or policy of insurance under this paragraph.

“(F) LIMITATION ON EXPENDITURES.—The Corporation shall conduct all livestock programs under this title so that, to the maximum extent practicable, all costs associated with conducting the livestock programs (other than research and development costs covered by paragraph (6) or subsection (m)(4)) are not expected to exceed the following:

“(i) \$20,000,000 for fiscal year 2001.

“(ii) \$30,000,000 for fiscal year 2002.

“(iii) \$40,000,000 for fiscal year 2003.

“(iv) \$55,000,000 for fiscal year 2004 and each subsequent fiscal year.”.

(2) CONFORMING AMENDMENT TO DEFINITION OF AGRICULTURAL COMMODITY.—Section 518 of the Federal Crop Insurance Act (7 U.S.C. 1518) is amended by striking “livestock and” after “commodity, excluding”.

(e) FUNDING OF LIVESTOCK PILOT PROGRAMS.—

(1) AUTHORIZATION OF APPROPRIATIONS.—Section 516(a)(2) of the Federal Crop Insurance Act (7 U.S.C. 1516(a)(2)) is amended—

(A) by striking “years—” and inserting “years the following:”;

(B) by capitalizing the first letter of the first word of each subparagraph;

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

(D) by adding at the end the following new subparagraph:

“(C) Costs associated with the conduct of livestock pilot programs carried out under section 508(h)(10), subject to subparagraph (F) of such section.”.

(2) USE OF INSURANCE FUND.—Section 516(b)(1) of the Federal Crop Insurance Act (7 U.S.C. 1516(b)(1)) is amended—

(A) by striking “including—” and inserting “including the following:”;

(B) by capitalizing the first letter of the first word of each subparagraph;

(C) by striking the semicolon at the end of subparagraph (A) and inserting a period;

(D) by striking “; and” at the end of subparagraph (B) and inserting a period; and

(E) by adding at the end the following new subparagraph:

“(D) Costs associated with the conduct of livestock pilot programs carried out under section 508(h)(10), subject to subparagraph (F) of such section.”.

SEC. 106. COST OF PRODUCTION AS A PRICE ELECTION.

Section 508(c)(5) of the Federal Crop Insurance Act (7 U.S.C. 1508(c)(5)) is amended—

(1) by striking “The Corporation shall establish a price” in the matter preceding subparagraph (A) and inserting “For purposes of this title, the Corporation shall establish or approve a price”;

(2) by striking “or” at the end of subparagraph (A);

(3) by striking the period at the end of subparagraph (B) and inserting “; or”; and

(4) by adding at the end the following—

“(C) in the case of cost of production or similar plans of insurance, shall be the projected cost of producing the agricultural commodity (as determined by the Corporation).”.

SEC. 107. PREMIUM DISCOUNTS FOR GOOD PERFORMANCE.

Section 508(d) of the Federal Crop Insurance Act (7 U.S.C. 1508(d)) is amended by adding at the end the following new paragraph:

“(3) PREMIUM DISCOUNTS.—

“(A) PERFORMANCE-BASED DISCOUNT.—The Corporation may provide a performance-based premium discount for a producer of an agricultural commodity who has good insurance or production experience relative to other producers of that agricultural commodity in the same area, as determined by the Corporation.

“(B) DISCOUNT FOR REDUCED PRICE FOR CERTAIN COMMODITIES.—A producer who insured wheat, barley, oats, or rye during at least 2 of the 1995 through 1999 crop years may be eligible to receive an additional 20 percent premium discount on the producer-paid premium for any 2000 crop policy

if the producer demonstrates that the producer's wheat, barley, oats, or rye crop was subjected to a discounted price due to Scab or Vomitoxin damage, or both, during any 2 years of that period. The 2000 insured crop or crops need not be wheat, barley, oats, or rye to qualify for the discount under this subparagraph. The 2 years of insurance and the 2 years of discounted prices need not be the same.”.

SEC. 108. OPTIONS FOR CATASTROPHIC RISK PROTECTION.

Section 508(b) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)) is amended by striking paragraph (3) and inserting the following new paragraph:

“(3) **ALTERNATIVE CATASTROPHIC COVERAGE.**—Beginning with the 2000 crop year, the Corporation shall offer producers of an agricultural commodity the option of selecting either of the following:

“(A) The catastrophic risk protection coverage available under paragraph (2)(A).

“(B) An alternative catastrophic risk protection coverage that—

“(i) indemnifies the producer on an area yield and loss basis if such a plan of insurance is offered for the agricultural commodity in the county in which the farm is located;

“(ii) provides, on a uniform national basis, a higher combination of yield and price protection than the coverage available under paragraph (2)(A); and

“(iii) the Corporation determines is comparable to the coverage available under paragraph (2)(A) for purposes of subsection (e)(2)(A).”.

SEC. 109. AUTHORITY FOR NONPROFIT ASSOCIATIONS TO PAY FEES ON BEHALF OF PRODUCERS.

Section 508(b)(5) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)(5)) is amended by adding at the end the following new subparagraph:

“(F) **PAYMENT OF FEES ON BEHALF OF PRODUCERS.**—

“(i) **PAYMENT AUTHORIZED.**—Notwithstanding any other subparagraph of this paragraph, a cooperative association of agricultural producers or a nonprofit trade association may pay to the Corporation, on behalf of a member of the association who consents to be insured under such an arrangement, all or a portion of the fees imposed under subparagraphs (A) and (B) for catastrophic risk protection.

“(ii) **TREATMENT OF LICENSING FEES.**—A licensing fee or other payment made by the insurance provider to the cooperative association or trade association in connection with the issuance of catastrophic risk protection or additional coverage under this section to members of the cooperative association or trade association shall not be considered to be a rebate to the members if the members are informed in advance of the fee or payment.

“(iii) **SELECTION OF PROVIDER; DELIVERY.**—Nothing in this subparagraph shall be construed so as to limit the ability of a producer to choose the licensed insurance agent or other approved insurance provider from whom the member will purchase a policy or plan of insurance or to refuse coverage for which a payment is offered to be made under clause (i). A policy or plan of insurance for which a payment is made under clause (i) shall be delivered by a licensed insurance agent or other approved insurance provider.

“(iv) **ADDITIONAL COVERAGE ENCOURAGED.**—Cooperatives and trade associations and any approved insurance provider with whom a licensing fee or other arrangement under this subparagraph is made shall encourage producer members to purchase appropriate levels of additional coverage in order to meet the risk management needs of such member producers.”.

SEC. 110. ELECTIONS REGARDING PREVENTED PLANTING COVERAGE.

Section 508(a) of the Federal Crop Insurance Act (7 U.S.C. 1508(a)) is amended by inserting after paragraph (7), as added by section 104, the following new paragraph:

“(8) **PREVENTED PLANTING COVERAGE.**—

“(A) **ELECTION NOT TO RECEIVE COVERAGE.**—

“(i) **ELECTION.**—A producer may elect not to receive coverage for prevented planting of an agricultural commodity.

“(ii) **REDUCTION.**—In the case of an election under clause (i), the Corporation shall provide a reduction in the premium payable by the pro-

ducer for a plan of insurance in an amount equal to the premium for the prevented planting coverage, as determined by the Corporation.

“(B) EQUAL COVERAGE.—For each agricultural commodity for which prevented planting coverage is available, the Corporation shall offer an equal percentage level of prevented planting coverage.

“(C) AREA CONDITIONS REQUIRED FOR PAYMENT.—The Corporation shall limit prevented planting payments to producers to those situations in which producers in the area in which the farm is located are generally affected by the conditions that prevent an agricultural commodity from being planted.

“(D) SUBSTITUTE COMMODITY.—

“(i) AUTHORITY TO PLANT.—Subject to clause (iv), a producer who has prevented planting coverage and who is eligible to receive an indemnity under such coverage may plant an agricultural commodity, other than the commodity covered by the prevented planting coverage, on the acreage originally prevented from being planted.

“(ii) NONAVAILABILITY OF INSURANCE.—A substitute agricultural commodity planted as authorized by clause (i) for harvest in the same crop year shall not be eligible for coverage under a policy or plan of insurance under this title or for noninsured crop disaster assistance under section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333). For purposes of subsection (b)(7) only, the substitute commodity shall be deemed to have at least catastrophic risk protection so as to satisfy the requirements of that subsection.

“(iii) EFFECT ON ACTUAL PRODUCTION HISTORY.—If a producer plants a substitute agricultural commodity as authorized by clause (i) for a crop year, the Corporation shall assign the producer a recorded yield, for that crop year for the commodity that was prevented from being planted, equal to 60 percent of the producer’s actual production history for such commodity for purposes of determining the producer’s actual production history for subsequent crop years.

“(iv) EFFECT ON PREVENTED PLANTING PAYMENT.—If a producer plants a substitute agricultural commodity as authorized by clause (i) before the latest planting date established by the Corporation for the agricultural commodity prevented from being planted, the Corporation shall not make a prevented planting payment with regard to the commodity prevented from being planted.”.

SEC. 111. LIMITATIONS UNDER NONINSURED CROP DISASTER ASSISTANCE PROGRAM.

(b) LIMITATION.—Section 196(i) of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333(i)) is amended—

(1) in paragraph (1)(B)—

(A) by striking “GROSS REVENUES” in the subparagraph heading and inserting “ADJUSTED GROSS INCOME”; and

(B) by striking “gross revenue” and “gross revenues” each place they appear and inserting “adjusted gross income”; and

(2) by striking paragraph (4) and inserting the following new paragraph:

“(4) LIMITATION.—A person who has qualifying adjusted gross income in excess of \$2,000,000 during the taxable year shall not be eligible to receive any noninsured crop disaster assistance payment under this section.”.

SEC. 112. QUALITY GRADE LOSS ADJUSTMENT.

Section 508(a) of the Federal Crop Insurance Act (7 U.S.C. 1508(a)) is amended by inserting after paragraph (8), as added by section 110, the following new paragraph:

“(9) QUALITY GRADE LOSS ADJUSTMENT.—Consistent with subsection (m)(4), by the 2000 crop year, the Corporation shall enter into a contract to analyze its quality loss adjustment procedures and make such adjustments as may be necessary to more accurately reflect local quality discounts that are applied to agricultural commodities insured under this title, taking into consideration the actuarial soundness of the adjustment and the prevention of fraud, waste and abuse.”.

SEC. 113. APPLICATION OF AMENDMENTS.

Except where the context specifically provides otherwise, the amendments made by this title shall apply beginning with the 2000 crop year.

TITLE II—IMPROVING PROGRAM EFFICIENCIES

SEC. 201. LIMITATION ON DOUBLE INSURANCE.

Section 508(a) of the Federal Crop Insurance Act (7 U.S.C. 1508(a)) is amended by inserting after paragraph (9), as added by section 112, the following new paragraph:

“(10) LIMITATION ON DOUBLE INSURANCE.—

“(A) RESTRICTED TO CATASTROPHIC RISK PROTECTION.—Except for situations covered by subparagraph (B), no policy or plan of insurance may be offered under this title for more than one agricultural commodity planted on the same acreage in the same crop year unless the coverage for the additional crop is limited to catastrophic risk protection available under subsection (b).

“(B) EXCEPTION FOR DOUBLE-CROPPING.—A policy or plan of insurance may be offered under this title for an agricultural commodity and for an additional agricultural commodity when both agricultural commodities are normally harvested within the same crop year on the same acreage if the following conditions are met:

“(i) There is an established practice of double-cropping in the area and the additional agricultural commodity is customarily double-cropped in the area with the first agricultural commodity, as determined by the Corporation.

“(ii) A policy or plan of insurance for the first agricultural commodity and the additional agricultural commodity is available under this title.

“(iii) The additional commodity is planted on or before the final planting date or late planting date for that additional commodity, as established by the Corporation.”.

SEC. 202. IMPROVING PROGRAM COMPLIANCE AND INTEGRITY.

(a) ADDITIONAL METHODS.—Section 506(q) of the Federal Crop Insurance Act (7 U.S.C. 1506(q)) is amended—

(1) by redesignating paragraphs (1) and (2) as paragraphs (2) and (3);

(2) by inserting after the subsection heading the following new paragraph (1):

“(1) PURPOSE.—The purpose of this subsection is to improve compliance with the Federal crop insurance program and to improve program integrity.”; and

(3) by adding at the end the following new paragraphs:

“(4) RECONCILING PRODUCER INFORMATION.—The Secretary shall develop and implement a coordinated plan for the Corporation and the Administrator of the Farm Service Agency to reconcile all relevant information received by the Corporation or the Farm Service Agency from a producer who obtains crop insurance coverage under this title. Beginning with the 2000 crop year, the Secretary shall require that the Corporation and the Farm Service Agency reconcile such producer-derived information on at least an annual basis in order to identify and address any discrepancies.

“(5) IDENTIFICATION AND ELIMINATION OF FRAUD, WASTE, AND ABUSE.—

“(A) FSA MONITORING PROGRAM.—The Secretary shall develop and implement a coordinated plan for the Farm Service Agency to assist the Corporation in the ongoing monitoring of programs carried out under this title, including—

“(i) conducting fact finding relative to allegations of program fraud, waste, and abuse, both at the request of the Corporation or on its own initiative after consultation with the Corporation;

“(ii) reporting any allegation of fraud, waste, and abuse or identified program vulnerabilities to the Corporation in a timely manner; and

“(iii) assisting the Corporation and approved insurance providers in auditing a statistically appropriate number of claims made under any policy or plan of insurance under this title.

“(B) USE OF FIELD INFRASTRUCTURE.—The plan required by this paragraph shall use the field infrastructure of the Farm Service Agency, and the Secretary shall ensure that relevant Farm Service Agency personnel are appropriately trained for any responsibilities assigned to them under the plan. At a minimum, such personnel shall receive the same level of training and pass the same basic competency tests as required of loss adjusters of approved insurance providers.

“(C) MAINTENANCE OF PROVIDER EFFORT; COOPERATION.—The activities of the Farm Service Agency under this paragraph do not affect the responsibility of approved insurance providers to conduct any audits of claims or other program reviews required by the Corporation. If an insurance provider reports to the Corporation that it suspects intentional misrepresentation, fraud, waste, or abuse, the Corporation shall make a determination and provide a written response within 90 days after receiving the report. The insurance provider and the Corporation shall take coordinated action in any case where misrepresentation, fraud, waste, or abuse has occurred.

“(6) CONSULTATION WITH STATE COMMITTEES.—The Corporation shall establish a mechanism under which State committees of the Farm Service Agency are consulted concerning policies and plans of insurance offered in a State under this title.

“(7) ANNUAL REPORT ON COMPLIANCE EFFORTS.—The Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate an annual report containing findings relative to the efforts undertaken pursuant to paragraphs (4) and (5). The report shall identify specific occurrences of waste, fraud, and abuse and contain an outline of actions that have been or are being taken to eliminate the identified waste, fraud, and abuse.”.

(b) TECHNICAL CORRECTION.—Paragraph (3) of section 506(q) of the Federal Crop Insurance Act (7 U.S.C. 1506(q)), as redesignated by subsection (a), is amended by striking “this subsection” and inserting “this paragraph”.

SEC. 203. SANCTIONS FOR FALSE INFORMATION.

(a) AUTHORIZED SANCTIONS.—Section 506(n) of the Federal Crop Insurance Act (7 U.S.C. 1506(n)) is amended—

(1) in the subsection heading, by striking “PENALTIES” and inserting “SANCTIONS FOR VIOLATIONS”;

(2) by redesignating paragraph (2) as paragraph (3) and, in such paragraph, by striking “PENALTY” and “assessing penalties” and inserting “SANCTION” and “imposing a sanction”, respectively; and

(3) by striking paragraph (1) and inserting the following new paragraphs:

“(1) FALSE INFORMATION.—If a producer, an agent, a loss adjuster, an approved insurance provider, or any other person willfully and intentionally provides any false or inaccurate information to the Corporation or to an approved insurance provider with respect to a policy or plan of insurance under this title, the Corporation may, after notice and an opportunity for a hearing on the record, impose one or more of the sanctions specified in paragraph (2).

“(2) AUTHORIZED SANCTIONS.—The following sanctions may be imposed for a violation under paragraph (1):

“(A) The Corporation may impose a civil fine for each violation not to exceed the greater of—

“(i) the amount of the pecuniary gain obtained as a result of the false or inaccurate information provided; or

“(ii) \$10,000.

“(B) If the violation is committed by a producer, the producer may be disqualified for a period of up to 5 years from—

“(i) participating in, or receiving any benefit provided under this title, the noninsured crop disaster assistance program under section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333), the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.), the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), or the Agricultural Adjustment Act of 1938 (7 U.S.C. 1281 et seq.);

“(ii) receiving any loan made, insured, or guaranteed under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.);

“(iii) receiving any benefit provided, or indemnity made available, under any other law to assist a producer of an agricultural commodity due to a crop loss or a decline in commodity prices; or

“(iv) receiving any cost share assistance for conservation or any other assistance provided under title XII of the Food Security Act (16 U.S.C. 3801 et seq.).

“(C) If the violation is committed by an agent, loss adjuster, approved insurance provider, or any other person (other than a producer), the violator may be disqualified for a period of up to 5 years from participating in, or receiving any benefit provided under this title.

“(D) If the violation is committed by a producer, the Corporation may require the producer to forfeit any premium owed under the policy, notwithstanding a denial of claim or collection of an overpayment, if the false or inaccurate information was material.”.

(b) DISCLOSURE OF SANCTIONS.—Section 506(n) of the Federal Crop Insurance Act (7 U.S.C. 1506(n)) is amended by adding at the end the following new paragraph:

“(4) DISCLOSURE OF SANCTIONS.—Each policy or plan of insurance under this title shall prominently indicate the sanctions prescribed under paragraph (2) for willfully and intentionally providing false or inaccurate information to the Corporation or to an approved insurance provider.”.

SEC. 204. PROTECTION OF CONFIDENTIAL INFORMATION.

Section 502 of the Federal Crop Insurance Act (7 U.S.C. 1502) is amended by adding at the end the following new subsection:

“(c) PROTECTION OF CONFIDENTIAL INFORMATION.—

“(1) AUTHORIZED DISCLOSURE.—In the case of information furnished by a producer to participate in or receive any benefit under this title, the Secretary, any other officer or employee of the Department or an agency thereof, an approved insurance provider and its employees and contractors, and any other person may not disclose the information to the public, unless the information has been transformed into a statistical or aggregate form that does not allow the identification of the person who supplied particular information.

“(2) VIOLATIONS; PENALTIES.—Subsection (c) of section 1770 of the Food Security Act of 1985 (7 U.S.C. 2276) shall apply with respect to the release of information collected in any manner or for any purpose prohibited by paragraph (1).”.

SEC. 205. RECORDS AND REPORTING.

(a) CONDITION OF OBTAINING COVERAGE.—Section 508(f)(3)(A) of the Federal Crop Insurance Act (7 U.S.C. 1508(f)(3)(A)) is amended by striking “provide, to the extent required by the Corporation, records acceptable to the Corporation of historical acreage and production of the crops for which the insurance is sought” and inserting “provide annually records acceptable to the Secretary regarding crop acreage, acreage yields, and production for each agricultural commodity insured under this title”.

(b) COORDINATION OF RECORDS.—Section 506(h) of the Federal Crop Insurance Act (7 U.S.C. 1506(h)) is amended—

(1) by striking “The Corporation” and inserting the following:

“(1) IN GENERAL.—The Corporation”; and

(2) by adding at the end the following new paragraph:

“(2) COORDINATION AND USE OF RECORDS.—

“(A) COORDINATION BETWEEN AGENCIES.—The Secretary shall ensure that recordkeeping and reporting requirements under this title and section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333) are coordinated by the Corporation and the Farm Service Agency to avoid duplication of such records, to streamline procedures involved with the submission of such records, and to enhance the accuracy of such records.

“(B) USE OF RECORDS.—Notwithstanding section 502(c), records submitted in accordance with this title and section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333) shall be available to agencies and local offices of the Department, appropriate State and Federal agencies and divisions, and approved insurance providers for use in carrying out this title and such section 196 as well as other agricultural programs and related responsibilities.”.

(c) NONINSURED CROP DISASTER ASSISTANCE PROGRAM.—Section 196(b) of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333(b)) is amended—

(1) by striking paragraph (2) and inserting the following:

“(2) RECORDS.—To be eligible for assistance under this section, a producer shall provide annually to the Secretary, acting through the Agency, records of crop acreage, acreage yields, and production for each eligible crop.”; and

(2) in paragraph (3), by inserting “annual” after “shall provide”.

SEC. 206. COMPLIANCE WITH STATE LICENSING REQUIREMENTS.

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

“(o) COMPLIANCE WITH STATE LICENSING REQUIREMENTS.—Any person who sells or solicits the purchase of a policy or plan of insurance under this title, including

catastrophic risk protection, in any State shall be licensed and otherwise qualified to do business in that State.”.

TITLE III—ADMINISTRATION

SEC. 301. BOARD OF DIRECTORS OF CORPORATION.

(a) CHANGE IN COMPOSITION.—Section 505 of the Federal Crop Insurance Act (7 U.S.C. 1505) is amended by striking the section heading, “SEC. 505.”, and subsection (a) and inserting the following:

“SEC. 505. MANAGEMENT OF CORPORATION.

“(a) BOARD OF DIRECTORS.—

“(1) ESTABLISHMENT.—The management of the Corporation shall be vested in a Board of Directors subject to the general supervision of the Secretary.

“(2) COMPOSITION.—The Board shall consist of only the following members:

“(A) The manager of the Corporation, who shall serve as a nonvoting ex officio member.

“(B) The Under Secretary of Agriculture responsible for the Federal crop insurance program.

“(C) One additional Under Secretary of Agriculture (as designated by the Secretary).

“(D) The Chief Economist of the Department of Agriculture.

“(E) One person experienced in the crop insurance business.

“(F) One person experienced in the regulation of insurance.

“(G) Four active producers who are policy holders, are from different geographic areas of the United States, and represent a cross-section of agricultural commodities grown in the United States. At least one of the four shall be a specialty crop producer.

“(3) APPOINTMENT OF PRIVATE SECTOR MEMBERS.—The members of the Board described in subparagraphs (E), (F), and (G) of paragraph (2)—

“(A) shall be appointed by, and hold office at the pleasure of, the Secretary; and

“(B) shall not be otherwise employed by the Federal Government.

“(4) CHAIRPERSON.—The Board shall select a member of the Board to serve as Chairperson.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect 30 days after the date of the enactment of this Act.

(c) EFFECT ON EXISTING BOARD.—A member of the Board of Directors of the Federal Crop Insurance Corporation on the effective date specified in subsection (b) may continue to serve as a member of the Board until the earlier of the following:

(1) The date the replacement Board is appointed.

(2) The end of the 180-day period beginning on the effective date specified in subsection (b).

SEC. 302. PROMOTION OF SUBMISSION OF POLICIES AND RELATED MATERIALS.

(a) REIMBURSEMENT AUTHORITY.—Section 508(h) of the Federal Crop Insurance Act (7 U.S.C. 1508(h)), as amended by section 105(a) of this Act, is amended by inserting after paragraph (5) the following new paragraph:

“(6) REIMBURSEMENT OF RESEARCH, DEVELOPMENT, AND MAINTENANCE COSTS.—

“(A) REIMBURSEMENT PROVIDED.—Subject to the conditions of this paragraph, the Corporation shall provide a payment to reimburse an applicant for research, development, and maintenance costs directly related to a policy or other material that is—

“(i) submitted to, and approved by, the Board under this subsection for reinsurance; and

“(ii) if applicable, offered for sale to producers.

“(B) DURATION.—Payments under subparagraph (A) may be made available beginning in fiscal year 2001. Payments with respect to the maintenance of an approved policy or other material may be provided for a period of not more than 4 reinsurance years following Board approval. Upon the expiration of that 4-year period, or earlier upon the agreement of the Corporation and the person receiving the payment, the Corporation shall assume responsibility for maintenance of a successful policy, as determined by the Corporation based on the market share attained by the policy, the total number of policies sold, the total amount of premium paid, and the performance of the policy in the States where the policy is sold.

“(C) TREATMENT OF PAYMENT.—Payments made under subparagraph (A) for a policy or other material shall be considered as payment in full for the research and development conducted with regard to the policy or material and any property rights to the policy or material.

“(D) REIMBURSEMENT AMOUNT.—The Corporation shall determine the amount of the payment under subparagraph (A) for an approved policy or other material based on the complexity of the policy or material and the size of the area in which the policy or material is expected to be used.”.

(b) ISSUANCE OF REGULATIONS.—Not later than October 1, 2000, the Corporation shall issue final regulations to carry out the amendment made by subsection (a).

SEC. 303. RESEARCH AND DEVELOPMENT, INCLUDING CONTRACTS REGARDING UNDERSERVED COMMODITIES.

(a) SUPPORT FOR PRIVATE RESEARCH AND DEVELOPMENT.—Section 508(m) of the Federal Crop Insurance Act (7 U.S.C. 1508(m)) is amended by adding at the end the following new paragraph:

“(4) PRIVATE RESEARCH AND DEVELOPMENT OF POLICIES AND OTHER MATERIALS.—

“(A) USE OF REIMBURSEMENT AUTHORITY.—To encourage and promote the necessary research and development for policies, plans of insurance, and related materials, including policies, plans, and materials under the livestock pilot programs under subsection (h)(10), the Corporation shall make full use of private resources by providing payment for research and development for approved policies and plans of insurance, and related materials, pursuant to subsection (h)(6).

“(B) CONTRACTS FOR UNDERSERVED COMMODITIES.—

“(i) DEVELOPMENT OF PRODUCTS AND RELATED MATERIALS.—In the event the Corporation determines that an agricultural commodity, including a specialty crop, is not adequately served by policies and plans of insurance and related materials submitted under subsection (h) or any other provision of this title, the Corporation may enter into a contract, under procedures prescribed by the Corporation, directly with any person or entity with experience in crop insurance or farm or ranch risk management, including universities, providers of crop insurance, and trade and research organizations, to carry out research and development for policies and plans of insurance and related materials for that agricultural commodity without regard to the limitations contained in this title.

“(ii) TYPES OF CONTRACTS.—A contract under this subparagraph may provide for research and development regarding new or expanded policies and plans of insurance and related materials, including policies based on adjusted gross income, cost-of-production, quality losses, and an intermediate base program with a higher coverage and cost than catastrophic risk protection.

“(iii) DELAYED EFFECTIVE DATE FOR CONTRACTS.—A contract entered into under this subparagraph may not take effect before October 1, 2000.

“(iv) USE OF RESULTING POLICIES AND PLANS.—The Corporation may offer any policy or plan of insurance developed under this subparagraph that is approved by the Board.

“(C) CONTRACT FOR REVENUE COVERAGE PLAN.—The Corporation shall enter into a contract for research and development regarding one or more revenue coverage plans designed to enable producers to take maximum advantage of fluctuations in market prices and thereby maximize revenue realized from the sale of a crop. Such a plan may include market instruments currently available or may involve the development of new instruments to achieve this goal. Not later than 15 months after the date of the enactment of this paragraph, the Corporation shall submit to Congress a report containing the results of the contract.”.

(b) RELIANCE ON PRIVATE DEVELOPMENT OF NEW POLICIES.—Section 508(m)(2) of the Federal Crop Insurance Act (7 U.S.C. 1508(m)(2)) is amended—

(1) by striking “EXCEPTION.—No action” and inserting—

“(2) EXCEPTIONS.—

“(A) PRIVATE AVAILABILITY.—No action”; and

(2) by adding at the end the following new subparagraph:

“(B) PROHIBITED RESEARCH AND DEVELOPMENT BY CORPORATION.—Notwithstanding paragraphs (1) and (5), on and after October 1, 2000, the Corporation shall not conduct research and development for any new policy or

plan of insurance for an agricultural commodity offered under this title. Any policy or plan of insurance developed by the Corporation under this title before that date shall, at the discretion of the Corporation, continue to be offered for sale to producers.”.

(c) PARTNERSHIPS FOR RISK MANAGEMENT DEVELOPMENT AND IMPLEMENTATION.—Section 508(m) of the Federal Crop Insurance Act (7 U.S.C. 1508(m)) is amended by inserting after paragraph (4), as added by subsection (a), the following new paragraph:

“(5) PARTNERSHIPS FOR RISK MANAGEMENT DEVELOPMENT AND IMPLEMENTATION.—

“(A) PURPOSE.—The purpose of this paragraph is to authorize the Corporation to enter into partnerships with public and private entities for the purpose of increasing the availability of loss mitigation, financial, and other risk management tools for crop producers, with priority given to risk management tools for producers of agricultural commodities covered by section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333) and specialty and underserved commodity producers.

“(B) AUTHORITY.—Subject to subparagraphs (D) and (E), the Corporation may enter into partnerships with the Cooperative State Research, Education, and Extension Service, the Agricultural Research Service, the National Oceanic Atmospheric Administration, and other appropriate public and private entities with demonstrated capabilities in developing and implementing risk management and marketing options for specialty crops and underserved commodities.

“(C) OBJECTIVES.—The Corporation may enter into a partnership under subparagraph (B)—

“(i) to enhance the notice and timeliness of notice of weather conditions that could negatively affect crop yields, quality, and final product use in order to allow producers to take preventive actions to increase end-product profitability and marketability and to reduce the possibility of crop insurance claims;

“(ii) to develop a multifaceted approach to pest management and fertilization to decrease inputs, decrease environmental exposure, and increase application efficiency;

“(iii) to develop or improve techniques for planning, breeding, planting, growing, maintaining, harvesting, storing, shipping, and marketing that will address quality and quantity challenges associated with year-to-year and regional variations;

“(iv) to clarify labor requirements and assist producers in complying with requirements to better meet the physically intense and time-compressed planting, tending, and harvesting requirements associated with the production of specialty crops and underserved commodities;

“(v) to provide assistance to State foresters or equivalent officials for the prescribed use of burning on private forest land for the prevention, control, and suppression of fire;

“(vi) to provide producers with training and informational opportunities so that they will be better able to use financial management, crop insurance, marketing contracts, and other existing and emerging risk management tools; and

“(vii) to develop other risk management tools to further increase economic and production stability.

“(D) FUNDING SOURCE.—If the Corporation determines that the entire amount available to provide reimbursement payments under subsection (h) and contract payments under paragraph (4) (in this subparagraph referred to as ‘reimbursement and contract payments’) for a fiscal year is not needed for such purposes, the Corporation may use a portion of the excess amount to carry out this paragraph, subject to the following:

“(i) During fiscal years 2001 through 2004, amounts available for reimbursement and contract payments may be used to carry out this paragraph only if the total amount to be used for reimbursement and contract payments is less than \$44,000,000 for fiscal year 2001, \$47,000,000 for fiscal year 2002, \$50,000,000 for fiscal year 2003, and \$52,000,000 for fiscal year 2004.

“(ii) During fiscal years 2001 through 2004, the total amount used to carry out this paragraph for a fiscal year may not exceed the difference between the amount specified in clause (i) for that fiscal year and the amount actually used for reimbursement and contract payments.

“(E) DELAYED AUTHORITY.—The Corporation may not enter into a partnership under the authority of this paragraph before October 1, 2000.”.

SEC. 304. FUNDING FOR REIMBURSEMENT AND RESEARCH AND DEVELOPMENT.

(a) EXPENDITURES.—Section 508(h)(6) of the Federal Crop Insurance Act (7 U.S.C. 1508(h)(6)), as added by section 302(a) of this Act, is amended by adding at the end the following new subparagraph:

“(E) EXPENDITURES.—

“(i) SPECIALTY CROPS.—Of the total amount made available to provide payments under this paragraph and subsection (m)(4)(B) for a fiscal year, \$25,000,000 shall be reserved for research and development contracts under subsection (m)(4)(B). The Corporation may use a portion of the reserved amount for other purposes under this paragraph, with priority given to underserved commodities, if the Corporation determines that the entire amount is not needed for such contracts. If the reserved amount is insufficient for a fiscal year, the Corporation may use amounts in excess of the reserved amount for such contracts.

“(ii) LIMITATION.—In providing payments under this paragraph and subsection (m)(4)(B), the Corporation shall not obligate or expend more than \$55,000,000 during any fiscal year.”.

(b) FUNDING.—

(1) AUTHORIZATION OF APPROPRIATIONS.—Section 516(a)(2) of the Federal Crop Insurance Act (7 U.S.C. 1516(a)(2)) is amended by adding at the end the following new subparagraph:

“(D) Costs associated with the reimbursement for research, development, and maintenance costs of approved policies and other materials provided under section 508(h)(6) and contracting for research and development under section 508(m)(4)(B).”.

(2) USE OF INSURANCE FUND.—Section 516(b)(1) of the Federal Crop Insurance Act (7 U.S.C. 1516(b)(1)) is amended by adding at the end the following new subparagraph:

“(E) Reimbursement for research, development, and maintenance costs of approved policies and other materials provided under section 508(h)(6) and contracting for research and development under section 508(m)(4)(B).”.

SEC. 305. BOARD CONSIDERATION OF SUBMITTED POLICIES AND MATERIALS.

(a) PERSONS AUTHORIZED TO SUBMIT.—Section 508(h)(1) of the Federal Crop Insurance Act (7 U.S.C. 1508(h)(1)) is amended by inserting after “a person” the following: “(including an approved insurance provider, a college or university, a cooperative or trade association, or any other person)”.

(b) SALE BY APPROVED INSURANCE PROVIDERS.—Section 508(h)(3) of the Federal Crop Insurance Act (7 U.S.C. 1508(h)(3)) is amended by inserting after “for sale” the following: “by approved insurance providers”.

(c) TIME PERIODS FOR APPROVAL OR DISAPPROVAL.—Section 508(h)(4)(A) of the Federal Crop Insurance Act (7 U.S.C. 1508(h)(4)(A)), as amended by section 105(c), is amended—

(1) in clause (iii), as redesignated by section 105(c), by striking “of the applicant.” and all that follows through the end of the clause and inserting “, and such application, as modified, shall be considered by the Board in the manner provided in clause (iv) within the 30-day period beginning on the date the modified application is submitted. Any notification of intent to disapprove a policy or other material submitted under this subsection shall be accompanied by a complete explanation as to the reasons for the Board’s intention to deny approval.”; and

(2) by striking clause (iv), as redesignated by section 105(c), and inserting the following new clause:

“(iv) Not later than 120 days after a policy or other material is submitted under this subsection, the Board shall make a determination to approve or disapprove such policy or material. Any determination by the Board to disapprove any policy or other material shall be accompanied by a complete explanation of the reasons for the Board’s decision to deny approval. In the event the Board fails to make a determination within the prescribed time period, the submitted policy or other material shall be deemed approved by the Board for the initial reinsurance year designated for the policy or material, except in the case where the Board and the applicant agree to an extension.”.

(d) FUNDING TO EXPEDITE CONSIDERATION.—Effective October 1, 2000, section 516(b)(2) of the Federal Crop Insurance Act (7 U.S.C. 1516(b)(2)) is amended—

(1) by striking “RESEARCH AND DEVELOPMENT EXPENSES.—” and inserting “POLICY CONSIDERATION EXPENSES.—”; and

(2) in subparagraph (A), by striking “research and development expenses of the Corporation” and inserting “costs associated with considering for approval or disapproval policies and other materials under subsections (h) and (m)(4) of section 508, costs associated with implementing such subsection (m)(4), and costs to contract out for assistance in considering such policies and other materials”.

SEC. 306. CONTRACTING FOR RATING OF PLANS OF INSURANCE.

Section 507(c)(2) of the Federal Crop Insurance Act (7 U.S.C. 1507(c)(2)) is amended—

(1) by striking “actuarial, loss adjustment,” and inserting “actuarial services, services relating to loss adjustment and rating plans of insurance,”; and

(2) by inserting after “private sector” the following: “and to enable the Corporation to concentrate on regulating the provision of insurance under this title and evaluating new products and materials submitted under section 508(h)”.

SEC. 307. ELECTRONIC AVAILABILITY OF CROP INSURANCE INFORMATION.

Section 508(a)(5) of the Federal Crop Insurance Act (7 U.S.C. 1508(a)(5)) is amended—

(1) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii) and moving such clauses 2 ems to the right;

(2) by striking “The Corporation” and inserting the following:

“(A) AVAILABLE INFORMATION.—The Corporation”; and

(3) by adding at the end the following new subparagraph:

“(B) USE OF ELECTRONIC METHODS.—The Corporation shall make the information described in subparagraph (A) available electronically to producers and approved insurance providers. To the maximum extent practicable, the Corporation shall also allow producers and approved insurance providers to use electronic methods to submit information required by the Corporation.”.

SEC. 308. FEES FOR USE OF NEW POLICIES AND PLANS OF INSURANCE.

Section 508(h) of the Federal Crop Insurance Act (7 U.S.C. 1508(h)) is amended by adding at the end the following new paragraph:

“(11) FEES FOR NEW POLICIES AND PLANS OF INSURANCE.—

“(A) AUTHORITY TO IMPOSE FEE.—Effective beginning with Fiscal Year 2001, if a person develops a new policy or plan of insurance and does not apply for reimbursement of research, development, and maintenance costs under paragraph (6), the person shall have the right to receive a fee from any approved insurance provider that elects to sell the new policy or plan of insurance. Notwithstanding paragraph (5), once the right to collect a fee is asserted with respect to a new policy or plan of insurance, no approved insurance provider may offer the new policy or plan of insurance in the absence of a fee agreement with the person who developed the policy or plan.

“(B) DEFINITION.—For purposes of this paragraph only, the term ‘new policy or plan of insurance’ means a policy or plan of insurance that was approved by the Board on or after October 1, 2000, and was not available at the time the policy or plan of insurance was approved by the Board.

“(C) AMOUNT.—The amount of the fee that is payable by an approved insurance provider to offer a new policy or a plan of insurance under subparagraph (A) shall be an amount that is determined by the person that developed the new policy or plan of insurance, subject to the approval of the Board under subparagraph (D).

“(D) APPROVAL.—The Board shall approve the amount of a fee determined under subparagraph (C) for a new policy or plan of insurance unless the Board can demonstrate that the fee amount—

“(i) is unreasonable in relation to the research and development costs associated with the new policy or plan of insurance; and

“(ii) unnecessarily inhibits the use of the new policy or plan of insurance.”.

SEC. 309. CLARIFICATION OF PRODUCER REQUIREMENT TO FOLLOW GOOD FARMING PRACTICES.

Section 508(a)(3)(C) of the Federal Crop Insurance Act (7 U.S.C. 1508(a)(3)(C)) is amended by inserting after “good farming practices” the following: “, including scientifically sound sustainable and organic farming practices”.

SEC. 310. REIMBURSEMENTS AND RENEGOTIATION OF STANDARD REINSURANCE AGREEMENT.

(a) REIMBURSEMENT RATE CHANGES.—

(1) **CAT LOSS ADJUSTMENT.**—Section 508(b)(11) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)(11)) is amended by striking “11 percent” and inserting “8 percent”.

(2) **REIMBURSEMENT FOR ADMINISTRATIVE AND OPERATING COSTS.**—Section 508(k)(4)(A)(ii) of the Federal Crop Insurance Act (7 U.S.C. 1508(k)(4)(A)(ii)) is amended by striking “24.5 percent” and inserting “24 percent”.

(3) **APPLICATION OF AMENDMENTS.**—The amendments made by this subsection shall apply with respect to the 2001 and subsequent reinsurance years.

(b) RENEGOTIATION.—Effective for the 2002 reinsurance year, the Federal Crop Insurance Corporation may renegotiate the Standard Reinsurance Agreement.

BRIEF EXPLANATION

H.R. 2559, the Agricultural Risk Protection Act of 1999, contains three titles aimed at increasing participation; improving program administration, including new procedures for approving policies and plans of insurance; and bolstering the compliance and enforcement program of the Risk Management Agency (RMA).

Title I expands the levels of coverage offered to agricultural producers by providing greater federal assistance in buying better coverage and provides an adjustment in actual production history for producers who have suffered multiple losses in the 1990s. Section 102 provides the same percentage of premium assistance for insurance policies in addition to multi-peril insurance, including revenue insurance products. Title I also for the first time authorizes pilot programs to be developed for livestock risk management plans.

Title II seeks to improve the operations of the federal crop insurance program. Beginning in crop year 2000, the Secretary is directed to use the field staff of the Farm Service Agency (FSA) to assist the Federal Crop Insurance Corporation (FCIC) in maintaining program integrity. Generally, this assistance will be accomplished through monitoring and auditing the federal crop insurance program in the field. Increased sanctions for false information are included in the bill as well as new requirements for record keeping and reporting of crop acreage, acreage yields and production.

Finally, Title III reorganizes the FCIC board of directors and makes other improvements in the administration of the federal crop insurance program. These improvements include a monetary reimbursement for the development of new policies, and the FCIC is authorized to reimburse persons for maintaining these commercially viable contracts. The bill authorizes the FCIC to enter contracts for the development of new insurance products whenever the FCIC determines a crop to be inadequately served. FCIC also is placed under strict time limits for the approval or disapproval of policies or plans of insurance that are submitted by private organizations or individuals.

PURPOSE AND NEED

Since expansion of the federal crop insurance program in 1980, Congress has amended the Federal Crop Insurance Act numerous times attempting to end the need for costly and unanticipated legislation to assist agricultural producers through weather and related disasters. With passage of the Federal Crop Insurance Reform Act of 1994, Congress began to contend seriously with the

lack of producer participation, which was the main concern throughout the 1980s. Disaster bills in 1986, 1988, 1989, and 1991 were difficult to administer and generally required emergency declarations under the budget act to authorize spending.

Producer acceptance and use of crop insurance are critical to an industry totally dependent on weather, especially knowing that Congress usually has provided disaster assistance through ad hoc legislation. Producer acceptance also requires RMA to encourage the development of new policies and insurance plans for producers who now grow crops that cannot now obtain insurance protection or are purchasing what they believe is inadequate insurance protection. Finally, producer acceptance requires providing RMA with the resources to find waste, fraud and abuse in the crop insurance program and to punish violators with meaningful penalties.

Although in some years after 1980 participation may have reached 40 to 45 percent, national participation more generally hovered around 30 to 35 percent of the total acreage planted to the major field crops. Therefore, any wide-spread, national disasters created a need for assisting agricultural producers. So far, Congress has met that need in some fashion, but after each disaster assistance bill was finished, Congress looked for a better way to assist farmers in helping themselves manage the risks inherent in farming and ranching.

Following the major reforms in 1994, the crop insurance program was modified in the Federal Agriculture Improvement and Reform Act of 1996, and further modifications, including major budgetary offsets, were made in the Agricultural Research, Extension, and Education Reform Act of 1998. Participation increased dramatically from 38 percent of crops insured in 1994 to 67 percent insured in 1998. Many producers obviously recognized the value of crop insurance since this rate has been maintained even though the purchase of insurance is no longer mandatory.

While participation increases occurred in program crops, the same is not universally the case for many specialty crops. Increasing the attractiveness of crop insurance to specialty crop growers was a goal of the 1994 legislation, but progress has not been satisfactory. Both the details of policy design and the slow pace of program expansion are continuing concerns. Where specialty crop growers do participate, they often neglect any coverage levels above catastrophic. The Committee responds to these needs by increasing RMA's research and development resources and dedicating a portion to underserved crops like specialty crops. The Committee expects that the bill's provision facilitating producer association purchases of insurance on behalf of their members will lead to improved levels of participation in the program.

With a high percentage of agricultural producers wanting to insure their crops against the multiple perils of farming, producers now began to tell their congressional representatives they needed a more responsive crop insurance program, including the availability of insurance plans or policies for livestock risk management. They also expressed a need for an equalization of government assistance in revenue insurance policies; currently, producers who purchase, for instance, crop revenue coverage policies do not re-

ceive the same level of premium assistance received by those buying multi-peril policies.

While producers had many different ideas about risk management programs that would be beneficial to their specific agricultural operations or regions of the country, a consensus among producers developed that two specific improvements were needed as soon as possible. The first was to provide a greater and more affordable level of coverage. The second was to remedy a fact of insurance: producers suffering numerous, consecutive disasters have seen their insurable yields erode drastically.

The best buy for most producers around the country has been the 65–100 multi-peril crop insurance policy. Under the current program, producers can insure 65 percent of their actual production history at 100 percent of the price offered by FCIC. The price election is based on futures market prices. At this coverage level, FCIC pays about 42 percent of the total premium. Coverage levels higher than the 65–100 policy are subsidized at the same dollar amount as 65–100, and thus, the cost to producers rises because the subsidy level is effectively frozen. In addition, rates for coverage above 65 percent rise rapidly with the likelihood of increased indemnities at levels of 75–100 or 80–100.

Private insurance companies deliver various crop insurance products, most of which are reinsured by FCIC. Even though Congress was assured that insurance companies expected to bring more producers into the program at high levels of coverage, it appears about one-quarter of eligible acres still are insured under catastrophic risk protection policies (CAT). CAT coverage is at a basic level, a 50–55 plan of coverage, which covers a loss of one-half of a producer's actual production history. About 40 percent of eligible acres are covered by so-called buy-up coverage, which is described as any coverage greater than CAT.

Responding to producers' requests for better plans of insurance, the Committee has significantly increased the premium assistance compared to current law. For example, FCIC under current law provides 42 percent of the premium costs on a 65–100 policy. Under the bill, FCIC will now provide 59 percent of the producer's cost of such coverage. Premium assistance also is increased at each level of coverage beginning at the 50–100 coverage level. Premium levels are described in the section-by-section analysis.

The bill also assists a producer with multiple year losses, which have reduced the producer's APH to an extent the producer cannot obtain adequate insurance coverage at any affordable price. To address this problem, the bill provides for a yield floor at 60 percent of the applicable transitional yield in a county. If producers agree, this yield "plug" may be substituted retrospectively for each of those years when yields fell below 60 percent of the transitional yield. This plug will apply prospectively as well. The transitional yield is based on the historical yields established by USDA's National Agricultural Statistics Service.

By law, FCIC has been prohibited from offering livestock producers insurance plans or policies even though livestock are subject to weather-related disasters and other risks. The bill specifically mandates RMA to conduct pilot programs for livestock, including

cattle, sheep, swine, goats and poultry. Pilot programs may begin in 2001.

The Committee has been concerned for some time about the integrity of the crop insurance program. Anecdotal evidence suggests the program has significant levels of fraud and abuse; however, the RMA compliance program appears insufficiently focused on finding abusive and fraudulent practices and enforcing the crop insurance statute and its regulations. Whether or not there is an inadequate response by RMA to fraud and abuse in the program, the Committee believes the Secretary can do more to improve the RMA compliance effort.

The bill requires the use of the Farm Service Agency field staff to audit and monitor the program; increases sanctions for filing or dispensing false information; requires records and reports to be filed; and protects confidential information.

Finally, the Committee intends that RMA's management of the program be streamlined. Again, RMA's lack of responsiveness to new ideas in risk management and innovative insurance policies fills the public record established by the Committee. New policies are submitted to RMA and not processed in a timely manner. For example, the crop revenue coverage program, which has become a hugely successful crop insurance product, languished within RMA for an excessive period of time before it was finally approved on a limited basis.

Criticism of the policies and procedures of the FCIC board of directors also has been heard from many persons familiar with the workings of the board.

The Committee intends to correct many of these deficiencies by taking away some of RMA's discretion in the development and approval of new policies and insurance plans. For instance, beginning in fiscal year 2001, FCIC is no longer authorized to conduct its own research and development for new policies. The bill does encourage private organizations to become involved in researching and developing new policies to meet their specific needs and reimburses organizations or individuals for developing successful plans of insurance.

SECTION BY SECTION ANALYSIS AND REPORT LANGUAGE

Sec. 1. Short Title; Table of Contents

This Act may be cited as the Agricultural Risk Protection Act of 1999.

TITLE I—STRENGTHENING THE FARM SAFETY NET

Sec. 101. Premium schedule for additional coverage

Section 101 strikes duplicative language in the law establishing premium amounts. The section establishes a new premium assistance schedule, as illustrated in the table below. The section also provides that the amount of premium assistance available is determined by coverage level selected at any price election. Finally, the section requires that every policy bear the amount of premium paid by the federal government. This section is applicable beginning for the 2000 crop year.

Under this section, premium assistance is determined based on the percentage of total premium used to define loss ratio rather than on a fixed dollar amount. The Committee intends that the Federal Crop Insurance Corporation (FCIC) make continuous coverage levels available to producers as opposed to limiting producer choices to coverage levels offered in 5 percent increments. The Committee expects FCIC to provide continuous coverage levels for all policies of insurance offered under the Federal Crop Insurance Act as soon as practicable. In addition, under this section premium assistance is determined solely on the percentage of yield a producer elects to insure without regard to the price election selected by the producer.

Coverage level	(in percent)							
	50/100	55/100	60/100	65/100	70/100	75/100	80/100	85/100
Current Law	55	46.10	37.80	41.70	31.90	23.50	17.30	13
Committee Plan	67	64	64	59	59	54	40.6	30.6

Sec. 102. Premium schedule for other plans of insurance

Section 102 requires that the percentage of premium assistance under section 101 apply to similar levels of coverage under policies offered for sale to producers pursuant to section 508(h) and 508(m)(4). The section also limits the amount of administrative and operating expenses paid to an insurance provider for all policies to no more than the amount the provider would receive for a traditional multi-peril policy with a similar level of coverage. This section is applicable beginning for the 2000 crop year.

This section is intended to make all policies of insurance more affordable, including new and existing policies of insurance that protect producers from revenue or price loss. The Committee intends that the level of coverage selected is the only relevant factor in determining that a policy of insurance offered pursuant to sections 508(h) or 508(m)(4) is a “similar level of coverage” to a policy offered under section 508(e) when determining premium assistance. The fact that a policy offered pursuant to sections 508(h) or 508(m)(4) offers some higher level of protection or guarantee than a policy with a “similar level of coverage” under section 508(e) is not relevant in determining the amount of premium assistance.

Sec. 103. Adjustment in actual production history to establish insurable yields

Section 103 requires FCIC to permit producers to elect to exclude the recorded yield for an agricultural commodity in any crop year where the yield is below 60 percent of the transitional yield and to replace that yield with 60 percent of the transitional yield. The section further requires the Corporation to develop a methodology for adjusting a producer’s actual production history that reflects effective efforts to retard plant diseases and pests. This section is applicable beginning for the 2000 crop year.

The Committee intends for producers to have maximum flexibility in determining whether to exclude eligible yields under this section, as well as which and how many eligible yields to exclude. The Committee further intends that a producer may reverse any decision made under this section relative to a given crop year in

establishing insurable yields for a subsequent crop year. Finally, the Committee expects FCIC to ensure that producers understand the implications of any election under this section relative to the impact, if any, on insurable yields and premiums.

Sec. 104. Review and adjustment in rating methodologies

Section 104 requires FCIC to periodically review rating methodologies employed in setting premium rates. The section also requires FCIC to analyze the rating and loss history of approved policies for agricultural commodities by area and adjust premium rates in time for the 2000 crop year or as soon as practicable where they are found to be excessive.

Specifically, the Committee is aware that FCIC has already conducted or is in the process of conducting two studies relative to rating methodologies applicable for cotton as well as corn and soybeans in the Midwest and have found premium rates to be excessive. The Committee expects FCIC to provide a downward adjustment in premium rates beginning in the 2000 crop year for agricultural commodities and regions where such a determination has been made.

Sec. 105. Conduct of pilot programs, including livestock

Section 105 repeals two obsolete pilot program authorities. The section authorizes FCIC to conduct pilot programs on a regional, whole-State, or national basis after consideration of the interests of affected farmers and the Corporation. The section further provides that FCIC may offer the pilot programs for up to 3 years and that the pilot programs can be modified or extended where appropriate.

Section 105 also requires FCIC to promulgate regulations for the consideration of new policies, plans of insurance, and other material submitted for approval, including pilot programs (See section 305 for general submissions). The section provides for an expedited approval process for pilot programs that are limited in scope and duration and involve a reduced level of liability to the Federal government and greater risk to the approved insurance provider offering the pilot program. The section also provides that not later than 90 days after submission of a pilot program, the Board of FCIC shall approve or disapprove. If no determination is made, the pilot program is approved for the initial reinsurance year.

Section 105 requires FCIC to conduct one or more livestock pilot programs, including futures and option contracts and policies and plans of insurance. The section authorizes FCIC to assist producers in purchasing futures and options as well as policies or plans of insurance offered. The section requires that the pilot programs be conducted in numerous counties and that any producer of cattle, sheep, swine, goats, or poultry is eligible to participate if the program is offered in the county and serves that particular type of livestock. The section requires livestock pilot programs to be conducted beginning in fiscal year 2001 and limits expenditures to \$20 million in FY2001, \$30 million in FY2002, \$40 million in FY2003, and \$55 million in FY2004 and each of the following fiscal years. Finally, the section provides that any livestock pilot program offered is not intended to be subject to the jurisdiction of the SEC or the CFTC.

In carrying out this section, the Committee expects FCIC to conduct the greatest number and variety of livestock pilot programs in order to test the effectiveness of each risk management tool and to determine which are best suited to protect the financial interests of livestock producers. While assistance to purchase futures and option contracts is authorized under this section, the Committee does not intend to limit the assistance offered to livestock producers for these risk management tools. Policies and plans of insurance are also authorized to be offered and subsidized under this section.

The Committee further intends that, with respect to the general pilot program authority provided under this section, FCIC may extend the time period for pilot programs, including programs for California and Florida citrus, for additional periods for reasons as determined appropriate by FCIC. Such reasons include, but are not limited to, the need for the collection of additional data or the continuation of coverage while the pilot program is being promulgated through the rule making process. Finally, the Committee intends that FCIC may extend the pilot program authorized under section 508(h)(9) under this authority.

Sec. 106. Cost of production as a price election

Section 106 authorizes FCIC to provide a price election under a policy or plan of insurance based on the projected cost of producing the covered commodity. Under the section, estimated cost of production would be determined by FCIC.

Sec. 107. Premium discounts for good performance

Section 107 authorizes FCIC to provide performance-based discounts to producers of a commodity who have good insurance or production experience relative to other producers in the same area. The section also authorizes FCIC to provide a premium discount in the 2000 crop year to producers of wheat, barley, oats, or rye where those crops have been subject to a discounted price due to scab or vomitoxin damage.

The Committee expects FCIC to implement both provisions of section 107 in a way that is consistent with the law relative to the actuarial soundness requirements set forth in section 508(d). The Committee intends that good performance discounts be made available to producers who have participated in the program and who have low claims or otherwise consistent production experience relative to other producers of the same agricultural commodity in the area. The Committee further intends that good performance discounts be made available to producers who are first time program participants and who can demonstrate consistent production experience, through records acceptable to FCIC, relative to other producers of that commodity in the area.

The Committee encourages USDA to consider the benefits of particular farming practices in lowering the likelihood of the occurrence of insured events. The Department should consider examining the extent to which conservation-based farming systems have such an effect.

Sec. 108. Options for catastrophic risk protection

Section 108 requires FCIC to provide producers an alternative to catastrophic risk protection insurance coverage. The section provides that the alternative coverage shall be based on an area yield and loss basis, offer a higher combination of yield and price protection, and at the determination of FCIC be equivalent to catastrophic coverage insured on an individual yield and loss basis.

The Committee intends that FCIC offer an alternative catastrophic risk protection insurance policy that is based on an area yield and loss basis but that provides coverage at a greater combination of yield and price protection than is offered under the traditional catastrophic risk protection policy. The Committee further expects that the coverage level made available under the alternative catastrophic risk protection policy be implemented on a uniform, national basis providing all producers, areas, and agricultural commodities with the same level of coverage. The Committee acknowledges that there may be insufficient data in some areas to make such an alternative policy immediately available to producers operating in such areas. Nevertheless, the Committee fully expects FCIC to diligently work to ensure that the necessary data is collected for these areas in order to make the alternative catastrophic risk protection required under this section available to producers in such areas.

Sec. 109. Authority for nonprofit associations to pay fees on behalf of producers

Section 109 authorizes cooperatives and other nonprofit trade associations to pay the fees for catastrophic insurance coverage on behalf of their producer members.

The section clarifies that any licensing fees paid to cooperatives or trade associations by approved insurance providers shall not be considered to be rebates as long as producer members are notified of the fees.

The section further provides that nothing in this section is to be construed as limiting a producer's ability to choose any licensed insurance agent or approved insurance provider of the producer's choice or refuse coverage under this arrangement. The section provides that all policies must be delivered through a licensed agent or an approved insurance provider. The section also provides that cooperative associations or trade associations shall encourage producer members to elect appropriate coverage levels to best manage their risks.

The Committee intends this section to authorize cooperative associations or nonprofit trade associations to pay the fees required for the purchase of catastrophic risk protection insurance. The Committee further intends that any fees received by a cooperative association or nonprofit trade association in connection with the purchase of catastrophic or additional coverage is not to be treated as a rebate. The Committee expressly requires in law that such fees received by a cooperative association or trade association as a result of the purchase of catastrophic or additional coverage by producer members are not to be construed as a rebate, notwithstanding any regulation of FCIC or any state law. The intention of the Committee with respect to the issue of rebates is clear and is

not altered or affected in any way by the enactment of clause (i) of this section.

The Committee expects that any regulations promulgated by FCIC relative to this section be kept to a minimum so as not to impose an undue burden on those persons or entities authorized to engage in the activities authorized under the section.

Sec. 110. Elections regarding prevented planting coverage

Section 110 allows producers to opt out of coverage for prevented planting and requires FCIC to provide a corresponding discount in producer premiums. The section requires FCIC to provide equal coverage with respect to prevented planting for all commodities. The section further provides that prevented planting payments to a producer should be limited to situations where producers in the area are generally affected by the same conditions that prevent the producer from planting.

The section provides that for producers who take prevented planting coverage and receive an indemnity, a subsequent crop may be planted on the failed acreage but the subsequent crop will not be eligible for any federal crop insurance policy or noninsured disaster assistance. However, a producer who plants a substitute commodity before the latest planting date for the commodity prevented from being planted shall not receive a prevented planting payment. Finally, for purposes of determining a producer's actual production history for the commodity on which a prevented planting indemnity was received, FCIC shall use 60 percent of the producer's APH for such commodity for that crop year.

The Committee recognizes that producers should not be required by FCIC to idle productive land that could otherwise yield a crop and provide critical farm income. However, the Committee also recognizes that allowing producers to plant a second crop after a prevented planting indemnity was collected on a first crop could foster fraud, waste, and abuse. The Committee expects any fraud, waste, and abuse presented as a result of this change in law to be substantially mitigated, if not eliminated, by the four limitations in this section. However, the Committee expects FCIC to implement such limitations in a way that does not undermine the intention of the Committee to eliminate the so-called black dirt policy imposed by FCIC. Specifically, the Committee is concerned that FCIC does not implement this paragraph, particularly subparagraph (C), in a manner that results in hardship or inequity to producers attempting to avail themselves of the protections supposed to be afforded under prevented planting coverage.

Sec. 111. Limitations under noninsured crop disaster assistance program

Section 111 modifies the eligibility provisions for noninsured disaster assistance to be available to producers with \$2,000,000 or less of adjusted gross income annually.

The Committee intends that \$2,000,000 in adjusted gross income be defined as income after all farm expenses are paid. In addition, the Committee expects the Secretary to reexamine the manner in which subsection (c)(1) of section 196 of the Federal Agriculture Improvement and Reform Act is implemented to take full advan-

tage of the broad flexibility Congress intended to provide. The Committee would underscore the fact that area is not defined under section 196 but is reserved for the Secretary to define. Accordingly, the Committee strongly encourages the Secretary to make the necessary adjustments in the current definition of area that is being used by the Department and develop a definition that is more tenable in practice to ensure that the crop loss needs of producers are met.

Sec. 112. Quality grade loss adjustment

Section 112 requires FCIC to analyze quality loss adjustment procedures and make adjustments to better reflect local quality discounts applied to agricultural commodities.

The Committee expects that FCIC will implement any changes relative to quality grade loss adjustments in a fashion that does not foster fraud, waste, and abuse. The Committee further expects that any such adjustments will be made consistent with actuarial soundness requirements of the title.

Sec. 113. Application of amendments

Section 113 requires that unless otherwise specified, the amendments made by this Act shall be applicable for the 2000 crop year.

TITLE II—IMPROVING PROGRAM EFFICIENCIES

Sec. 201. Limitation on double insurance

Section 201 prohibits the issuing of more than one insurance policy on the same acreage during a crop year unless such coverage is limited to catastrophic risk protection insurance. An exception is made for areas with customary and established double-cropping patterns.

The Committee recognizes that it is a legitimate farming practice to double-crop certain crops in specific regions of the country. However, unless the outlined exceptions are applicable, it is the Committee's intention to limit coverage to catastrophic risk protection on the additional crop.

Since it is possible for the same crop to be planted on a farm and subject to different plans of insurance, the Committee intends that FCIC ensure the crop acreage and production of the same crop that is insured under different plans of insurance is separately reported, maintained, and identified. It is not the Committee's intention that the acreage or production may be prorated between the same crop with different plans of insurance.

It is the intention of the Committee that in determining when the additional agricultural commodity is customarily double-cropped in the area with the first agricultural commodity, that FCIC consider whether it is customary to double-crop the acreage considering the farming and irrigation practices applicable to the crops in the area.

The Committee intends that to qualify for the double-cropping exception, both the first and additional agricultural commodities be normally harvested within the same crop year on the same acreage. The disposition of the first agricultural commodity, including the loss or failure of such commodity, should not affect the determina-

tion of whether the first and additional crop qualifies for the double-cropping exception.

Sec. 202. Improving program compliance and integrity

Section 202 requires the Secretary to improve crop insurance program compliance and integrity. Specifically, beginning in the 2000 crop year, the Secretary is directed to use the field infrastructure of FSA in five activities that are described below.

1.—Annual reconciliation of producer data and information between FCIC and the FSA. Currently, FCIC and FSA collect and maintain a significant amount of data that are useful to both FCIC and FSA but are independently collected and separately maintained by each agency. To enhance compliance and oversight activities, the Committee intends that FCIC and FSA share and reconcile this information. Relevant data that should be reconciled include but are not limited to crop acreage and production reports, producer shares information, and producer identification numbers. The Committee intends for the data provided to FCIC and FSA to be reconciled not less than once each crop year. The reconciliation of individual datum should be conducted in a timely manner in order to identify potential discrepancies early in the reporting cycle. In addition, the acreage and producer share reconciliation should be completed shortly after the final reporting dates for the crop; and other data reconciliation should occur at appropriate dates.

The Committee expects FCIC and FSA will find discrepancies in the applicable data as a result of the reconciliation. The Committee intends that corrective action be taken to resolve the discrepancies; FCIC and FSA should determine if any overpayments or underpayments result from the reconciliation and take appropriate action. The Committee intends that FCIC and FSA improve their data collection methods to ensure that, to the maximum extent possible, automated data processing, will be utilized to perform the reconciliation.

2.—Implementation of an ongoing monitoring and auditing program of FCIC programs. The Committee is concerned that FCIC and insurance providers have not made sufficient progress in controlling program abuse, waste and fraud. The personnel resources of FCIC do not appear adequate to carry out meaningful oversight and compliance activities. In that regard, FSA has significant field resources that are properly distributed, and the Committee intends that these resources be utilized to strengthen FCIC's oversight and compliance activities, including identifying program vulnerabilities. The Committee intends for FSA field office employees to collect and report information pertaining to allegations of fraud by producers, adjusters, agents and companies, either at the request of FCIC, or on its own initiative after consulting with FCIC. The inclusion of these additional resources will help FCIC make timely field inspections, assist in identifying and monitoring situations that have the potential to lead to program fraud or abuse and provide a local contact point where allegations of fraud and abuse may be reported. The Committee intends that FSA personnel have the authority to make on farm inspections to ensure that good farming practices have been used on the insured crops. The Committee believes the

Secretary should find other program and compliance activities in which FSA personnel may be used as this coordinated auditing and monitoring program between FCIC and FSA progresses and experience is gained.

The Committee intends that FSA employees assist FCIC in the auditing of claims, including work completed by adjusters, agents and companies. This could include but is not limited to random audits of crop loss appraisals, and applicable documents completed by adjusters, agents and companies resulting from a loss claim. The Committee intends that the Secretary exercise this authority so that reviews and audits are completed in a timely manner, especially those pertaining to adjusters and agents. The Committee intends that deficiencies as well as errors resulting from the audit are reported to FCIC, and FCIC take appropriate action to act on the findings of the review or audit.

The Committee intends that FCIC retain regulatory authority for all activities pertaining to program compliance and integrity.

3.—Proper training for FSA employees for responsibilities under this section. The Committee intends that FSA field employees are provided immediately with the proper training to carry out the responsibilities associated with improving program compliance and integrity. Any training provided by FCIC of adjusters should also be available to FSA employees. It is intended for FSA employees to be an additional resource for use by FCIC in compliance and oversight activities.

The audits and reviews carried out by FSA should supplement any activities required of the companies, agents or adjusters by FCIC, and nothing in this section affects the responsibility of approved insurance providers to conduct audits or other program reviews required by FCIC. The Committee does not intend that the audit and program review standards required of the insured providers by FCIC are reduced because of the actions of FSA. In an effort to deal with suspected program misrepresentation, fraud, and abuse, the bill requires that no later than 90 days after notice is provided of such potential activity, FCIC will provide a written response to the insurance provider. The Committee encourages FCIC to issue the report as promptly as possible to avoid unnecessary delays that would compromise the findings. Waiting the full 90 days to issue a response should be the exception rather than the rule. The Committee intends, that at a minimum, the report outlines the suspected activity and the findings of FCIC with respect to such report.

4.—Consultation with FSA state committees regarding plans of insurance offered in a state. The Committee expects FCIC to provide ample opportunity to state committees for the review of existing and proposed crop insurance policies. The state committees are expected to provide meaningful suggestions to FCIC that strengthen program integrity, oversight and program vulnerability. The review should concentrate on the potential problems with crop insurance administration and should ask such questions as: Do the offered policies insure crops that have a reasonable chance of being harvested in the county or region? Is it practicable to produce non-irrigated crop acreage of such crop in the county or region? Are the insurance transitional yields feasible in the county or region? Does

the insurance policy enhance the likelihood of insurance abuse or fraud? In addition, FSA state committees should be used to ascertain the adequacy and usefulness of new policies or plans of insurance developed under Sec. 303 of the bill.

5.—Annual report to the House and Senate Agriculture Committees with regard to activities and findings under this section.

Sec. 203. Sanctions for false information

Section 203 clarifies that a covered “person” includes a producer, agent, loss adjuster, approved insurance provider, or any other person.

The section provides that, with respect to providing false information, FCIC is authorized to levy the following sanctions:

Monetary sanctions equal to the higher of the amount of the pecuniary gain by the person or \$10,000.

For producers, disqualification for up to 5 years from all federal farm programs, including crop insurance, farm programs, farm credit programs, and conservation cost share assistance programs, in addition to forfeiting premiums paid for providing materially false information.

For people other than producers, disqualification for up to 5 years of participating in or receiving benefits under FCIA.

Finally, the section requires FCIC to include information regarding sanctions in a prominent manner on all crop insurance policies and plans of insurance.

This section provides a substantially enhanced range of sanctions for FCIC to impose against persons who provide false information where such information results in program fraud, waste, or abuse. The Committee recognizes that all violations are not equal and intends for FCIC to administer this section in a fair and equitable fashion where the punishment fits the offense.

Sec. 204. Protection of confidential information

Section 204 prohibits the Secretary, any officer of USDA or its agencies, any approved insurance provider or its employees or contractors, or any other person from disclosing any producer-provided information to the public, unless the information supplied is in aggregate form that prevents individual producers from being identified. The section provides penalties consistent with the 1985 Food Security Act.

The Committee is concerned that information provided by a producer to receive benefits under this title be protected. The Committee believes that producers have every right to expect that the information they provide to authorized persons and entities under this title remain confidential. The Committee expects FCIC to safeguard producer-provided information through the vigorous enforcement of this section. The Committee would note that the prohibition on the disclosure of any information that would reveal the identity of a producer is absolute. As such, the Committee intends that the protections afforded under this section may not be waived. However, the Committee does not intend that this section interfere in any way with the legitimate use and dissemination of information pursuant to section 205 of this legislation, including the use

by Federal and State agencies in carrying out their agricultural programs and related responsibilities.

Sec. 205. Records and reporting

Section 205 requires producers participating in the crop insurance program to each year provide records regarding crop acreage, acreage yields, and production. The section also requires the Secretary to ensure coordination of records received for crop insurance purposes and those received for purposes of NAP to eliminate duplication of record-keeping. Such records shall be available to all agencies and local offices of the Department as well as appropriate State and Federal agencies to carry out program responsibilities under this title, section 196 of the FAIR Act, and other agricultural programs and related responsibilities. The section further requires annual submission of crop acreage, acreage yields, and production information to be eligible for NAP.

The Committee intends for insured producers participating in the crop insurance program to provide records regarding crop acreage, acreage yields, and production to the Secretary. Producers currently report crop and yield information to both FCIC and FSA. Inconsistent data have been reported to FCIC and FSA and benefits have been paid on inconsistent data. The Committee intends for insured producers to report crop acreage, yield, production and other records in a manner that may be easily reconciled, ensuring program and insurance benefits are paid on consistent data.

The records collected under this authority should be available at no cost to all federal and state agencies, including state subdivisions, for use in carrying out activities, including assisting state organizations in carrying out general agricultural programs that have a federal component (for example, boll weevil eradication activities).

The Committee intends for producers requesting noninsured crop disaster assistance program benefits to file annually, crop acreage reports, acreage yields and production for each crop eligible for assistance. The annual collection of this information should enhance information available for the development of future insurance policies. As a result of producers filing annual reports, USDA will have the information provided at a time that insures appropriate program oversight and integrity.

Sec. 206. Compliance with state licensing requirements

This section clarifies that any person who sells or solicits the purchase of a policy under the Federal Crop Insurance Act be licensed and qualified to do business in that state.

TITLE III—ADMINISTRATION

Sec. 301. Board of directors of corporation

Effective 30 days after enactment, this section modifies the composition of the FCIC Board of Directors to consist of the following members:

The Manager of FCIC (ex officio only).

The Under Secretary of Agriculture responsible for crop insurance.

An additional Under Secretary designated by the Secretary.
The Chief Economist.

One person with crop insurance business experience.

One person with insurance regulation experience.

4 active farmers representing different geographic regions and a cross-section of agricultural commodities who are insured producers, including one producer of a specialty crop.

The section also provides that the Secretary is responsible for appointing the Members of the Board. Current Board Members are allowed to continue to serve until new Board Members are appointed or for six months, whichever is earlier. The Board will elect a chairperson from among the members. The committee expects the Secretary to follow established selection guidelines with regard to diversity.

Sec. 302. Promotion of new policies and related materials

Section 302 requires FCIC to reimburse applicants for research, development, and maintenance costs associated with insurance policies that are approved and, where applicable, offered for sale to producers. Maintenance costs are limited to no more than four years, after which FCIC becomes responsible for maintenance, provided that the policy is commercially viable. This section is applicable beginning in the 2001 fiscal year.

Any payment under this section shall be considered as payment in full for all research and development associated with an insurance policy or material, including associated property rights. FCIC is directed to determine reimbursement amounts based on policy complexity and the size of the area in which the policy or material would be applicable. Regulations implementing this section are required to be completed by October 1, 2000.

The promotion of new and innovative policies is a key objective in this legislation and the reimbursement provisions are critically important toward achieving this end. In implementing the regulations concerning reimbursement, the Committee expects FCIC to consult with and take into consideration the views of parties likely to seek reimbursement under this section.

Sec. 303. Research and development, including contracts regarding underserved commodities

Section 303 provides that whenever FCIC determines that a commodity, including a specialty crop, is not being adequately served by existing plans of insurance or submissions under section 302, FCIC may contract with any person or entity having experience with crop insurance or risk management for research and development activities. Policies researched and developed under this provision, like those submitted for approval under section 302, are prepared without regard to the traditional limitations imposed on policies under the FCIA. Requires FCIC to contract for the research and development of specific types of policies under this section. This section is applicable beginning in the 2001 fiscal year.

The section also provides that, effective October 1, 2000, FCIC is no longer authorized to conduct its own research and development for policies or plans of insurance under this title. Nothing in the Federal Crop Insurance Act, including the provisions in paragraphs

(1) or (5) of section 508(m) may be construed to permit FCIC to engage in such research and development. However, this prohibition does not affect the validity and continued availability of policies and plans approved prior to that date.

In carrying out this section, the Committee expects FCIC to ensure that State Committees of the Farm Service Agency are consulted consistent with section 202 of this legislation. The Committee further expects FCIC to consult with affected commodity groups with respect to any policies, including revenue policies, being developed.

The Committee expects FCIC to complete the Citrus Canker Tree Indemnity policy in time for the 2000 crop year, using appropriate loss calculation methodology and ensuring the program is actuarially sound. The Committee further intends that FCIC treat all trees ordered destroyed or quarantined by Federal order as losses under the policy. In addition, the Committee urges FCIC to revise the cause of loss for Florida citrus designated "hurricane" to "sustained winds in excess of 74 miles per hour", and consider lost that citrus fruit that is unmarketable due to hail.

The Committee expects FCIC to reinstate the use of the Grower's Standard Wholesale Price List for price determination with confirmation by insurance providers and compliance oversight by FCIC. To encourage the purchase of additional levels of coverage, separate coverage for Field Grown and Container Grown Nursery Stock should be considered and, to the extent practicable, implemented beginning with the 2000 crop year.

The Committee intends that FCIC, in consultation with affected commodity groups, take into consideration the priority list provided as follows in order to ensure that specific insurance needs are met: aquaculture, citrus, forage, honey, nursery, rice, tree fruit, milk, peaches, peanuts, sugar, tobacco, and tropical tree fruit (including limes, mangoes, avocados, and carambolas).

The Committee urges FCIC to study the feasibility of allowing optional units on peanut acres and encourages FCIC to examine differentiating between irrigated and non-irrigated practices on policies for peanuts, tobacco and other commodities. The Committee encourages the development of policies that insure against losses to pasture, range and forage used for grazing due to drought, flooding, or other natural disasters.

The Committee encourages the Department in rating and policy design to consider whether farming practices that satisfy specialized market niches—such as organic farming practices—justify the creation of policies or policy options not currently available.

The Committee encourages FCIC to initiate a pilot program to indemnify producers of timber for loss of yield or prevented planting due to drought, floods, fire, or other natural disaster.

Finally, the Committee urges FCIC to annually review the percentage of eligible acres insured by state, county, and crop. In areas where participation is substantially below the aggregate national average, the Committee would encourage FCIC to use its existing authorities as well as the new authorities offered under this legislation to increase participation without compromising actuarial soundness.

The Committee expects FCIC will continue and expand the pilot project currently in effect for whole farm revenue insurance and other similar programs.

Sec. 304. Funding for reimbursement and research and development

Section 304 provides that funding for research and development of specialty crops and under-served commodities is set at \$25 million annually. If FCIC determines such funding is insufficient, additional funding is available. If such funding is not fully utilized, the excess funds shall be available for reimbursements under section 302 with priority given to specialty crops.

The section further provides that the maximum expenditures in any year for sections 302 and 303 may not exceed \$55 million. This section is applicable beginning in the 2001 fiscal year.

The Committee intends that policy submissions under section 508(h) of the Federal Crop Insurance Act and reimbursements under section 302 of this legislation are to be the main avenues for augmenting the number and variety of policies available to producers. The contracting authority provided under section 303 of this legislation is to be exercised only when a specialty crop or other commodity is determined to be under-served. While the Committee does not intend to hamstring FCIC in its determination of when to avail itself of this contract authority, the Committee is concerned that such authority is used appropriately so as not to come at the expense of reimbursement needs. In this regard, the Committee would point out that approval of policies under section 508(h) is not discretionary where the objective conditions expressed in law are met. Where such policies are approved and offered for sale, FCIC is required to provide appropriate reimbursement to the party that submitted the policy. Together, these provisions present a legal obligation on the part of FCIC.

Sec. 305. Board consideration of new policies and materials

Section 305 clarifies who can submit policies and plans for approval by the FCIC Board to include an approved insurance provider, a college or university, a cooperative or trade association, or any other person.

The section also requires absolute time limits for the Board to approve or disapprove submitted plans or policies at 120 days. If the Board fails to meet this deadline, then the policy or plan of insurance is approved for the initial reinsurance year.

The Committee is aware of the chronic problems associated with the approval process now in place relative to policies submitted under section 508(h). The Committee would point out that section 508(h) sets forth straightforward and objective standards to be met by policies and other material submitted for approval. Specifically, section 508(h) requires the Board to consider whether the interests of producers are adequately protected and whether the premiums charged to the producers are actuarially appropriate. Where this two-prong test is met, the law requires FCIC to approve the policy to be offered at actuarially appropriate rates and under appropriate terms and conditions. The Committee does not intend to suppress constructive efforts by FCIC to assist applicants in the preparation of their policies to meet the criteria in law. However, the Com-

mittee does expect FCIC to carry out the policy approval process as a regulator rather than measure each policy submitted by how the regulators believe they might have designed the policy better.

Sec. 306. Contracting for rating of plans of insurance

Section 306 requires the Corporation to contract, to the maximum extent practicable, for rating plans of insurance. Clarifies that the purpose of contracting for services with the private sector is to enable FCIC to concentrate on regulating insurance providers and evaluating new products and materials.

The Committee does not intend to entirely preclude FCIC from engaging in its own rating of policies or plans of insurance. The Committee only intends to re-enforce the strong preference already in the Federal Crop Insurance Act that FCIC commit more time and resources toward regulating insurance and approving new policies and less time and resources creating and re-creating what can be best achieved by the private sector. The Committee intends that contracting for services with the private sector also be used to assist in the evaluation of new products and materials to both expedite and strengthen the approval process.

Sec. 307. Electronic availability of crop insurance information

Section 307 requires FCIC to make general insurance information electronically available to producers and approved insurance providers. Also requires, to the maximum extent practicable, that FCIC allow producers and approved insurance providers to supply information to FCIC electronically.

The Committee would encourage the Secretary to study the feasibility of establishing a National Center for Agribusiness Excellence and Agribusiness Risk Management Analysis.

Sec. 308. Fees for use of new policies and plans of insurance

Section 308 permits an approved insurance provider that develops a policy or plan of insurance to receive a fee from another approved insurance provider in order for the latter to use that policy or plan of insurance. In order to receive a fee, the approved insurance provider must waive the right to receive reimbursement under section 302, and the fee required to be paid may not, at the determination of FCIC, be unreasonable or unnecessarily inhibit the use of the policy. This section is applicable for the 2000 reinsurance year.

Sec. 309. Clarification of producer requirement to follow good farming practices

The section provides that scientifically sound sustainable and organic farming practices shall be considered to be good farming practices under the Federal Crop Insurance Act.

The Committee expects FCIC to establish specific guidelines defining what constitutes good farming practices relative to producers engaged in scientifically sound sustainable and organic farming practices.

Sec. 310. Reimbursements and renegotiation of standard reinsurance agreement

Section 310 adjusts reimbursement levels for approved insurance providers for loss adjustment under the catastrophic risk protection policy and for operating and administrative expenses for additional levels of coverage. The adjustments are applicable for the 2001 reinsurance year.

In addition, the section authorizes FCIC to renegotiate the terms of the Standard Reinsurance Agreement codified under the Agricultural Research Act of 1998 in the 2001 reinsurance year.

The Committee intends for RMA to review, and, if appropriate, renegotiate the standard reinsurance agreement (SRA). A renegotiation should commence upon a determination by the Agency that participating companies are able to retain greater risk, or are unable to adequately deliver and service policies, under the SRA as indicated by the profit and loss experience under the existing agreement and the availability of private reinsurance to support company retention levels.

COMMITTEE CONSIDERATION

I—HEARINGS

The Subcommittee on Risk Management, Research and Specialty Crops hosted crop insurance forums for the purposes of receiving input from producers, providers and agents regarding improvements to the federal crop insurance program.

The Subcommittee commenced forums on February 16, 1999 in Perry, Georgia (Serial 106–3); on February 16, 1999 in Douglas, Georgia (Serial 106–3); on February 18, 1999 in Laurinburg, North Carolina (Serial 106–3); on March 10, 1999 in Washington, D.C. (Serial 106–3, Part II); on May 3, 1999 in Lexington, Kentucky (Serial 106–3, Part III). It should also be noted that the Subcommittee previously held a crop insurance forum on November 12, 1998 in Sioux Falls, South Dakota (Serial 105–67).

Issues discussed at the crop insurance forums included: increasing crop insurance premium subsidies to the farmer; adjustment of rating policies; development of livestock policies; incentives to encourage private development of risk management products; equalization of administrative and operating subsidies across the board for products; allocation of premium discounts to producers who demonstrate a history of participation without incurring losses; improving program enforcement; development of cost of production policies; and APH modifications to address multi-year disaster losses.

II—SUBCOMMITTEE CONSIDERATION

Chairman Ewing called the meeting to order for the purpose of considering H.R. 2559, the Agricultural Risk Protection Act of 1999, sponsored by Mr. Combest, et al., to amend the Federal Crop Insurance Act in order to strengthen the safety net for agricultural producers by providing greater access to more affordable risk management tools and improved protection from production and income

loss and to improve the efficiency and integrity of the Federal crop insurance program.

Subcommittee Chairman Ewing recognized full Committee Chairman Combest, for opening remarks. Chairman Combest thanked all involved for the work that has been done to work to provide a better risk management program. Chairman Combest noted that the bill did not have an official budget score from the Congressional Budget Office, but that the final bill reported by the Committee would have to be within the revenue constraints of the bill. Chairman Combest stated that the full Committee would consider H.R. 2559 on Tuesday, July 27, 1999, and that he hoped the bill would be considered on the House Floor before the August recess.

Subcommittee Ranking Minority Member Condit was recognized for an opening statement and indicated that he hoped to broaden the bill in the area of specialty crops.

Chairman Ewing placed H.R. 2559 before the Subcommittee for consideration and noted that it would be open for amendment at any point.

Counsel was recognized for a brief explanation of H.R. 2559, and the Administrator of the Risk Management Agency was recognized for brief comments on the bill.

Mr. Dooley expressed concern over the funding of the bill and that there was no cost estimate at this time. Chairman Combest assured Mr. Dooley that he would work with him to ensure that the bill would be within the limits of the budget resolution.

Mr. Condit was recognized to offer and explain an amendment to Sec. 109, Authority for Nonprofit Associations to Pay Fees on Behalf of Producers. Mr. Condit indicated that the amendment would make the provision more usable for cooperatives. Discussion occurred on the amendment, and Mr. Condit acknowledged that the amendment may need to be revised before full Committee to make it as workable as possible, and by a voice vote, the amendment was adopted.

Mr. Smith was then recognized to offer and explain an amendment regarding premium adjustment for rates that are determined to be high relative to the anticipated losses of an agricultural commodity before the 2000 crop year. Discussion occurred on the amendment, and USDA representatives indicated that the amendment would be more acceptable if certain clarifications were made to it. Without objection, Mr. Smith withdrew his amendment.

Mr. Bishop was recognized to offer and explain an amendment that would provide authority for the Secretary to provide whistleblower type incentives to producers who bring forth evidence of fraud that is actually used by the Department to recover civil fines. Discussion occurred on the amendment, and Mr. Chambliss and Mr. Everett indicated that the issue of fraud and abuse in the program was an issue that they heard repeatedly when they spoke to their producers. Mr. Everett was concerned about how confidentiality could be provided to the producer whistleblower. USDA representatives pointed out that the amendment would need a reference to the actuarial soundness requirement of the overall law to achieve the intent of the amendment.

Full Committee Chairman Combest indicated his support for the intent of Mr. Bishop's amendment, and that he would like to co-sponsor the amendment at full Committee after the issues of confidentiality and actuarial soundness had been addressed. Mr. Bishop agreed to withdraw his amendment and offer a revised amendment at full Committee. Without objection, the amendment was withdrawn.

Mr. Chambliss was then recognized to offer and explain an amendment on recordkeeping to require coordination and to avoid duplication of the records used by the Federal Crop Insurance Corporation and the Farm Service Agency for NAP, purchasing CAT, and buy-up coverage. Discussion occurred on the amendment with Subcommittee Chairman Ewing expressing concern that producers would not have to reprove historical records. USDA representatives indicated they thought the amendment gave the Department the flexibility it needed to better coordinate the information collected from the different agencies. By voice vote, the amendment was adopted.

Mr. Condit was recognized to offer and an amendment that would mandate that of the \$55,000,000 provided for research and development contracts, \$25,000,000 would be reserved for specialty crops. Subcommittee Chairman Ewing noted that H.R. 2559 did not define the term "underserved commodities." Mr. Chambliss asked Mr. Condit if he could work with him before full Committee markup of H.R. 2559 to refine the amendment to ensure that specialty crop producers are the recipients of the amendment. By unanimous consent, Mr. Condit requested that a technical change be made to his amendment, and that the page citation be "46" rather than "44". By voice vote, the amendment, as amended, was adopted.

Mr. LaHood was then recognized to offer and explain an amendment to mandate the electronic availability of crop insurance information. Mr. Ewing explained that this was a reduced version of his bill, H.R. 852, the Freedom to E-File Act, which had been the subject of a hearing before the Subcommittee on Department Operations, Oversight, Nutrition, and Forestry on June 17, 1999. Brief discussion occurred, and Mr. Baldacci expressed his concern that the confidentiality of the information would be ensured. Mr. LaHood indicated that he would work to perfect the amendment before full Committee markup to ensure that this concern was met. By voice vote, the amendment was adopted.

Mr. Pomeroy was then recognized to offer and explain an en bloc amendment on behalf of himself and Mr. Thune. Subcommittee Chairman Ewing noted that the amendment was an en bloc amendment and that a division of the amendment and separate votes could be requested on the different parts of the amendment.

Mr. Pomeroy explained his amendment and noted the organizations supporting his amendment listed in a letter dated July 20, 1999. Mr. Pomeroy explained the four issues addressed in his amendment: (1) level of premium subsidy for coverage; (2) calculation of actual production history; (3) continuation of a provision in the disaster bill to provide an additional 20 percent premium subsidy for crops afflicted with vomitoxin, scab and aflatoxin; and (4) quality grade loss adjustment.

Full Committee Chairman Combest said that he supported the subsidy levels in the Pomeroy-Thune amendment, but he requested that the Members work together to come up with the maximum amount of assistance to be provided to the farmer and to work through the question of Actual Production History (APH). Mr. Pomeroy indicated that he would insist on retroactive adjustments, and Chairman Combest noted there were retroactive provisions in H.R. 2559.

Lengthy discussion occurred on the amendment. Mr. Everett thanked Mr. Pomeroy for the inclusion of aflatoxin in his amendment, but Mr. Everett noted that the APH provision in the Pomeroy-Thune amendment would devastate his cotton farmers. Mr. Thune explained the amendment's importance to South Dakota and indicated his hope to make crop insurance the centerpiece of the farm safety net.

Mr. Riley questioned the premium subsidy for aflatoxin in the amendment and what years would be covered. There was a discussion on whether the amendment should be crop specific, and the USDA representative stated that the provision would be more helpful if it were not crop specific. Full Committee Chairman Combest cautioned the Members that this provision likely would receive considerable discussion at the full Committee level because other Members would be looking for special consideration. Mr. Ewing expressed concern about including additional insurance premiums for certain diseases and having no money left for premium increases.

Mr. Pomeroy requested that he change his amendment and take out aflatoxin, and that this issue would be debated at full Committee. Mr. Pomeroy also requested other changes to his bill, and Mr. Smith requested that the amendment be rewritten in order for Members to understand the changes better.

Full Committee Chairman Combest again requested that Mr. Pomeroy work with him on the amendment to come to some agreement before full Committee consideration. Without objection, Mr. Pomeroy withdrew his amendment in order to revise it and bring before Members later.

Mr. Lucas was then recognized to offer and explain an amendment regarding fees for use of new policies and plans of insurance. Mr. Lucas explained that his amendment was cost-neutral and that it would encourage private sector development of products. Mr. Moran associated himself with the remarks of Mr. Lucas in support of the amendment, and by voice vote, the amendment was adopted.

Mr. Condit was recognized to offer and explain an amendment concerning limitation on authority to plant substitute commodities and requested by unanimous consent that it be included as report language to the bill. Without objection, it was accepted.

Mr. Condit then reserved the right to offer, at the full Committee, an amendment concerning partnerships for risk management development and implementation.

Mr. Condit was also recognized to offer and explain an amendment mandating that at least one active specialty crop producer be on the Board of Directors of the Federal Crop Insurance Corporation. By voice vote, the amendment was adopted.

Mr. Smith was then recognized to offer and explain an amendment that had been revised with Departmental assistance con-

cerning premium adjustment to rates that are determined to be high relative to anticipated losses of an agricultural commodity in a certain area. By voice vote, the amendment was adopted.

Mr. Smith also offered and explained an amendment that mandated the Federal Crop Insurance Corporation to enter into a contract for research and development on revenue coverage plans. Discussion occurred and by a voice vote, the amendment was adopted.

Mr. Pomeroy was then recognized to offer and explain a revised en bloc on behalf of himself and Mr. Thune. Mr. Pomeroy asked Department officials to comment on the increased costs related to the revised APH provision. Mr. Chambliss expressed his opposition until he had a chance to review the amendment more carefully, and Mr. Dooley indicated his opposition because of the unknown costs associated with the amendment. By voice vote, the Pomeroy amendment failed. A roll call vote was requested, and by a vote of 15 yeas-7 nays, the Pomeroy-Thune amendment was adopted. (See Roll Call Vote #1.)

Mr. Condit then moved that H.R. 2559, as amended, be reported favorably to the full Committee. By voice vote, the bill, H.R. 2559, as amended, was ordered favorably reported to the full Committee.

Mr. Gutknecht announced his intent to work with Members and staff before full Committee markup to come up with report language concerning effective new risk management products for milk.

Chairman Ewing thanked everyone for their hard work on the bill and indicated that the hard decisions really would begin when the cost figures were available on the bill.

Without objection, staff was given permission to make such technical, clarifying or conforming changes as are appropriate without changing the substance of the legislation and Chairman Ewing adjourned the meeting to reconvene at the call of the Chair.

III—FULL COMMITTEE

The Committee on Agriculture met, pursuant to notice, with a quorum present, on July 30, 1999, to consider H.R. 2559 as approved by the Subcommittee on Risk Management, Research, and Specialty Crops on July 21, 1999.

Chairman Combest announced that the Committee would recess at an appointed hour for the memorial service of the Honorable George E. Brown, Jr., who served as a member of the House Agriculture Committee until his death on July 16, 1999.

Chairman Combest thanked all the Members and staff for the countless time and effort invested in this bill. He further explained that H.R. 2559 and the en bloc amendment that he would offer had been carefully crafted to lie within the budget restraints of H. Con. Res. 68, the Budget Resolution for FY 2000, and to provide the greatest amount of benefit to the greatest number of farmers in every region of the country. Chairman Combest stated that the bill had been scored by the Congressional Budget Office at \$5.998 billion for the FY 2001 to FY 2004 period, just under the \$6.0 billion allocated under the budget resolution. The Chairman indicated that he would oppose amendments that would upset the balance provided for in the bill or cause cost overruns that would make H.R. 2559 subject to a point of order on the Floor of the House.

Ranking Minority Member Stenholm made opening comments and indicated that he appreciated all the hard work and the regular order that the legislation had taken. Mr. Stenholm pointed out that the budget resolution provided for the funds to be made available for income assistance or risk management, and that he intended to offer an amendment that would address the total revenue for program crops.

Without objection, the bill, H.R. 2559, as amended by the Subcommittee on Risk Management, Research, and Specialty Crops, was placed before the Committee for consideration and was open for amendment at any point.

Chairman Combest then offered the en bloc amendment that would make changes to the bill under consideration that would bring the bill into conformance with the budget restraints.

Discussion occurred on the en bloc amendment and Mr. Stenholm announced his support for the amendment, but he noted that there were still problems with the FY 2000 budget numbers in the bill. Chairman Combest said that he was looking at many options to resolve the problems associated with the CBO scoring of the budget costs for FY 2000. The Chairman also noted that this problem would have to be addressed before the bill would be taken to the House Floor. By voice vote, the en bloc amendments were adopted.

Mr. Stenholm was recognized to offer and explain an amendment regarding the Supplemental Income Payment (SIP) Program and two amendments that would pay for the SIP amendment. Without objection, Mr. Stenholm was allowed to offer the three amendments en bloc and to explain.

Chairman Combest asked Mr. Stenholm about CBO scoring of his amendment. Mr. Stenholm indicated that the SIP amendment had not been scored by CBO, but it was an estimate provided by USDA using methodology similar to CBO. Mr. Stenholm indicated that CBO had scored the cost savings amendments that totaled \$550 million: \$75 million from the incremental requirement changes and \$475 million from the changes in the crop revenue coverage.

Chairman Combest stated his appreciation for Mr. Stenholm's concept, and that he thought the issue should be addressed at a future time. The Chairman did indicate that he had concerns about considering the SIP proposal on a crop insurance bill. Lengthy discussion occurred and by a voice vote, the amendment failed.

Mr. Chambliss was then recognized to offer and explain an amendment that would allow a second crop to be planted on the same acreage for which the producer had received a prevented planting indemnity. Mr. Chambliss stated that the amendment would make true reform in the program by giving farmers more flexibility in making decisions regarding risk management. Lengthy discussion occurred on the amendment and by a voice vote the amendment was adopted.

Mr. Bishop was recognized to offer and explain a "Producer Whistleblower" amendment that would authorize the Secretary to provide whistleblower-type incentives to producers who bring forth evidence of fraud that is actually used by the Risk Management Agency Compliance Division, the USDA Office of Inspector General or the Office of General Counsel to recover civil fines. Mr. Bishop

explained that he had revised his amendment to address the concerns of confidentiality and actuarial soundness that had been raised at the Subcommittee markup.

Discussion occurred and several Members expressed concern that this amendment would provide an incentive for farmers to turn in another producer, and that this could lead to malicious complaints and by a voice vote the amendment failed.

A recess occurred in order to allow Members to attend the memorial service for Congressman Brown. Soon after the Committee reconvened, Chairman Combest announced that the House would be adjourning soon after the last vote of the day, which was scheduled for approximately 1:15 p.m. The Chairman then adjourned the meeting at 1:31 p.m., to reconvene at 9:30 a.m., on Tuesday, August 3, 1999.

On August 3, 1999, Chairman Combest called the meeting to order for the continued consideration of H.R. 2559, as amended.

Shortly after, Mr. Chambliss was recognized to offer and explain an amendment to refine his amendment adopted by the Committee on July 30, 1999, regarding prevented planting payments. Mr. Chambliss stated that he had worked with USDA and others to revise his amendment to prevent opportunities for fraud and abuse. Mr. Chambliss explained that in his revised amendment a producer may receive a prevented planting payment and plant a substitute crop on the same acreage if certain tightened conditions were met. Mr. Chambliss also indicated that his refined amendment would change the Congressional Budget Office (CBO) scoring of \$115 million for his original amendment accepted on July 30, 1999, to \$0.

Mr. Chambliss requested by unanimous consent to strike section 110(c)(iv), Funding Source, which had been adopted in his amendment by the Committee on July 30, 1999. Without objection, the Chambliss amendment was revised and by a voice vote, the Chambliss amendment, as amended, was adopted.

Mr. Condit requested by unanimous consent to have the \$115 million savings from the Chambliss amendment applied to section 109, Authority for Nonprofit Associations to Pay Fees on Behalf of Producers. An objection was heard, and the Condit unanimous consent request was denied.

Mr. Minge was then recognized to offer and explain an amendment concerning clarification of producer requirements to follow good farming practices to include scientifically sound sustainable and organic farming practices. Discussion occurred and by a voice vote, the amendment was adopted.

Mr. LaHood was recognized to offer and explain an amendment that would restrict livestock pilot programs to those programs offering insurance protection that are not generally available from private companies. Discussion occurred and by a voice vote, the amendment was adopted.

Mr. Minge was recognized to offer and explain an amendment mandating a favorable level of crop insurance production protection for beginning farmers and placing a limitation of payments under catastrophic risk protection of \$300,000. Mr. Minge explained his amendment and acknowledged that the amendment did not have a CBO score.

Lengthy discussion occurred on the amendment with Mr. Minge expressing his desire to help beginning farmers and that he thought payments under catastrophic risk protection could come under criticism if there were not a limitation placed on them. Administration officials indicated that the Department did not have a formal position on the beginning farmer provision. Mr. Stenholm noted that there had been serious problems with the definition of "beginning farmer" under the loan program and by a voice vote, the amendment failed.

Mr. Thune was then recognized to offer and explain an amendment on behalf of himself and Mr. Pomeroy that would mandate compliance with State licensing requirements and mandate compliance with all State regulation of sales and solicitation activities. Discussion occurred on the amendment with Department officials stating that under current law, the Federal government preempts State law to provide for a uniform program in all 50 States. It was noted that provisions listed through line 10 of the amendment would codify current law and would be helpful. However, the Department had concerns about the remainder of the amendment.

Mr. Goode suggested that language could be added to clarify the scope of the Thune-Pomeroy amendment. Counsel stated that there still would be some ambiguity over the exact meaning of the amendment. Mr. Thune requested by unanimous consent that the amendment be withdrawn, and without objection, it was withdrawn.

Mr. Thune was then recognized to offer and explain an amendment on behalf of himself and Mr. Pomeroy regarding compliance with State licensing requirements. This amendment struck the objectionable language from their previous amendment. By voice vote, the Thune-Pomeroy amendment was adopted.

Mr. Stenholm was then recognized and asked if anyone in the Committee who had voted "no" on his SIP amendment on July 30, 1999, would request that the vote on that amendment be reconsidered. Mr. Stenholm stated that he thought it was a rare opportunity to provide some income protection for farmers and producers.

Mr. Pomeroy was recognized to offer and explain an amendment authorizing renegotiation of the standard reinsurance agreement. Discussion occurred on the amendment and Chairman Combest indicated that there seemed to be some dispute about whether the amendment would be scored (by CBO) or not, but that he did support the amendment. Chairman Combest noted once again that because of the ambiguous reports from CBO that there could be a need to have a Manager's Amendment when the bill goes to the Floor to get the costs of the bill within the constraints of the budget resolution. By voice vote, the amendment was adopted.

Mr. Stenholm was then recognized to offer and explain an amendment concerning actual production history (APH) adjustment to reflect participation in major pest control efforts. Mr. Stenholm stated that his amendment would address areas where there were now increased yields from successful pest control efforts, such as in bollweevil eradication efforts.

Mr. Peterson offered a clarifying amendment to the Stenholm amendment. Mr. Stenholm indicated his support for the Peterson

second-degree amendment and said that it did not change the structure of his amendment and that it would be a nonscored amendment. By voice vote, the Peterson amendment to the Stenholm amendment was adopted.

By voice vote, the Stenholm amendment, as amended, was adopted.

Mrs. Clayton was recognized and requested that the provision regarding the composition of the Board of Directors of the Federal Crop Insurance Corporation include a requirement for diversity of gender and race. Chairman Combest requested that Mrs. Clayton work with staff to adopt appropriate report language on this issue.

Mr. Condit was then recognized to offer and explain an amendment that would use the funding source for section 109, Authority for Nonprofit Association to Pay Fees on Behalf of Producers, from funds otherwise available for loss adjustment expenses of \$115 million. Mr. Condit stated that this was the \$115 million budget offset that was available when Mr. Chambliss refined his amendment concerning prevented planting payments.

Chairman Combest noted that when the Committee received the final CBO score, that some refinements might have to be made to the Condit amendment regarding budget offsets. By voice vote, the Condit amendment was accepted.

Mr. Condit offered and explained another amendment authorizing the Federal Crop Insurance Corporation to enter into partnerships for risk management development and implementation. The Department stated their support for the amendment. However, Chairman Combest noted for the record that if there were CBO scoring problems with any of the accepted amendments that the Chairman would work with the author of the amendment to work out acceptable language for a Manager's Amendment when the bill goes to the House Floor.

By voice vote, the Condit amendment was adopted.

Mr. Barrett was then recognized and moved that the bill, H.R. 2559, as amended, be favorably reported to the House with the recommendation that it do pass. Mr. Barrett's motion was agreed to by a voice vote and in the presence of a quorum.

Mr. Barrett also moved, pursuant to clause 1 of rule XX, that the Committee authorize the Chairman to offer such motions as may be necessary in the House to go to conference with the Senate on the bill H.R. 2559, or any similar Senate bill.

Mr. Stenholm noted his intention to file dissenting views regarding the absence of a Supplemental Income Plan to the Committee report. Chairman Combest requested all Members to file as quickly as possible any additional views to the Committee report accompanying the bill.

Mr. Stenholm clarified that the FY 2000 budget problems with the bill had yet to be resolved and Chairman Combest assured the Members that efforts and discussions were ongoing attempting to resolve the FY 2000 budget problems with the bill so that H.R. 2559 could be taken to the House Floor.

Without objection, the usual instructions were given to staff to make any technical, clarifying, or conforming changes as were appropriate without changing the substance of the legislation.

Chairman Combest thanked all the Members for their attentiveness and good work and adjourned the meeting subject to the call of the Chair.

REPORTING THE BILL—ROLLCALL VOTES

In compliance with clause 3(b) of rule XIII of the House of Representatives, the Committee sets forth the record of the following rollcall votes taken with respect to H.R. 2559.

ROLLCALL NO. 1

Summary: En bloc amendment regarding actual production history.

Offered By: Mr. Pomeroy on behalf of himself and Mr. Thune on July 21, 1999.

Results: The amendment was adopted with 15 yeas, 7 nays, and 9 not voting.

Yeas

Mr. Smith, Mr. Moran, Mr. Thune, Mr. Gutknecht, Mr. Walden, Mr. Simpson, Mr. Ose, Mr. Condit, Mr. Pomeroy, Mr. Baldacci, Mr. Goode, Ms. Stabenow, Mr. Etheridge, Mr. Boswell, and Mr. Ewing.

Nays

Mr. Everett, Mr. Chambliss, Mr. Riley, Mr. Hayes, Mr. Fletcher, Mr. Dooley, and Mr. John.

Not voting

Mr. Barrett, Mr. Lucas, OK, Mr. LaHood, Mr. Jenkins, Mr. Hilliard, Mr. Bishop, Mr. McIntyre, Mr. Lucas, KY, and Mr. Thompson, CA.

CONGRESSIONAL BUDGET OFFICE ESTIMATE, AND UNFUNDED MANDATES STATEMENT

The Congressional Budget Office estimate and unfunded mandate analysis required by clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and sections 402 and 423 of the Congressional Budget Act of 1974 were not available from the Congressional Budget Office as of the date of filing of this report. The Congressional Budget Office estimate and accompanying materials will be contained in a supplemental report.

NEW BUDGET AUTHORITY AND COMMITTEE COST ESTIMATE

Based on preliminary estimates by the Congressional Budget Office and in accordance with clause 3(d) of House Rule XIII, the Committee estimates that enactment of H.R. 2559 would result in no costs in fiscal year 1999. For fiscal years 2000 through 2004, the Committee estimates the costs associated with H.R. 2559 at \$7.077 billion in budget authority; \$6.106 in budget outlays. For purposes of section 204 of H. Con. Res. 68, the Committee estimates the costs associated with H.R. 2559 for fiscal years 2001 through 2004 to be \$5.997 billion in budget authority; \$5.635 billion in budget outlays. Specifically, for fiscal years 2000 through 2004, the Committee estimates the budget authority associated with H.R. 2559 to

be \$1.080, \$1.366, \$1.435, \$1.512, and \$1.684 billion, respectively. For fiscal years 2000 through 2004, the Committee estimates the budget outlays associated with H.R. 2559 to be \$471 million, \$1.191, \$1.393, \$1.468, and \$1.583 billion, respectively.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the Constitutional authority for this legislation in Article I, clause 8, section 18, that grants Congress the power to make all laws necessary and proper for carrying out the powers vested by Congress in the Government of the United States or in any department or officer thereof.

OVERSIGHT STATEMENT

No summary of oversight findings and recommendations made by the Committee on Government Reform, as provided for in clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, was available to the Committee with reference to the subject matter specifically addressed by H.R. 2559, as amended.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee on Agriculture's oversight findings and recommendations are reflected in the body of this report.

ADVISORY COMMITTEE STATEMENT

No advisory committee within the meaning of section 5(b) of the Federal Advisory Committee Act was created by this legislation.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act (Public Law 104-1).

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

FEDERAL CROP INSURANCE ACT

* * * * *

SEC. 502. PURPOSE AND DEFINITIONS.

(a) * * *

* * * * *

(c) *PROTECTION OF CONFIDENTIAL INFORMATION.*—

(1) *AUTHORIZED DISCLOSURE.*—*In the case of information furnished by a producer to participate in or receive any benefit under this title, the Secretary, any other officer or employee of the Department or an agency thereof, an approved insurance provider and its employees and contractors, and any other person may not disclose the information to the public, unless the information has been transformed into a statistical or aggregate form that does not allow the identification of the person who supplied particular information.*

(2) *VIOLATIONS; PENALTIES.*—*Subsection (c) of section 1770 of the Food Security Act of 1985 (7 U.S.C. 2276) shall apply with respect to the release of information collected in any manner or for any purpose prohibited by paragraph (1).*

* * * * *

[MANAGEMENT OF CORPORATION]

【SEC. 505. (a) The management of the Corporation shall be vested in a Board subject to the general supervision of the Secretary. The Board shall consist of the manager of the Corporation, the Under Secretary responsible for the Federal crop insurance program, one additional Under Secretary of Agriculture (as designated by the Secretary of Agriculture), one person experienced in the crop insurance business who is not otherwise employed by the Federal Government, and three active farmers who are not otherwise employed by the Federal Government. The Board shall be appointed by, and hold office at the pleasure of, the Secretary. The Secretary shall not be a member of the Board. The Secretary, in appointing the three active farmers who are not otherwise employed by the Federal Government, shall ensure that such members are policy holders and are from different geographic areas of the United States, in order that diverse agricultural interests in the United States are at all times represented on the Board.】

SEC. 505. MANAGEMENT OF CORPORATION.

(a) BOARD OF DIRECTORS.—

(1) *ESTABLISHMENT.*—*The management of the Corporation shall be vested in a Board of Directors subject to the general supervision of the Secretary.*

(2) *COMPOSITION.*—*The Board shall consist of only the following members:*

(A) *The manager of the Corporation, who shall serve as a nonvoting ex officio member.*

(B) *The Under Secretary of Agriculture responsible for the Federal crop insurance program.*

(C) *One additional Under Secretary of Agriculture (as designated by the Secretary).*

(D) *The Chief Economist of the Department of Agriculture.*

(E) *One person experienced in the crop insurance business.*

(F) *One person experienced in the regulation of insurance.*

(G) *Four active producers who are policy holders, are from different geographic areas of the United States, and*

represent a cross-section of agricultural commodities grown in the United States. At least one of the four shall be a specialty crop producer.

(3) *APPOINTMENT OF PRIVATE SECTOR MEMBERS.—The members of the Board described in subparagraphs (E), (F), and (G) of paragraph (2)—*

(A) shall be appointed by, and hold office at the pleasure of, the Secretary; and

(B) shall not be otherwise employed by the Federal Government.

(4) *CHAIRPERSON.—The Board shall select a member of the Board to serve as Chairperson.*

* * * * *

SEC. 506. GENERAL POWERS.

(a) * * *

* * * * *

(h) **DATA COLLECTION.—[The Corporation]**

(1) *IN GENERAL.—The Corporation shall assemble data for the purpose of establishing sound actuarial bases for insurance on agricultural commodities.*

(2) *COORDINATION AND USE OF RECORDS.—*

(A) COORDINATION BETWEEN AGENCIES.—The Secretary shall ensure that recordkeeping and reporting requirements under this title and section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333) are coordinated by the Corporation and the Farm Service Agency to avoid duplication of such records, to streamline procedures involved with the submission of such records, and to enhance the accuracy of such records.

(B) USE OF RECORDS.—Notwithstanding section 502(c), records submitted in accordance with this title and section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333) shall be available to agencies and local offices of the Department, appropriate State and Federal agencies and divisions, and approved insurance providers for use in carrying out this title and such section 196 as well as other agricultural programs and related responsibilities.

* * * * *

(n) **[PENALTIES] SANCTIONS FOR VIOLATIONS.—**

[(1) FALSE INFORMATION.—If a person willfully and intentionally provides any false or inaccurate information to the Corporation or to any insurer with respect to an insurance plan or policy under this title, the Corporation may, after notice and an opportunity for a hearing on the record—

[(A) impose a civil fine of not to exceed \$10,000 on the person; and

[(B) disqualify the person from purchasing catastrophic risk protection or receiving noninsured assistance for a period of not to exceed 2 years, or from receiving any other benefit under this title for a period of not to exceed 10 years.]

(1) *FALSE INFORMATION.*—If a producer, an agent, a loss adjuster, an approved insurance provider, or any other person willfully and intentionally provides any false or inaccurate information to the Corporation or to an approved insurance provider with respect to a policy or plan of insurance under this title, the Corporation may, after notice and an opportunity for a hearing on the record, impose one or more of the sanctions specified in paragraph (2).

(2) *AUTHORIZED SANCTIONS.*—The following sanctions may be imposed for a violation under paragraph (1):

(A) The Corporation may impose a civil fine for each violation not to exceed the greater of—

(i) the amount of the pecuniary gain obtained as a result of the false or inaccurate information provided; or

(ii) \$10,000.

(B) If the violation is committed by a producer, the producer may be disqualified for a period of up to 5 years from—

(i) participating in, or receiving any benefit provided under this title, the noninsured crop disaster assistance program under section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333), the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.), the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), or the Agricultural Adjustment Act of 1938 (7 U.S.C. 1281 et seq.);

(ii) receiving any loan made, insured, or guaranteed under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.);

(iii) receiving any benefit provided, or indemnity made available, under any other law to assist a producer of an agricultural commodity due to a crop loss or a decline in commodity prices; or

(iv) receiving any cost share assistance for conservation or any other assistance provided under title XII of the Food Security Act (16 U.S.C. 3801 et seq.).

(C) If the violation is committed by an agent, loss adjuster, approved insurance provider, or any other person (other than a producer), the violator may be disqualified for a period of up to 5 years from participating in, or receiving any benefit provided under this title.

(D) If the violation is committed by a producer, the Corporation may require the producer to forfeit any premium owed under the policy, notwithstanding a denial of claim or collection of an overpayment, if the false or inaccurate information was material.

[(2)] (3) *ASSESSMENT OF [PENALTY] SANCTION.*—In [assessing penalties] imposing a sanction under this subsection, the Corporation shall consider the gravity of the violation.

(4) *DISCLOSURE OF SANCTIONS.*—Each policy or plan of insurance under this title shall prominently indicate the sanctions prescribed under paragraph (2) for willfully and intentionally

providing false or inaccurate information to the Corporation or to an approved insurance provider.

* * * * *

(q) PROGRAM COMPLIANCE.—

(1) *PURPOSE.*—*The purpose of this subsection is to improve compliance with the Federal crop insurance program and to improve program integrity.*

[(1)] (2) *TIMELINESS.*—The Corporation shall work actively with approved insurance providers to address program compliance and integrity issues as the issues develop.

[(2)] (3) *NOTIFICATION OF COMPLIANCE PROBLEMS.*—The Corporation shall notify in writing any approved insurance provider with whom the Corporation has an agreement under this title of any error, omission, or failure to follow Corporation regulations or procedures for which the approved insurance provider may be responsible and which may result in a debt owed the Corporation. The notice shall be given within 3 years of the end of the insurance period during which the error, omission, or failure is alleged to have occurred, except that this time limit shall not apply with respect to errors, omissions, or procedural violations that are willful or intentional. The failure to timely provide the notice required under this subsection shall relieve the approved insurance provider from the debt owed the Corporation.

(4) *RECONCILING PRODUCER INFORMATION.*—*The Secretary shall develop and implement a coordinated plan for the Corporation and the Administrator of the Farm Service Agency to reconcile all relevant information received by the Corporation or the Farm Service Agency from a producer who obtains crop insurance coverage under this title. Beginning with the 2000 crop year, the Secretary shall require that the Corporation and the Farm Service Agency reconcile such producer-derived information on at least an annual basis in order to identify and address any discrepancies.*

(5) *IDENTIFICATION AND ELIMINATION OF FRAUD, WASTE, AND ABUSE.*—

(A) *FSA MONITORING PROGRAM.*—*The Secretary shall develop and implement a coordinated plan for the Farm Service Agency to assist the Corporation in the ongoing monitoring of programs carried out under this title, including—*

(i) conducting fact finding relative to allegations of program fraud, waste, and abuse, both at the request of the Corporation or on its own initiative after consultation with the Corporation;

(ii) reporting any allegation of fraud, waste, and abuse or identified program vulnerabilities to the Corporation in a timely manner; and

(iii) assisting the Corporation and approved insurance providers in auditing a statistically appropriate number of claims made under any policy or plan of insurance under this title.

(B) *USE OF FIELD INFRASTRUCTURE.*—*The plan required by this paragraph shall use the field infrastructure of the Farm Service Agency, and the Secretary shall ensure that*

relevant Farm Service Agency personnel are appropriately trained for any responsibilities assigned to them under the plan. At a minimum, such personnel shall receive the same level of training and pass the same basic competency tests as required of loss adjusters of approved insurance providers.

(C) *MAINTENANCE OF PROVIDER EFFORT; COOPERATION.—The activities of the Farm Service Agency under this paragraph do not affect the responsibility of approved insurance providers to conduct any audits of claims or other program reviews required by the Corporation. If an insurance provider reports to the Corporation that it suspects intentional misrepresentation, fraud, waste, or abuse, the Corporation shall make a determination and provide a written response within 90 days after receiving the report. The insurance provider and the Corporation shall take coordinated action in any case where misrepresentation, fraud, waste, or abuse has occurred.*

(6) *CONSULTATION WITH STATE COMMITTEES.—The Corporation shall establish a mechanism under which State committees of the Farm Service Agency are consulted concerning policies and plans of insurance offered in a State under this title.*

(7) *ANNUAL REPORT ON COMPLIANCE EFFORTS.—The Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate an annual report containing findings relative to the efforts undertaken pursuant to paragraphs (4) and (5). The report shall identify specific occurrences of waste, fraud, and abuse and contain an outline of actions that have been or are being taken to eliminate the identified waste, fraud, and abuse.*

* * * * *

PERSONNEL

SEC. 507. (a) * * *

* * * * *

(c) In the administration of this title, the Board shall, to the maximum extent possible, (1) establish or use committees or associations of producers and make payments to them to cover the administrative and program expenses, as determined by the Board, incurred by them in cooperating in carrying out this title, (2) contract with private insurance companies, private rating bureaus, and other organizations as appropriate for **actuarial, loss adjustment,** *actuarial services, services relating to loss adjustment and rating plans of insurance,* and other services to avoid duplication by the Federal Government of services that are or may readily be available in the private sector *and to enable the Corporation to concentrate on regulating the provision of insurance under this title and evaluating new products and materials submitted under section 508(h),* and reimburse such companies for the administrative and program expenses, as determined by the Board, incurred by them, under terms and provisions and rates of compensation consistent with those generally prevailing in the insurance industry, and (3)

encourage the sale of Federal crop insurance through licensed private insurance agents and brokers and give the insured the right to renew such insurance for successive terms through such agents and brokers, in which case the agent or broker shall be reasonably compensated from premiums paid by the insured for such sales and renewals recognizing the function of the agent or broker to provide continuing services while the insurance is in effect: *Provided*, That such compensation shall not be included in computations establishing premium rates. The Board shall provide such agents and brokers with indemnification, including costs and reasonable attorney fees, from the Corporation for errors or omissions on the part of the Corporation or its contractors for which the agent or broker is sued or held liable, except to the extent the agent or broker has caused the error or omission. Nothing in this subsection shall permit the Corporation to contract with other persons to carry out the responsibility of the Corporation to review and approve policies, rates, and other materials submitted under section 508(h).

* * * * *

SEC. 508. CROP INSURANCE.

(a) AUTHORITY TO OFFER INSURANCE.—

(1) * * *

* * * * *

(3) EXCLUSIONS.—Insurance provided under this subsection shall not cover losses due to—

(A) * * *

* * * * *

(C) the failure of the producer to follow good farming practices, *including scientifically sound sustainable and organic farming practices* (as determined by the Secretary).

* * * * *

(5) DISSEMINATION OF CROP INSURANCE INFORMATION.—[The Corporation]

(A) *AVAILABLE INFORMATION.*—*The Corporation shall make available to producers through local offices of the Department—*

[(A)] *(i) current and complete information on all aspects of Federal crop insurance; and*

[(B)] *(ii) a listing of insurance agents and companies offering to sell crop insurance in the area of the producers.*

(B) *USE OF ELECTRONIC METHODS.*—*The Corporation shall make the information described in subparagraph (A) available electronically to producers and approved insurance providers. To the maximum extent practicable, the Corporation shall also allow producers and approved insurance providers to use electronic methods to submit information required by the Corporation.*

* * * * *

(7) REVIEW AND ADJUSTMENT OF RATES.—

(A) *REVIEW REQUIRED.*—*To maximize participation in the Federal crop insurance program and to ensure equity for*

producers, the Corporation shall periodically review the methodologies employed for rating plans of insurance under this title consistent with section 507(c)(2).

(B) *PREMIUM ADJUSTMENT.*—The Corporation shall analyze the rating and loss history of approved policies and plans of insurance for agricultural commodities by area. If the Corporation makes a determination that premium rates are excessive for an agricultural commodity in an area relative to the requirements of subsection (d)(2)(B) for that area, then, in the 2000 crop year or as soon as practicable after the determination is made, the Corporation shall make appropriate adjustments in the premium rates for that area for that agricultural commodity.

(8) *PREVENTED PLANTING COVERAGE.*—

(A) *ELECTION NOT TO RECEIVE COVERAGE.*—

(i) *ELECTION.*—A producer may elect not to receive coverage for prevented planting of an agricultural commodity.

(ii) *REDUCTION.*—In the case of an election under clause (i), the Corporation shall provide a reduction in the premium payable by the producer for a plan of insurance in an amount equal to the premium for the prevented planting coverage, as determined by the Corporation.

(B) *EQUAL COVERAGE.*—For each agricultural commodity for which prevented planting coverage is available, the Corporation shall offer an equal percentage level of prevented planting coverage.

(C) *AREA CONDITIONS REQUIRED FOR PAYMENT.*—The Corporation shall limit prevented planting payments to producers to those situations in which producers in the area in which the farm is located are generally affected by the conditions that prevent an agricultural commodity from being planted.

(D) *SUBSTITUTE COMMODITY.*—

(i) *AUTHORITY TO PLANT.*—Subject to clause (iv), a producer who has prevented planting coverage and who is eligible to receive an indemnity under such coverage may plant an agricultural commodity, other than the commodity covered by the prevented planting coverage, on the acreage originally prevented from being planted.

(ii) *NONAVAILABILITY OF INSURANCE.*—A substitute agricultural commodity planted as authorized by clause (i) for harvest in the same crop year shall not be eligible for coverage under a policy or plan of insurance under this title or for noninsured crop disaster assistance under section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333). For purposes of subsection (b)(7) only, the substitute commodity shall be deemed to have at least catastrophic risk protection so as to satisfy the requirements of that subsection.

(iii) *EFFECT ON ACTUAL PRODUCTION HISTORY.*—If a producer plants a substitute agricultural commodity as authorized by clause (i) for a crop year, the Corporation shall assign the producer a recorded yield, for that crop year for the commodity that was prevented from being planted, equal to 60 percent of the producer's actual production history for such commodity for purposes of determining the producer's actual production history for subsequent crop years.

(iv) *EFFECT ON PREVENTED PLANTING PAYMENT.*—If a producer plants a substitute agricultural commodity as authorized by clause (i) before the latest planting date established by the Corporation for the agricultural commodity prevented from being planted, the Corporation shall not make a prevented planting payment with regard to the commodity prevented from being planted.

(9) *QUALITY GRADE LOSS ADJUSTMENT.*—Consistent with subsection (m)(4), by the 2000 crop year, the Corporation shall enter into a contract to analyze its quality loss adjustment procedures and make such adjustments as may be necessary to more accurately reflect local quality discounts that are applied to agricultural commodities insured under this title, taking into consideration the actuarial soundness of the adjustment and the prevention of fraud, waste and abuse.

(10) *LIMITATION ON DOUBLE INSURANCE.*—

(A) *RESTRICTED TO CATASTROPHIC RISK PROTECTION.*—Except for situations covered by subparagraph (B), no policy or plan of insurance may be offered under this title for more than one agricultural commodity planted on the same acreage in the same crop year unless the coverage for the additional crop is limited to catastrophic risk protection available under subsection (b).

(B) *EXCEPTION FOR DOUBLE-CROPPING.*—A policy or plan of insurance may be offered under this title for an agricultural commodity and for an additional agricultural commodity when both agricultural commodities are normally harvested within the same crop year on the same acreage if the following conditions are met:

(i) There is an established practice of double-cropping in the area and the additional agricultural commodity is customarily double-cropped in the area with the first agricultural commodity, as determined by the Corporation.

(ii) A policy or plan of insurance for the first agricultural commodity and the additional agricultural commodity is available under this title.

(iii) The additional commodity is planted on or before the final planting date or late planting date for that additional commodity, as established by the Corporation.

(b) *CATASTROPHIC RISK PROTECTION.*—

(1) * * *

* * * * *

【(3) YIELD AND LOSS BASIS.—A producer shall have the option of basing the catastrophic coverage of the producer on an individual yield and loss basis or on an area yield and loss basis, if both options are offered by the Corporation.】

(3) *ALTERNATIVE CATASTROPHIC COVERAGE.*—*Beginning with the 2000 crop year, the Corporation shall offer producers of an agricultural commodity the option of selecting either of the following:*

(A) *The catastrophic risk protection coverage available under paragraph (2)(A).*

(B) *An alternative catastrophic risk protection coverage that—*

(i) indemnifies the producer on an area yield and loss basis if such a plan of insurance is offered for the agricultural commodity in the county in which the farm is located;

(ii) provides, on a uniform national basis, a higher combination of yield and price protection than the coverage available under paragraph (2)(A); and

(iii) the Corporation determines is comparable to the coverage available under paragraph (2)(A) for purposes of subsection (e)(2)(A).

* * * * *

(5) *ADMINISTRATIVE FEE.*—

(A) * * *

* * * * *

(F) *PAYMENT OF FEES ON BEHALF OF PRODUCERS.*—

(i) PAYMENT AUTHORIZED.—*Notwithstanding any other subparagraph of this paragraph, a cooperative association of agricultural producers or a nonprofit trade association may pay to the Corporation, on behalf of a member of the association who consents to be insured under such an arrangement, all or a portion of the fees imposed under subparagraphs (A) and (B) for catastrophic risk protection.*

(ii) TREATMENT OF LICENSING FEES.—*A licensing fee or other payment made by the insurance provider to the cooperative association or trade association in connection with the issuance of catastrophic risk protection or additional coverage under this section to members of the cooperative association or trade association shall not be considered to be a rebate to the members if the members are informed in advance of the fee or payment.*

(iii) SELECTION OF PROVIDER; DELIVERY.—*Nothing in this subparagraph shall be construed so as to limit the ability of a producer to choose the licensed insurance agent or other approved insurance provider from whom the member will purchase a policy or plan of insurance or to refuse coverage for which a payment is offered to be made under clause (i). A policy or plan of insurance for which a payment is made under clause (i) shall be*

delivered by a licensed insurance agent or other approved insurance provider.

(iv) ADDITIONAL COVERAGE ENCOURAGED.—Cooperatives and trade associations and any approved insurance provider with whom a licensing fee or other arrangement under this subparagraph is made shall encourage producer members to purchase appropriate levels of additional coverage in order to meet the risk management needs of such member producers.

* * * * *

(11) LOSS ADJUSTMENT.—The rate for reimbursing an approved insurance provider or agent for expenses incurred by the approved insurance provider or agent for loss adjustment in connection with a policy of catastrophic risk protection shall not exceed **11 percent** *8 percent* of the premium for catastrophic risk protection that is used to define loss ratio.

(c) GENERAL COVERAGE LEVELS.—

(1) * * *

* * * * *

(5) PRICE LEVEL.—**【The Corporation shall establish a price】**
For purposes of this title, the Corporation shall establish or approve a price level for each commodity on which insurance is offered that—

*(A) shall not be less than the projected market price for the commodity (as determined by the Corporation); **【or】***

*(B) at the discretion of the Corporation, may be based on the actual market price at the time of harvest (as determined by the Corporation)**【.】**; or*

(C) in the case of cost of production or similar plans of insurance, shall be the projected cost of producing the agricultural commodity (as determined by the Corporation).

* * * * *

(d) PREMIUMS.—

(1) * * *

* * * * *

(2) PREMIUM AMOUNTS.—The premium amounts for catastrophic risk protection under subsection (b) and additional coverage under subsection (c) shall be fixed as follows:

(A) * * *

【(B) In the case of additional coverage below 65 percent of the recorded or appraised average yield indemnified at 100 percent of the expected market price, or an equivalent coverage, but greater than 50 percent of the recorded or appraised average yield indemnified at 100 percent of the expected market price, or an equivalent coverage, 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.

【(C) In the case of additional coverage equal to or greater than 65 percent of the recorded or appraised average

yield indemnified at 100 percent of the expected market price, or an equivalent coverage, 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.】

(B) In the case of additional coverage equal to or greater than 50 percent of the recorded or appraised average yield indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, 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.

(3) **PREMIUM DISCOUNTS.—**

(A) PERFORMANCE-BASED DISCOUNT.—The Corporation may provide a performance-based premium discount for a producer of an agricultural commodity who has good insurance or production experience relative to other producers of that agricultural commodity in the same area, as determined by the Corporation.

(B) DISCOUNT FOR REDUCED PRICE FOR CERTAIN COMMODITIES.—A producer who insured wheat, barley, oats, or rye during at least 2 of the 1995 through 1999 crop years may be eligible to receive an additional 20 percent premium discount on the producer-paid premium for any 2000 crop policy if the producer demonstrates that the producer's wheat, barley, oats, or rye crop was subjected to a discounted price due to Scab or Vomitoxin damage, or both, during any 2 years of that period. The 2000 insured crop or crops need not be wheat, barley, oats, or rye to qualify for the discount under this subparagraph. The 2 years of insurance and the 2 years of discounted prices need not be the same.

(e) **PAYMENT OF PORTION OF PREMIUM BY CORPORATION.—**

(1) * * *

(2) **AMOUNT OF PAYMENT.—**The amount of the premium to be paid by the Corporation shall be as follows:

(A) * * *

【(B) In the case of coverage below 65 percent of the recorded or appraised average yield indemnified at 100 percent of the expected market price, or an equivalent coverage, but greater than 50 percent of the recorded or appraised average yield indemnified at 100 percent of the expected market price, or an equivalent coverage, the amount shall be equivalent to the amount of premium established for catastrophic risk protection coverage and the

amount of operating and administrative expenses established under subsection (d)(2)(B).

【(C) In the case of coverage equal to or greater than 65 percent of the recorded or appraised average yield indemnified at 100 percent of the expected market price, or an equivalent coverage, on an individual or area basis, the amount shall be equivalent to an amount equal to the premium established for 50 percent loss in yield indemnified at 75 percent of the expected market price and the amount of operating and administrative expenses established under subsection (d)(2)(C).】

(B) In the case of additional coverage equal to or greater than 50 percent, but less than 55 percent, of the recorded or appraised average yield indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, the amount shall be equal to the sum of—

(i) 67 percent of the amount of the premium established under subsection (d)(2)(B)(i) for the coverage level selected; and

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

(C) In the case of additional coverage equal to or greater than 55 percent, but less than 65 percent, of the recorded or appraised average yield indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, the amount shall be equal to the sum of—

(i) 64 percent of the amount of the premium established under subsection (d)(2)(B)(i) for the coverage level selected; and

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

(D) In the case of additional coverage equal to or greater than 65 percent, but less than 75 percent, of the recorded or appraised average yield indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, the amount shall be equal to the sum of—

(i) 59 percent of the amount of the premium established under subsection (d)(2)(B)(i) for the coverage level selected; and

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

(E) In the case of additional coverage equal to or greater than 75 percent, but less than 80 percent, of the recorded or appraised average yield indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, the amount shall be equal to the sum of—

(i) 54 percent of the amount of the premium established under subsection (d)(2)(B)(i) for the coverage level selected; and

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

(F) In the case of additional coverage equal to or greater than 80 percent, but less than 85 percent, of the recorded or appraised average yield indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, the amount shall be equal to the sum of—

(i) 40.6 percent of the amount of the premium established under subsection (d)(2)(B)(i) for the coverage level selected; and

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

(G) Subject to subsection (c)(4), in the case of additional coverage equal to or greater than 85 percent of the recorded or appraised average yield indemnified at not greater than 100 percent of the expected market price, or an equivalent coverage, the amount shall be equal to the sum of—

(i) 30.6 percent of the amount of the premium established under subsection (d)(2)(B)(i) for the coverage level selected; and

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

* * * * *

(5) *PREMIUM PAYMENT DISCLOSURE.*—Each policy or plan of insurance under this title shall prominently indicate the dollar amount of the portion of the premium paid by the Corporation under this subsection or subsection (h)(2).

* * * * *

(f) *ELIGIBILITY.*—

(1) * * *

* * * * *

(3) *RECORDS AND REPORTING.*—To obtain catastrophic risk protection under subsection (b) or additional coverage under subsection (c), a producer shall—

(A) *provide, to the extent required by the Corporation, records acceptable to the Corporation of historical acreage and production of the crops for which the insurance is sought provide annually records acceptable to the Secretary regarding crop acreage, acreage yields, and production for each agricultural commodity insured under this title or accept a yield determined by the Corporation; and*

* * * * *

(g) *YIELD DETERMINATIONS.*—

(1) * * *

* * * * *

(4) *ADJUSTMENT IN ACTUAL PRODUCTION HISTORY TO ESTABLISH INSURABLE YIELDS.*—

(A) *APPLICATION.*—This paragraph shall apply whenever the Corporation uses the actual production history of the producer to establish insurable yields for an agricultural commodity for the 2000 and subsequent crop years.

(B) *ELECTION TO USE PERCENTAGE OF TRANSITIONAL YIELD.*—If, for one or more of the crop years used to establish the producer's actual production history of an agricultural commodity, the producer's recorded or appraised yield of the commodity was less than 60 percent of the applicable transitional yield, as determined by the Corporation, the Corporation shall, at the election of the producer—

(i) exclude any of such recorded or appraised yield; and

(ii) replace each excluded yield with a yield equal to 60 percent of the applicable transitional yield.

(5) *ADJUSTMENT TO REFLECT INCREASED YIELDS FROM SUCCESSFUL PEST CONTROL EFFORTS.*—

(A) *SITUATIONS JUSTIFYING ADJUSTMENT.*—The Corporation shall develop a methodology for adjusting the actual production history of a producer when each of the following apply:

(i) The producer's farm is located in an area where systematic, area-wide efforts have been undertaken using certain operations or measures, or the producer's farm is a location at which certain operations or measures have been undertaken, to detect, eradicate, suppress, or control, or at least to prevent or retard the spread of, a plant disease or plant pest, including a plant pest covered by the definition in section 102 of the Department of Agriculture Organic Act of 1944 (7 U.S.C. 147a).

(ii) The presence of the plant disease or plant pest has been found to adversely affect the yield of the agricultural commodity for which the producer is applying for insurance.

(iii) The efforts described in clause (i) have been effective.

(B) *ADJUSTMENT AMOUNT.*—The amount by which the Corporation adjusts the actual production history of a producer of an agricultural commodity shall reflect the degree to which the success of the systematic, area-wide efforts described in paragraph (1)(A), on average, increases the yield of the commodity on the producer's farm, as determined by the Corporation.

* * * * *

(h) *SUBMISSION OF POLICIES AND MATERIALS TO BOARD.*—

(1) *IN GENERAL.*—In addition to any standard forms or policies that the Board may require be made available to producers under subsection (c), a person (including an approved insurance provider, a college or university, a cooperative or trade association, or any other person) may prepare for submission or propose to the Board—

(A) * * *

* * *
(2) SUBMISSION OF POLICIES.—**[A policy]**

(A) *PREPARATION*.—A *policy* or other material submitted to the Board under this subsection may be prepared without regard to the limitations contained in this title, including the requirements concerning the levels of coverage and rates and the requirement that a price level for each commodity insured must equal the expected market price for the commodity as established by the Board. **[In the case of such a policy, the payment by the Corporation of a portion of the premium of the policy may not exceed the amount that would otherwise be authorized under subsection (e).]**

(B) *PREMIUM SCHEDULE*.—*In the case of a policy offered under this subsection (except paragraph (10)) or subsection (m)(4), the Corporation shall pay a portion of the premium of the policy that shall be equal to—*

(i) the percentage, specified in subsection (e) for a similar level of coverage, of the total amount of the premium used to define loss ratio; and

(ii) the dollar amount of the administrative and operating expenses that would be paid by the Corporation under subsection (e) for a similar level of coverage.

(3) *REVIEW AND APPROVAL BY THE BOARD*.—A *policy* or other material submitted to the Board under this subsection shall be reviewed by the Board and, if the Board finds that the interests of producers are adequately protected and that any premiums charged to the producers are actuarially appropriate, shall be approved by the Board for reinsurance and for sale by approved insurance providers to producers as an additional choice at actuarially appropriate rates and under appropriate terms and conditions. The Corporation may enter into more than 1 reinsurance agreement with the approved insurance provider simultaneously to facilitate the offering of the new policies.

(4) *GUIDELINES FOR SUBMISSION AND REVIEW*.—**[The Corporation]**

(A) *GUIDELINES REQUIRED*.—*Not later than 180 days after the date of the enactment of the Agricultural Risk Protection Act of 1999, the Corporation shall issue regulations to establish guidelines for the submission, and Board review, of policies or other material submitted to the Board under this subsection. At a minimum, the guidelines shall ensure the following:*

[(A)] *(i)* A proposal submitted to the Board under this subsection shall be considered as confidential commercial or financial information for purposes of section 552(b)(4) of title 5, United States Code, until approved by the Board. A proposal disapproved by the Board shall remain confidential commercial or financial information.

[(B)] *(ii)* The Board shall provide an applicant with the opportunity to present the proposal to the Board in person if the applicant so desires.

[(C)] (iii) The Board shall provide an applicant with notification of intent to disapprove a proposal not later than 30 days prior to making the disapproval. An applicant that receives the notification may modify the application [of the applicant. Any modification shall be considered an original application for purposes of this paragraph.], *and such application, as modified, shall be considered by the Board in the manner provided in clause (iv) within the 30-day period beginning on the date the modified application is submitted. Any notification of intent to disapprove a policy or other material submitted under this subsection shall be accompanied by a complete explanation as to the reasons for the Board's intention to deny approval.*

[(D) Specific guidelines shall prescribe the timing of submission of proposals under this subsection and timely consideration by the Board so that any approved proposal may be made available to all persons reinsured by the Corporation in a manner permitting the persons to participate, if the persons so desire, in offering such a proposal in the first crop year in which the proposal is approved by the Board for reinsurance, premium subsidy, or other support offered by this title.]

(iv) Not later than 120 days after a policy or other material is submitted under this subsection, the Board shall make a determination to approve or disapprove such policy or material. Any determination by the Board to disapprove any policy or other material shall be accompanied by a complete explanation of the reasons for the Board's decision to deny approval. In the event the Board fails to make a determination within the prescribed time period, the submitted policy or other material shall be deemed approved by the Board for the initial reinsurance year designated for the policy or material, except in the case where the Board and the applicant agree to an extension.

(B) EXPEDITED CONSIDERATION OF PROPOSED PILOT PROGRAMS.—*The regulations required by subparagraph (A) shall include streamlined guidelines for the submission, and Board review, of pilot programs that the Board determines are limited in scope and duration and involve a reduced level of liability to the Federal Government, and an increased level of risk to approved insurance providers participating in the pilot program, relative to other policies or materials submitted under this subsection. The streamlined guidelines shall be consistent with the guidelines established under subparagraph (A), except as follows:*

(i) Not later than 60 days after submission of the proposed pilot program, the Corporation shall provide an applicant with notification of its intent to recommend disapproval of the proposal to the Board.

(ii) Not later than 90 days after the proposed pilot program is submitted to the Board, the Board shall

make a determination to approve or disapprove the pilot program. Any determination by the Board to disapprove the pilot program shall be accompanied by a complete explanation of the reasons for the Board's decision to deny approval. In the event the Board fails to make a determination within the prescribed time period, the pilot program submitted shall be deemed approved by the Board for the initial reinsurance year designated for the pilot program, except in the case where the Board and the applicant agree to an extension.

* * * * *

[(6) PILOT COST OF PRODUCTION RISK PROTECTION PLAN.—

[(A) IN GENERAL.—The Corporation shall offer, to the extent practicable, a cost of production risk protection plan of insurance that indemnifies producers (including new producers) for insurable losses as provided in this paragraph.

[(B) PILOT BASIS.—The cost of production risk protection plan shall—

[(i) be established as a pilot project for each of the 1996 and 1997 crop years; and

[(ii) be carried out in a number of counties that is determined by the Corporation to be adequate to provide a comprehensive evaluation of the feasibility, effectiveness, and demand among producers for the plan.

[(C) INSURABLE LOSS.—An insurable loss shall be incurred by a producer if the gross income of the producer (as determined by the Corporation) is less than an amount determined by the Corporation, as a result of a reduction in yield or price resulting from an insured cause.

[(D) DEFINITION OF NEW PRODUCER.—As used in this paragraph, the term “new producer” means a person that has not been actively engaged in farming for a share of the production of the insured crop for more than 2 crop years, as determined by the Secretary.】

(6) REIMBURSEMENT OF RESEARCH, DEVELOPMENT, AND MAINTENANCE COSTS.—

(A) REIMBURSEMENT PROVIDED.—*Subject to the conditions of this paragraph, the Corporation shall provide a payment to reimburse an applicant for research, development, and maintenance costs directly related to a policy or other material that is—*

(i) submitted to, and approved by, the Board under this subsection for reinsurance; and

(ii) if applicable, offered for sale to producers.

(B) DURATION.—*Payments under subparagraph (A) may be made available beginning in fiscal year 2001. Payments with respect to the maintenance of an approved policy or other material may be provided for a period of not more than 4 reinsurance years following Board approval. Upon the expiration of that 4-year period, or earlier upon the agreement of the Corporation and the person receiving the*

payment, the Corporation shall assume responsibility for maintenance of a successful policy, as determined by the Corporation based on the market share attained by the policy, the total number of policies sold, the total amount of premium paid, and the performance of the policy in the States where the policy is sold.

(C) TREATMENT OF PAYMENT.—Payments made under subparagraph (A) for a policy or other material shall be considered as payment in full for the research and development conducted with regard to the policy or material and any property rights to the policy or material.

(D) REIMBURSEMENT AMOUNT.—The Corporation shall determine the amount of the payment under subparagraph (A) for an approved policy or other material based on the complexity of the policy or material and the size of the area in which the policy or material is expected to be used.

(E) EXPENDITURES.—

(i) SPECIALTY CROPS.—Of the total amount made available to provide payments under this paragraph and subsection (m)(4)(B) for a fiscal year, \$25,000,000 shall be reserved for research and development contracts under subsection (m)(4)(B). The Corporation may use a portion of the reserved amount for other purposes under this paragraph, with priority given to underserved commodities, if the Corporation determines that the entire amount is not needed for such contracts. If the reserved amount is insufficient for a fiscal year, the Corporation may use amounts in excess of the reserved amount for such contracts.

(ii) LIMITATION.—In providing payments under this paragraph and subsection (m)(4)(B), the Corporation shall not obligate or expend more than \$55,000,000 during any fiscal year.

* * * * *

[(8) PILOT PROGRAM OF ASSIGNED YIELDS FOR NEW PRODUCERS.—

[(A) PROGRAM REQUIRED.—For each of the 1995 and 1996 crop years, the Corporation shall carry out a pilot program to assign to eligible new producers higher assigned yields than would otherwise be assigned to the producers under subsection (g). The Corporation shall include in the pilot program 30 counties that are determined by the Corporation to be adequate to provide a comprehensive evaluation of the feasibility, effectiveness, and demand among new producers for increased assigned yields.

[(B) INCREASED ASSIGNED YIELDS.—In the case of an eligible new producer participating in the pilot program, the Corporation shall assign to the new producer a yield that is equal to not less than 110 percent of the transitional yield otherwise established by the Corporation.

[(C) ELIGIBLE NEW PRODUCER.—The Secretary shall establish a definition of new producer for purposes of determining eligibility to participate in the pilot program.]

(8) *GENERAL REQUIREMENTS APPLICABLE TO PILOT PROGRAMS.*—In conducting any pilot program of insurance or reinsurance authorized or required by this title, the Corporation—

(A) *may offer the pilot program on a regional, whole State, or national basis after considering the interests of affected producers and the interests of and risks to the Corporation;*

(B) *may operate the pilot program, including any modifications thereof, for a period of up to 3 years; and*

(C) *may extend the time period for the pilot program for additional periods, as determined appropriate by the Corporation.*

* * * * *

[(10) *TIME LIMITS FOR RESPONSE TO SUBMISSION OF NEW POLICIES.*—

[(A) *IN GENERAL.*—The Board shall establish a reasonable time period within which the Board shall approve or disapprove a proposal from a person regarding a new policy submitted in accordance with this subsection.

[(B) *EFFECT OF FAILURE TO MEET TIME LIMITS.*—Except as provided in subparagraph (C), if the Board fails to provide a response to a proposal described in subparagraph (A) in accordance with subparagraph (A), the new policy shall be deemed to be approved by the Board for purposes of this subsection for the initial reinsurance year designated for the new policy in the request.

[(C) *EXCEPTIONS.*—Subparagraph (B) shall not apply to a proposal submitted under this subsection if the Board and the person submitting the request agree to an extension of the time period.]

(10) *LIVESTOCK PILOT PROGRAMS.*—

(A) *PROGRAMS REQUIRED.*—The Corporation shall conduct one or more pilot programs to evaluate the effectiveness of risk management tools for livestock producers, including the use of futures and options contracts and policies and plans of insurance that provide livestock producers with reasonable protection from the financial risks of price or income fluctuations inherent in the production and marketing of livestock, provide protection for production losses, and otherwise protect the interests of livestock producers. To the maximum extent practicable, the Corporation shall evaluate the greatest number and variety of such programs to determine which of the offered risk management tools are best suited to protect livestock producers from the financial risks associated with the production and marketing of livestock.

(B) *IMPLEMENTATION; ASSISTANCE.*—The Corporation shall begin conducting livestock pilot programs under this paragraph during fiscal year 2001, and any policy or plan of insurance offered under this paragraph may be prepared without regard to the limitations contained in this title. As part of such a pilot program, the Corporation may provide assistance to producers to purchase futures and options contracts or policies and plans of insurance offered under

that pilot program. However, no action may be undertaken with respect to a risk under this paragraph if the Corporation determines that insurance protection for livestock producers against the risk is generally available from private companies.

(C) *LOCATION*.—The Corporation shall conduct the livestock pilot programs under this paragraph in a number of counties that is determined by the Corporation to be adequate to provide a comprehensive evaluation of the feasibility, effectiveness, and demand among producers for the risk management tools evaluated in the pilot programs.

(D) *ELIGIBLE PRODUCERS; LIVESTOCK*.—Any producer of a type of livestock covered by a pilot program under this paragraph who owns or operates a farm or ranch in a county selected as a location for that pilot program shall be eligible to participate in that pilot program. In this paragraph, the term “livestock” means cattle, sheep, swine, goats, and poultry.

(E) *RELATION TO OTHER LAWS*.—The terms and conditions of any policy or plan of insurance offered under this paragraph that is reinsured by the Corporation is not subject to the jurisdiction of the Commodity Futures Trading Commission or the Securities and Exchange Commission or considered as accounts, agreements (including any transaction which is of the character of, or is commonly known to the trade as, an “option”, “privilege”, “indemnity”, “bid”, “offer”, “put”, “call”, “advance guaranty”, or “decline guaranty”), or transactions involving contracts of sale of a commodity for future delivery, traded or executed on a contract market for the purposes of the Commodity Exchange Act (7 U.S.C. 1 et seq.). Nothing in this subparagraph is intended to affect the jurisdiction of the Commodity Futures Trading Commission or the applicability of the Commodity Exchange Act to any transaction conducted on a designated contract market (as that term is used in such Act) by an approved insurance provider to offset the provider’s risk under a plan or policy of insurance under this paragraph.

(F) *LIMITATION ON EXPENDITURES*.—The Corporation shall conduct all livestock programs under this title so that, to the maximum extent practicable, all costs associated with conducting the livestock programs (other than research and development costs covered by paragraph (6) or subsection (m)(4)) are not expected to exceed the following:

- (i) \$20,000,000 for fiscal year 2001.
- (ii) \$30,000,000 for fiscal year 2002.
- (iii) \$40,000,000 for fiscal year 2003.
- (iv) \$55,000,000 for fiscal year 2004 and each subsequent fiscal year.

(11) *FEES FOR NEW POLICIES AND PLANS OF INSURANCE*.—

(A) *AUTHORITY TO IMPOSE FEE*.—Effective beginning with Fiscal Year 2001, if a person develops a new policy or plan of insurance and does not apply for reimbursement of research, development, and maintenance costs under paragraph (6), the person shall have the right to receive a fee

from any approved insurance provider that elects to sell the new policy or plan of insurance. Notwithstanding paragraph (5), once the right to collect a fee is asserted with respect to a new policy or plan of insurance, no approved insurance provider may offer the new policy or plan of insurance in the absence of a fee agreement with the person who developed the policy or plan.

(B) *DEFINITION.*—For purposes of this paragraph only, the term “new policy or plan of insurance” means a policy or plan of insurance that was approved by the Board on or after October 1, 2000, and was not available at the time the policy or plan of insurance was approved by the Board.

(C) *AMOUNT.*—The amount of the fee that is payable by an approved insurance provider to offer a new policy or a plan of insurance under subparagraph (A) shall be an amount that is determined by the person that developed the new policy or plan of insurance, subject to the approval of the Board under subparagraph (D).

(D) *APPROVAL.*—The Board shall approve the amount of a fee determined under subparagraph (C) for a new policy or plan of insurance unless the Board can demonstrate that the fee amount—

(i) is unreasonable in relation to the research and development costs associated with the new policy or plan of insurance; and

(ii) unnecessarily inhibits the use of the new policy or plan of insurance.

* * * * *

(k) *REINSURANCE.*—

(1) * * *

* * * * *

(4) *RATE.*—

(A) *IN GENERAL.*—Except as provided in subparagraph (B), the rate established by the Board to reimburse approved insurance providers and agents for the administrative and operating costs of the providers and agents shall not exceed—

(i) * * *

(ii) for each of the 1999 and subsequent reinsurance years, **24.5 percent** 24 percent of the premium used to define loss ratio.

* * * * *

(m) *RESEARCH.*—

(1) * * *

[(2) EXCEPTION.—No action]

(2) *EXCEPTIONS.*—

(A) *PRIVATE AVAILABILITY.*—No action may be undertaken with respect to a risk under paragraph (1) if insurance protection against the risk is generally available from private companies.

(B) *PROHIBITED RESEARCH AND DEVELOPMENT BY CORPORATION.*—Notwithstanding paragraphs (1) and (5), on

and after October 1, 2000, the Corporation shall not conduct research and development for any new policy or plan of insurance for an agricultural commodity offered under this title. Any policy or plan of insurance developed by the Corporation under this title before that date shall, at the discretion of the Corporation, continue to be offered for sale to producers.

* * * * *

(4) PRIVATE RESEARCH AND DEVELOPMENT OF POLICIES AND OTHER MATERIALS.—

(A) USE OF REIMBURSEMENT AUTHORITY.—*To encourage and promote the necessary research and development for policies, plans of insurance, and related materials, including policies, plans, and materials under the livestock pilot programs under subsection (h)(10), the Corporation shall make full use of private resources by providing payment for research and development for approved policies and plans of insurance, and related materials, pursuant to subsection (h)(6).*

(B) CONTRACTS FOR UNDERSERVED COMMODITIES.—

(i) DEVELOPMENT OF PRODUCTS AND RELATED MATERIALS.—*In the event the Corporation determines that an agricultural commodity, including a specialty crop, is not adequately served by policies and plans of insurance and related materials submitted under subsection (h) or any other provision of this title, the Corporation may enter into a contract, under procedures prescribed by the Corporation, directly with any person or entity with experience in crop insurance or farm or ranch risk management, including universities, providers of crop insurance, and trade and research organizations, to carry out research and development for policies and plans of insurance and related materials for that agricultural commodity without regard to the limitations contained in this title.*

(ii) TYPES OF CONTRACTS.—*A contract under this subparagraph may provide for research and development regarding new or expanded policies and plans of insurance and related materials, including policies based on adjusted gross income, cost-of-production, quality losses, and an intermediate base program with a higher coverage and cost than catastrophic risk protection.*

(iii) DELAYED EFFECTIVE DATE FOR CONTRACTS.—*A contract entered into under this subparagraph may not take effect before October 1, 2000.*

(iv) USE OF RESULTING POLICIES AND PLANS.—*The Corporation may offer any policy or plan of insurance developed under this subparagraph that is approved by the Board.*

(C) CONTRACT FOR REVENUE COVERAGE PLAN.—*The Corporation shall enter into a contract for research and development regarding one or more revenue coverage plans designed to enable producers to take maximum advantage of*

fluctuations in market prices and thereby maximize revenue realized from the sale of a crop. Such a plan may include market instruments currently available or may involve the development of new instruments to achieve this goal. Not later than 15 months after the date of the enactment of this paragraph, the Corporation shall submit to Congress a report containing the results of the contract.

(5) **PARTNERSHIPS FOR RISK MANAGEMENT DEVELOPMENT AND IMPLEMENTATION.**—

(A) **PURPOSE.**—*The purpose of this paragraph is to authorize the Corporation to enter into partnerships with public and private entities for the purpose of increasing the availability of loss mitigation, financial, and other risk management tools for crop producers, with priority given to risk management tools for producers of agricultural commodities covered by section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333) and specialty and underserved commodity producers.*

(B) **AUTHORITY.**—*Subject to subparagraphs (D) and (E), the Corporation may enter into partnerships with the Cooperative State Research, Education, and Extension Service, the Agricultural Research Service, the National Oceanic and Atmospheric Administration, and other appropriate public and private entities with demonstrated capabilities in developing and implementing risk management and marketing options for specialty crops and underserved commodities.*

(C) **OBJECTIVES.**—*The Corporation may enter into a partnership under subparagraph (B)—*

(i) to enhance the notice and timeliness of notice of weather conditions that could negatively affect crop yields, quality, and final product use in order to allow producers to take preventive actions to increase end-product profitability and marketability and to reduce the possibility of crop insurance claims;

(ii) to develop a multifaceted approach to pest management and fertilization to decrease inputs, decrease environmental exposure, and increase application efficiency;

(iii) to develop or improve techniques for planning, breeding, planting, growing, maintaining, harvesting, storing, shipping, and marketing that will address quality and quantity challenges associated with year-to-year and regional variations;

(iv) to clarify labor requirements and assist producers in complying with requirements to better meet the physically intense and time-compressed planting, tending, and harvesting requirements associated with the production of specialty crops and underserved commodities;

(v) to provide assistance to State foresters or equivalent officials for the prescribed use of burning on private forest land for the prevention, control, and suppression of fire;

(vi) to provide producers with training and informational opportunities so that they will be better able to use financial management, crop insurance, marketing contracts, and other existing and emerging risk management tools; and

(vii) to develop other risk management tools to further increase economic and production stability.

(D) *FUNDING SOURCE.*—If the Corporation determines that the entire amount available to provide reimbursement payments under subsection (h) and contract payments under paragraph (4) (in this subparagraph referred to as “reimbursement and contract payments”) for a fiscal year is not needed for such purposes, the Corporation may use a portion of the excess amount to carry out this paragraph, subject to the following:

(i) During fiscal years 2001 through 2004, amounts available for reimbursement and contract payments may be used to carry out this paragraph only if the total amount to be used for reimbursement and contract payments is less than \$44,000,000 for fiscal year 2001, \$47,000,000 for fiscal year 2002, \$50,000,000 for fiscal year 2003, and \$52,000,000 for fiscal year 2004.

(ii) During fiscal years 2001 through 2004, the total amount used to carry out this paragraph for a fiscal year may not exceed the difference between the amount specified in clause (i) for that fiscal year and the amount actually used for reimbursement and contract payments.

(E) *DELAYED AUTHORITY.*—The Corporation may not enter into a partnership under the authority of this paragraph before October 1, 2000.

* * * * *

(o) *COMPLIANCE WITH STATE LICENSING REQUIREMENTS.*—Any person who sells or solicits the purchase of a policy or plan of insurance under this title, including catastrophic risk protection, in any State shall be licensed and otherwise qualified to do business in that State.

* * * * *

SEC. 516. FUNDING.

(a) *AUTHORIZATION OF APPROPRIATIONS.*—

(1) * * *

(2) *MANDATORY EXPENSES.*—There are authorized to be appropriated such sums as are necessary to cover for each of the 1999 and subsequent reinsurance [years—] years the following:

(A) [the] *The* administrative and operating expenses of the Corporation for the sales commissions of agents[; and].

(B) [premium] *Premium* subsidies, including the administrative and operating expenses of an approved insurance provider for the delivery of policies with additional coverage.

(C) *Costs associated with the conduct of livestock pilot programs carried out under section 508(h)(10), subject to subparagraph (F) of such section.*

(D) *Costs associated with the reimbursement for research, development, and maintenance costs of approved policies and other materials provided under section 508(h)(6) and contracting for research and development under section 508(m)(4)(B).*

(b) PAYMENT OF CORPORATION EXPENSES FROM INSURANCE FUND.—

(1) EXPENSES GENERALLY.—For each of the 1999 and subsequent reinsurance years, the Corporation may pay from the insurance fund established under subsection (c) all expenses of the Corporation (other than expenses covered by subsection (a)(1) and expenses covered by paragraph (2)(A)), **[including—]** *including the following:*

(A) **[premium]** *Premium* subsidies and indemnities**[/]**.

(B) **[administrative]** *Administrative* and operating expenses of the Corporation necessary to pay the sales commissions of agents**[/ and/]**.

* * * * *

(D) *Costs associated with the conduct of livestock pilot programs carried out under section 508(h)(10), subject to subparagraph (F) of such section.*

(E) *Reimbursement for research, development, and maintenance costs of approved policies and other materials provided under section 508(h)(6) and contracting for research and development under section 508(m)(4)(B).*

(2) **[RESEARCH AND DEVELOPMENT EXPENSES.—]** *POLICY CONSIDERATION EXPENSES.—*

(A) IN GENERAL.—For each of the 1999 and subsequent reinsurance years, the Corporation may pay from the insurance fund established under subsection (c) **[research and development expenses of the Corporation]** *costs associated with considering for approval or disapproval policies and other materials under subsections (h) and (m)(4) of section 508, costs associated with implementing such subsection (m)(4), and costs to contract out for assistance in considering such policies and other materials, but not to exceed \$3,500,000 for each fiscal year.*

(B) * * *

* * * * *

AGRICULTURAL COMMODITY

SEC. 518. “Agricultural commodity”, as used in this title, means wheat, cotton, flax, corn, dry beans, oats, barley, rye, tobacco, rice, peanuts, soybeans, sugar beets, sugar cane, tomatoes, grain sorghum, sunflowers, raisins, oranges, sweet corn, dry peas, freezing and canning peas, forage, apples, grapes, potatoes, timber and forests, nursery crops, citrus, and other fruits and vegetables, nuts, tame hay, native grass, aquacultural species (including, but not limited to, any species of finfish, mollusk, crustacean, or other aquatic invertebrate, amphibian, reptile, or aquatic plant propa-

gated or reared in a controlled or selected environment), or any other agricultural commodity, excluding [livestock and] stored grain, determined by the Board under subsection (a) or (m) of section 508 of this title, or any one or more of such commodities, as the context may indicate.

* * * * *

SECTION 196 OF THE FEDERAL AGRICULTURE IMPROVEMENT AND REFORM ACT OF 1996

SEC. 196. ADMINISTRATION AND OPERATION OF NONINSURED CROP ASSISTANCE PROGRAM.

(a) * * *

(b) APPLICATION FOR NONINSURED CROP DISASTER ASSISTANCE.—

(1) * * *

[(2) RECORDS.—A producer shall provide records, as required by the Secretary, of crop acreage, acreage yields, and production.]

(2) *RECORDS.*—*To be eligible for assistance under this section, a producer shall provide annually to the Secretary, acting through the Agency, records of crop acreage, acreage yields, and production for each eligible crop.*

(3) ACREAGE REPORTS.—A producer shall provide *annual* reports on acreage planted or prevented from being planted, as required by the Secretary, by the designated acreage reporting date for the crop and location as established by the Secretary.

* * * * *

(i) PAYMENT AND INCOME LIMITATIONS.—

(1) DEFINITIONS.—In this subsection:

(A) * * *

(B) QUALIFYING [GROSS REVENUES] *ADJUSTED GROSS INCOME*.—The term “qualifying [gross revenues] *adjusted gross income*” means—

(i) if a majority of the [gross revenue] *adjusted gross income* of the person is received from farming, ranching, and forestry operations, the [gross revenue] *adjusted gross income* from the farming, ranching, and forestry operations of the person; and

(ii) if less than a majority of the [gross revenue] *adjusted gross income* of the person is received from farming, ranching, and forestry operations, the [gross revenue] *adjusted gross income* of the person from all sources.

* * * * *

[(4) INCOME LIMITATION.—A person who has qualifying gross revenues in excess of the amount specified in section 2266(a) of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 1421 note) (as in effect on November 28, 1990) during the taxable year (as determined by the Secretary) shall not be eligible to receive any noninsured assistance payment under this section.]

(4) *LIMITATION.*—A person who has qualifying adjusted gross income in excess of \$2,000,000 during the taxable year shall not be eligible to receive any noninsured crop disaster assistance payment under this section.

* * * * *

ADDITIONAL VIEWS

H.R. 2559 as reported by the Agriculture Committee is a defective effort in at least two respects: (1) its scope is too modest in the context of the problems American agriculture faces today, and (2) it overspends considerably when compared to the amount allotted to the Committee under the terms of the Congressional Budget Resolution. We believe that a tremendous opportunity to address the needs of agriculture comprehensively and responsibly is being wastefully squandered with the approach taken in this bill.

The clear purpose of H.R. 2559 is to exploit the authority provided under the Budget Resolution for the Agriculture Committee to report increases in agriculture spending. The Resolution specifically provides for an increase in the Agriculture Committee's allocation of budget authority when it reports a bill providing risk management or income assistance. The allocation is increased as long as the bill does not provide a net increase in budget authority in fiscal year 2000, does not provide more than \$6 billion total in fiscal years 2001 through 2004, and does not increase budget authority in any one of those years by more than 42 billion.

In spite of the very broad purposes permitted under the resolution—for example, income assistance alone could justify changes in nearly any agriculture program—the Committee has chosen to limit the increase in spending entirely to an expansion of the crop insurance program. Within the crop insurance program, nearly all of the effort will be dedicated to yield protection rather than more comprehensive farm revenue protection.

During the past year, Congress has recognized that our current mix of farm programs and risk management tools are simply not adequate. In the Agriculture Appropriations bill for fiscal year 1999 (included as part of the Omnibus Appropriations Bill), Congress provided \$6 billion in emergency assistance to farm and ranch producers. Of the emergency fund provided, \$2.375 billion were made available for producers who lost crops in 1998 or over the course of multiple years. As such, they constituted the kind of emergency aid that Congress has traditionally provided to meet the needs caused by natural disasters. Most of the remaining funds were provided (in an unprecedented manner) ostensibly as emergency compensation for the low prices that were having such a devastating impact on the incomes of producers throughout the nation—including areas not affected by weather-related disasters. These funds came in the form of supplemental Agricultural Market Transition Act (AMTA) payments. Since the AMTA contract does not require a producer to plant a crop, it is likely that a significant portion went to individuals not producing the commodity for which the assistance was being provided.

During field hearings held by the Subcommittee on Risk Management, Research, and Specialty Crops regarding risk management

programs, witnesses made clear that the problems are broader than crop insurance. During his testimony, Phil Cyre, who operates a diversified 3,000 acre farm in South Dakota, testified of his "belief in the need for risk management insurance," and stated:

"We have before us the FAIR Act, which in my opinion can best be related as the current version of the *Titanic*. It's a beautiful ship. * * * But it doesn't have enough lifeboats on it because there are a lot of people who think it's unsinkable. I was present when the Agriculture Committee did not pass the FAIR Act. It didn't pass that day, and I doubt seriously in its present form and under our current conditions that it would pass today without some modification. I encourage this committee to share with us and to agree perhaps with me that crop insurance in its truest form is designed to provide insurance when we fail to produce. It is a very difficult challenge then to encompass in that in an actuarially sound manner coverage for when we overproduce, or when world economies fail and falter."

Billy Griggs, a cotton farmer in Dooly County, Georgia, offered the following testimony:

"Finally, what do we believe we must do to keep American agriculture alive until such time as we can address the trade agreements and the farm bill with more position long-term solution? First, this Nation and its leaders must recognize the tremendous benefits of providing a safety net for agriculture that works. Obviously what we have today is not working, and if allowed to continue as is then this Nation and its leaders will surely see the tremendous cost of this inaction."

In his testimony, Roy Baxley of North Carolina said:

"Under the current farm law that we have now we basically have no safety net."

As a general matter, Congress has often followed ad hoc weather-related disaster spending with an effort to reform and improve the crop insurance program. The theory is that taxpayers and producers are better off if they don't have to rely on after-the-fact, unpredictable levels of assistance when disasters occur. H.R. 2559, coming as it does after Congress provided \$2.375 billion in yield-related emergency assistance, attempts to improve the crop insurance program and to stave off the future need for emergency assistance.

The bill as reported by the Committee, however, ignores the fact that to the same degree that last year's yield emergency aid points to the need for improvements in the crop insurance program, the emergency aid to compensate for the price disaster also points to the need for improvements in our basic farm income assistance programs.

We also note that when Congress passed the 1996 Farm Bill, there was much concern in the countryside. The House leadership promised that the bill's provisions would be revisited if Congress failed to take action to open world markets, to reduce dramatically regulations on agricultural production, and to provide deep tax relief to agricultural producers. Since that time, no action has been taken to authorize U.S. participation in multilateral trade negotiations that are needed if markets are to be opened, the tax relief provided has been modest at best, and no apparent effort has been

made to provide the promised regulatory relief. To the contrary, in some instances, such as the Food Quality Protection Act (FQPA), Congress provided the Environmental Protection Agency with even more discretion to restrict production practices that are required by our producers competing in a global marketplace. On the whole, our current farm policy is backed by broken promises, and there is no indication that agriculture's unmet needs will be addressed anytime soon.

In this regard, when Congress put the Freedom to Farm Act in place, cautions were raised that the needs of producers and the food security of our nation would not be met if prices fell. The need for emergency assistance last year bore out those concerns. Unfortunately, it appears we are once again facing a similar situation.

Our nation deserves a long-term, reliable farm policy. Taxpayers and agricultural producers alike should be able to know up front what kind of assistance can be expected and what the rules will be for distributing it. In terms of yield insurance, this bill makes some progress. Higher subsidy rates, for example, will lead to higher levels of participation in crop insurance, and better indemnity performance for the producers who participate. This will help take care of needs that otherwise would most likely be met annually through disaster legislation.

Absent from H.R. 2559 is the other half of the picture. Last year, U.S. farm programs left producers overexposed to price and weather disasters. This bill pushes the Committee toward addressing yield disaster, but what about price disaster? How much more will our government spend on ad hoc, supplemental payments before we realize that a more rational, predictable policy needs to be in force?

During the Committee's debate on H.R. 2559, an amendment offered by Representative Stenholm would have addressed the shortfalls under our current farm program. It would establish a program of Supplemental Income Payments (SIP) for producers of wheat, feed grains, cotton, rice, and oilseeds.

Under that program, a producer who plants a crop would receive a payment for a crop year if national revenue for the crop falls significantly below the most recent five-year average level. Payouts could occur if national prices are low or if national production is low.

A Supplemental Income Payment program can work for our producers and for taxpayers as well. It is a simple program under which payments would go directly to actual producers in times of need. It's the kind of long-term approach we should be using to address agriculture's cyclical problems. If adopted, the program would serve as the key policy for managing the risk associated with dramatic revenue declines that affect producers from year to year, and would complement programs currently in effect. This approach also lends itself to expansion as a safety net for livestock and specialty crops as needs arise—commodities otherwise left behind by current approaches to farm revenue disaster. The following illustrates how the program would work in a particular situation:

SIP versus Crop Revenue Coverage (CRC) with lower subsidy

Consider a Mclean, Illinois corn farm insured with CRC. The insured yield is 120 bushels per acre and the CRC price is \$2.40. At

65% coverage, the farmer's revenue guarantee is \$187.20 per acre. He would pay a premium of \$4.11 per acre for that coverage under the bill. With the Stenholm amendment, his premium is \$5.47, \$1.36 higher, but still less than the \$7.40 cost paid in 1998 or the \$6.20 cost paid in 1999.

A recent futures close for December corn was \$2.11 per bushel. If this were the harvest time price under the CRC contract and there was no reduction or increase in yield, the harvest time CRC revenue per acre would be \$253.20, and no indemnity would be paid. In fact, the futures price would have to decline to \$1.56, if yield doesn't change, before any revenue indemnities would be paid.

With SIP, using the latest USDA supply and demand estimates of a season average corn price of \$1.85 per bushel, the payment per bushel will be 23 cents. Multiplied by a 120 bushel yield, the payment would be \$27.60 per acre. This is the gain from the increased CRC cost of \$1.36 per acre.

Because the Committee turned down the Stenholm amendment, the House is presented with a Committee bill that only addresses half of the problem exposed in 1998. This flaw will become acutely apparent in the weeks ahead as Congress and the Administration once again scramble to appropriate emergency ad hoc assistance to meet commodity price conditions that continue to devastate farm income. It is unwise to move this bill forward, virtually guaranteeing that Congress will be forced to continue to respond to price disasters with off-budget emergency spending. Every missed opportunity to correct our farm income policy will lead to more disaster spending and greater uncertainty for producers and taxpayers alike.

In addition to failing to address the long-term needs of agriculture, the Committee has reported a bill that violates the requirements of the Concurrent Resolution on the Budget and of the Congressional Budget Act. The Budget Resolution specifically prohibits the Agriculture Committee from bringing to the House floor a bill that increases net budget authority in fiscal year 2000. While the Committee adopted an amendment designed to meet the \$6 billion limit on the bill's spending over 4 years, no effort was made to address the FY 2000 restriction. As a result, the bill contains approximately \$1 billion of budget authority for FY 2000 in violation of this restriction. This is another unwise element of the bill and is of great concern from our point of view. We believe that the Committee should have addressed the restriction head-on, rather than reporting the bill and hoping for a cure to materialize. In years when the Agriculture Committee was called upon to reduce spending under budget reconciliation instructions, it never failed to do so. In this situation, the Committee should have been able to restrain new spending in a manner that was in compliance with the Budget Resolution and the Congressional Budget Act.

By engaging in piecemeal spending that is over budget or off budget through emergency designations or budget waivers, we are doing a disservice not only to our farmers but to all of our rural citizens. To the extent we do not adhere to budget discipline, programs that serve all of rural America, such as Social Security and Medicare, are endangered. Because our aging population is dis-

proportionately represented in rural America, rural areas will be disproportionately hurt by over-budget spending that short-changes our ability to put these programs on a sound footing.

While we feel strongly about our concerns with the omissions of H.R. 2559, we are not opposed to its overall approach to making short-term improvements in crop insurance. We believe that continued consideration of the bill will provide Congress with the chance to embrace opportunities ignored by the Agriculture Committee. We intend to continue to work towards broadening the scope of the bill to address more broadly the needs of our agricultural producers, and to do so in a manner that is fiscally sound and in compliance with budget rules.

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