

105TH CONGRESS
2^D SESSION

H. R. 3264

To stabilize tobacco quota fluctuations despite any comprehensive legal settlement between cigarette manufacturers and State governments, to require cigarette manufacturers to pay all Department of Agriculture costs associated with tobacco regulation, to establish a voluntary quota retirement system for tobacco quota holders, to provide market transition assistance for tobacco producers, tobacco industry workers, and their communities, particularly in the event of tobacco quota reductions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 25, 1998

Mr. BAESLER (for himself and Mr. HAMILTON) introduced the following bill; which was referred to the Committee on Agriculture, and in addition to the Committees on Ways and Means, Education and the Workforce, the Judiciary, and the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To stabilize tobacco quota fluctuations despite any comprehensive legal settlement between cigarette manufacturers and State governments, to require cigarette manufacturers to pay all Department of Agriculture costs associated with tobacco regulation, to establish a voluntary quota retirement system for tobacco quota holders, to provide market transition assistance for tobacco producers, tobacco industry workers, and their commu-

nities, particularly in the event of tobacco quota reductions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
 5 “Tobacco Community Economic Stabilization and Support
 6 Act”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Definitions.

TITLE I—FEDERAL TOBACCO PRICE SUPPORT PROGRAM

Sec. 101. Consistent purchase intention requirements for cigarette manufacturers.

Sec. 102. Penalties for failure to comply with purchase intentions and use of penalty payments.

Sec. 103. Trade advocacy to assist United States tobacco farmers.

Sec. 104. Program referenda regarding lease and transfer of tobacco quota.

Sec. 105. Elimination of tobacco marketing assessment.

TITLE II—TOBACCO COMMUNITY REVITALIZATION TRUST FUND

Sec. 201. Establishment of Tobacco Community Economic Stabilization and Support Act.

Sec. 202. Contributions by tobacco product manufacturers and importers.

TITLE III—INDUSTRY PAYMENTS FOR DEPARTMENT TOBACCO COSTS

Sec. 301. Industry payments for all Department costs associated with tobacco production and regulation.

Sec. 302. Industry responsibility for No Net Cost Tobacco Funds and Accounts.

TITLE IV—PERMANENT SALE, RETIREMENT, AND DISTRIBUTION OF TOBACCO QUOTA

Sec. 401. Funds for voluntary quota retirement.

Sec. 402. Tobacco quota retirement contracts for tobacco quota holders.

Sec. 403. Distribution of retired quota.

**TITLE V—AGRICULTURAL MARKET TRANSITION
ASSISTANCE**

- Sec. 501. Payments for lost tobacco quota.
 Sec. 502. Determination of base quota levels for tobacco producers.
 Sec. 503. Determination of base quota volume and commission levels for tobacco warehousemen.
 Sec. 504. Payment amounts.
 Sec. 505. Effect of changes in quota or farm ownership.
 Sec. 506. Acceleration of payments.
 Sec. 508. Payment source and aggregate annual payments.
 Sec. 509. Cost-of-living adjustment.
 Sec. 510. Effective date.

**TITLE VI—COMMUNITY, FARMER, AND WORKER
TRANSITION ASSISTANCE**

- Sec. 601. Tobacco community economic development grants.
 Sec. 602. Tobacco worker transition program.
 Sec. 603. Farmer opportunity grants.
 Sec. 604. Research grants for alternative uses of tobacco production and processing equipment.

**TITLE VII—TAX TREATMENT FOR PAYMENTS FOR LOST
TOBACCO QUOTA**

- Sec. 701. Payments for lost tobacco quota.

TITLE VIII—IMMUNITY

- Sec. 801. General immunity for tobacco producers and warehousemen.

1 SEC. 2. DEFINITIONS.

2 In this Act:

3 (1) ACTIVE TOBACCO PRODUCER.—The term
4 “active tobacco producer” means a quota holder,
5 quota lessee, or quota tenant.

6 (2) QUOTA HOLDER.—The term “quota holder”
7 means a producer that owns a farm for which a to-
8 bacco farm marketing quota or farm acreage allot-
9 ment was established under the Agricultural Adjust-
10 ment Act of 1938 (7 U.S.C. 1281 et seq.) for any
11 of the 1995, 1996, or 1997 crop years.

1 (3) QUOTA LESSEE.—The term “quota lessee”
2 means—

3 (A) a producer that owns a farm that pro-
4 duced tobacco pursuant to a lease and transfer
5 to that farm of all or part of a tobacco farm
6 marketing quota or farm acreage allotment es-
7 tablished under the Agricultural Adjustment
8 Act of 1938 (7 U.S.C. 1281 et seq.) for any of
9 the 1995, 1996, or 1997 crop years; or

10 (B) a producer that rented land from a
11 farm operator to produce tobacco under a to-
12 bacco farm marketing quota or farm acreage al-
13 lotment established under the Agricultural Ad-
14 justment Act of 1938 (7 U.S.C. 1281 et seq.)
15 for any of the 1995, 1996, or 1997 crop years.

16 (4) QUOTA TENANT.—The term “quota tenant”
17 means a producer who—

18 (A) is the principal producer, as deter-
19 mined by the Secretary, of tobacco on a farm
20 where tobacco is produced pursuant to a to-
21 bacco farm marketing quota or farm acreage al-
22 lotment established under the Agricultural Ad-
23 justment Act of 1938 (7 U.S.C. 1281 et seq.)
24 for any of the 1995, 1996, or 1997 crop years;
25 and

1 (B) is not a quota holder or quota lessee.

2 (5) SECRETARY.—Except in section 601, the
3 term “Secretary” means the Secretary of Agri-
4 culture.

5 (6) TOBACCO PRODUCT IMPORTER.—The term
6 “tobacco product importer” has the meaning given
7 the term “importer” in section 5702 of the Internal
8 Revenue Code of 1986.

9 (7) TOBACCO PRODUCT MANUFACTURER.—

10 (A) IN GENERAL.—The term “tobacco
11 product manufacturer” has the meaning given
12 the term “manufacturer of tobacco products” in
13 section 5702 of the Internal Revenue Code of
14 1986.

15 (B) EXCLUSION.—The term “tobacco
16 product manufacturer” does not include a per-
17 son that manufactures cigars or pipe tobacco.

18 (8) HISTORICALLY BLACK COLLEGES AND UNI-
19 VERSITIES.—The term “historically black colleges
20 and universities” has the meaning given the term
21 “part B institution” in section 322 of the Higher
22 Education Act of 1965 (20 U.S.C. 1061).

1 **TITLE I—FEDERAL TOBACCO**
2 **PRICE SUPPORT PROGRAM**

3 **SEC. 101. CONSISTENT PURCHASE INTENTION REQUIRE-**
4 **MENTS FOR CIGARETTE MANUFACTURERS.**

5 (a) MINIMUM PURCHASE INTENTIONS.—Subsection
6 (b) of section 320A of the Agricultural Adjustment Act
7 of 1938 (7 U.S.C. 1314g) is amended to read as follows:

8 “(b) MINIMUM PURCHASE INTENTIONS.—

9 “(1) MINIMUM SUBMISSION BY EACH MANUFAC-
10 TURER.—The quantity of intended purchases sub-
11 mitted by a domestic cigarette manufacturer under
12 subsection (a) for a marketing year with respect to
13 Flue-cured tobacco may not be less than the quan-
14 tity of intended purchases submitted by that manu-
15 facturer for Flue-cured tobacco in the case of the
16 1997 crop. The quantity of intended purchases sub-
17 mitted by a domestic cigarette manufacturer under
18 subsection (a) for a marketing year with respect to
19 Burley tobacco may not be less than the quantity of
20 intended purchases submitted by that manufacturer
21 for Burley tobacco in the case of the 1997 crop.

22 “(2) SECRETARY ESTABLISHMENT IN CASE OF
23 FAILURE TO SUBMIT.—If a domestic manufacturer
24 of cigarettes fails to submit a statement of the quan-
25 tity of intended purchases of that manufacturer, as

1 required by subsection (a), or fails to comply with
2 paragraph (1) in the submission of the statement,
3 the Secretary shall establish the quantity of intended
4 purchases to be attributed to that manufacturer for
5 purposes of this Act, based on—

6 “(A) the quantity of intended purchases
7 submitted by that manufacturer (or established
8 by the Secretary under this subsection) in the
9 case of the 1997 crop of Flue-cured tobacco or
10 Burley tobacco, as the case may be;

11 “(B) the quantity of intended purchases
12 submitted by that manufacturer under this sec-
13 tion for the marketing year immediately preced-
14 ing the marketing year for which the deter-
15 mination is being made, if that quantity of in-
16 tended purchases exceeds the amount otherwise
17 determined under subparagraph (A) for that
18 manufacturer; or

19 “(C) if that manufacturer did not submit
20 a statement of the quantity of intended pur-
21 chases of the manufacturer for the marketing
22 year immediately preceding the marketing year
23 for which the determination is being made, the
24 most recent information available to the Sec-
25 retary, but not less than the amount otherwise

1 determined under subparagraph (A) for that
2 manufacturer.

3 “(3) MINIMUM PURCHASE INTENTION FOR ALL
4 MANUFACTURERS.—If the aggregate of the quan-
5 tities of intended purchases for a marketing year is
6 less than 600,000,000 pounds, in the case of Burley
7 tobacco, or 900,000,000 pounds, in the case of Flue-
8 cured tobacco, the Secretary shall modify the pur-
9 chase intentions regarding that type of tobacco of
10 each domestic manufacturer of cigarettes as nec-
11 essary to ensure that the minimum aggregate quan-
12 tity specified in this paragraph is to be purchased by
13 the manufacturers.”.

14 (b) TIME FOR SUBMISSION.—Subsection (a)(1) of
15 such section is amended by striking “(or” the first place
16 it appears and all that follows through “whichever is
17 later)” and inserting “and January 15 of any marketing
18 year with respect to Burley tobacco”.

19 (c) EFFECT ON CALCULATION OF NATIONAL MAR-
20 KETING QUOTA.—

21 (1) FLUE-CURED TOBACCO.—Section
22 317(a)(1)(B) of the Agricultural Adjustment Act of
23 1938 (7 U.S.C. 1314c(a)(1)(B)) is amended—

24 (A) in clause (i), by inserting after “mar-
25 keting year,” the following: “whether for manu-

1 facture for domestic or export sale or for export
2 as unmanufactured tobacco,”; and

3 (B) in clause (ii), by inserting before the
4 semicolon the following: “, but excluding any
5 exports of unmanufactured tobacco counted
6 under clause (i)”.

7 (2) BURLEY TOBACCO.—Section 319(c)(3)(A)
8 of such Act (7 U.S.C. 1314e(c)(3)(A)) is amended—

9 (A) in clause (i), by inserting after “mar-
10 keting year,” the following: “whether for manu-
11 facture for domestic or export sale or for export
12 as unmanufactured tobacco,”; and

13 (B) in clause (ii), by inserting before the
14 semicolon the following: “, but excluding any
15 exports of unmanufactured tobacco counted
16 under clause (i)”.

17 **SEC. 102. PENALTIES FOR FAILURE TO COMPLY WITH PUR-**
18 **CHASE INTENTIONS AND USE OF PENALTY**
19 **PAYMENTS.**

20 (a) DETERMINATION OF FAILURE TO COMPLY WITH
21 PURCHASE INTENTIONS.—Section 320B(b)(1) of the Ag-
22 ricultural Adjustment Act of 1938 (7 U.S.C. 1314h(b)(1))
23 is amended—

24 (1) by striking “from the 1985 and subsequent
25 crops”;

1 (2) by striking “90 percent of”; and

2 (3) by striking “submitted by such manufac-
3 turer or established by the Secretary for such manu-
4 facturer” and inserting “in effect for that manufac-
5 turer”.

6 (b) PURCHASE REQUIREMENT PENALTIES.—Sub-
7 section (c) of section 320B of the Agricultural Adjustment
8 Act of 1938 (7 U.S.C. 1314h) is amended—

9 (1) by striking paragraph (1) and inserting the
10 following new paragraph:

11 “(1) 110 percent of the price support rate in ef-
12 fect under section 106 of the Agricultural Act of
13 1949 for the kind of tobacco involved; by”; and

14 (2) in paragraph (2)(B), by striking “90 per-
15 cent of the quantity of intended purchases of such
16 kinds of tobacco, respectively, submitted by the man-
17 ufacturer or established by the Secretary for such
18 manufacturer” and inserting “the quantity of in-
19 tended purchases of such kinds of tobacco, respec-
20 tively, in effect for that manufacturer”.

21 (c) USE OF PENALTY PAYMENTS.—Subsection (d) of
22 such section is amended to read as follows:

23 “(d) USE OF PENALTY PAYMENTS.—An amount
24 equal to the amount of each penalty collected by the Sec-
25 retary under this section shall be transmitted by the Sec-

1 retary to the Secretary of the Treasury for deposit in the
2 Tobacco Community Revitalization Trust Fund estab-
3 lished under section 301 of the Tobacco Community Eco-
4 nomic Stabilization and Support Act.”.

5 **SEC. 103. TRADE ADVOCACY TO ASSIST UNITED STATES TO-**
6 **BACCO FARMERS.**

7 (a) REQUIREMENTS.—The United States Trade Rep-
8 resentative, the Secretary of Commerce, and the Secretary
9 of Agriculture may not advocate lower foreign trade bar-
10 riers or increased market access for tobacco products that
11 contain less than 75 percent United States domestic con-
12 tent.

13 (b) FINDINGS.—Congress finds the following:

14 (1) The intersection of United States trade and
15 health policies should be based on a recognition that
16 insisting on nondiscriminatory treatment of United
17 States products should not have the effect of in-
18 creasing smoking rates in any country.

19 (2) United States officials should not interfere
20 with or object to the adoption or enforcement by a
21 foreign country of legitimate measures necessary to
22 protect public health when such restrictions are ap-
23 plied in a nondiscriminatory fashion.

24 (3) The United States Government should con-
25 tinue to work to eliminate discriminatory foreign

1 practices that disadvantage United States workers,
2 farmers, or companies, and the United States should
3 continue to seek “national treatment” for United
4 States products so long as these activities are not
5 aimed at increasing overall demand for tobacco
6 products.

7 **SEC. 104. PROGRAM REFERENDA REGARDING LEASE AND**
8 **TRANSFER OF TOBACCO QUOTA.**

9 Section 312(c) of the Agricultural Adjustment Act of
10 1938 (7 U.S.C. 1312(c)) is amended—

11 (1) by striking “(c) Within thirty” and insert-
12 ing the following:

13 “(c) REFERENDA REQUIREMENTS.—

14 “(1) REFERENDA ON USE OF NATIONAL MAR-
15 KETING QUOTAS.—Not later than 30”; and

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

18 “(2) REFERENDA ON LEASE AND TRANSFER OF
19 TOBACCO QUOTA.—

20 “(A) IN GENERAL.—In the case of any
21 kind of tobacco for which marketing quotas are
22 in effect, on the receipt of a petition from more
23 than 5 percent of the producers of that kind of
24 tobacco in a State, the Secretary shall conduct
25 a referendum in that State on any proposal

1 contained in the petition related to the lease
2 and transfer of tobacco quota within a State.

3 “(B) EFFECT OF APPROVAL OF PRO-
4 POSAL.—If a majority of producers of the kind
5 of tobacco in the State approve a proposal in
6 a referendum conducted under subparagraph
7 (A), the Secretary shall implement the proposal
8 in a manner that applies to all producers and
9 quota holders of that kind of tobacco in the
10 State.”.

11 **SEC. 105. ELIMINATION OF TOBACCO MARKETING ASSESS-**
12 **MENT.**

13 (a) REPEAL.—Section 106 of the Agricultural Act of
14 1949 (7 U.S.C. 1445(g)) is amended by striking sub-
15 section (g).

16 (b) CONFORMING AMENDMENT.—Section 422(c) of
17 the Uruguay Round Agreements Act (Public Law 103–
18 465; 7 U.S.C. 1445 note) is amended by striking “section
19 106(g), 106A, or 106B of the Agricultural Act of 1949
20 (7 U.S.C. 1445(g), 1445–1, or 1445–2)” and inserting
21 “section 106A or 106B of the Agricultural Act of 1949
22 (7 U.S.C. 1445–1, 1445–2)”.

1 **TITLE II—TOBACCO COMMUNITY**
2 **REVITALIZATION TRUST FUND**

3 **SEC. 201. ESTABLISHMENT OF TOBACCO COMMUNITY REVI-**
4 **TALIZATION TRUST FUND.**

5 (a) ESTABLISHMENT.—There is established in the
6 Treasury of the United States a trust fund to be known
7 as the “Tobacco Community Revitalization Trust Fund”,
8 consisting of such amounts as may be appropriated or
9 credited to the Tobacco Community Revitalization Trust
10 Fund. The Tobacco Community Revitalization Trust
11 Fund shall be administered by the Secretary of Agri-
12 culture.

13 (b) TRANSFERS TO TRUST FUND.—There are appro-
14 priated and transferred to the Tobacco Community Revi-
15 talization Trust Fund for each fiscal year—

16 (1) amounts contributed by tobacco product
17 manufacturers and tobacco product importers under
18 section 202; and

19 (2) amounts made available to the Tobacco
20 Community Revitalization Trust Fund out of funds
21 allocated through national tobacco settlement legisla-
22 tion.

23 (c) REPAYABLE ADVANCES.—

24 (1) AUTHORIZATION.—There are authorized to
25 be appropriated to the Tobacco Community Revital-

1 ization Trust Fund, as repayable advances, such
2 sums as may from time to time be necessary to
3 make expenditures authorized under subsection (d).

4 (2) REPAYMENT WITH INTEREST.—Repayable
5 advances made to the Tobacco Community Revital-
6 ization Trust Fund shall be repaid, and interest on
7 the advances shall be paid, to the general fund of
8 the Treasury when the Secretary of the Treasury de-
9 termines that moneys are available in the Tobacco
10 Community Revitalization Trust Fund to make the
11 payments.

12 (3) RATE OF INTEREST.—Interest on an ad-
13 vance made under this subsection shall be at a rate
14 determined by the Secretary of Treasury (as of the
15 close of the calendar month preceding the month in
16 which the advance is made) that is equal to the cur-
17 rent average market yield on outstanding marketable
18 obligations of the United States with remaining pe-
19 riod to maturity comparable to the anticipated pe-
20 riod during which the advance will be outstanding.

21 (d) EXPENDITURES FROM TOBACCO TRUST FUND.—
22 Amounts in the Tobacco Community Revitalization Trust
23 Fund shall be available after October 1, 1998, to carry
24 out this Act and the amendments made by this Act.

1 (e) BUDGETARY TREATMENT.—This section con-
2 stitutes budget authority in advance of appropriations
3 Acts and represents the obligation of the Federal Govern-
4 ment to provide payments to States and eligible persons
5 in accordance with this Act.

6 **SEC. 202. CONTRIBUTIONS BY TOBACCO PRODUCT MANU-
7 FACTURERS AND IMPORTERS.**

8 (a) DEFINITION OF MARKET SHARE.—In this sec-
9 tion, the term “market share” means the ratio of—

10 (1) the tax liability of a tobacco product manu-
11 facturer or tobacco product importer for a calendar
12 year under section 5703 of the Internal Revenue
13 Code of 1986; to

14 (2) the tax liability of all tobacco product man-
15 ufacturers or tobacco product importers for the cal-
16 endar year under section 5703 of the Internal Reve-
17 nue Code of 1986.

18 (b) DETERMINATIONS.—Not later than September
19 30 of each fiscal year, the Secretary of the Treasury
20 shall—

21 (1) determine—

22 (A) the market share of each tobacco prod-
23 uct manufacturer or tobacco product importer
24 during the most recent calendar year;

1 (B) the total amount of assessments pay-
2 able for the subsequent fiscal year under sub-
3 section (c); and

4 (C) the amount of an assessment payable
5 by the tobacco product manufacturer or tobacco
6 product importer for the fiscal year under sub-
7 section (d); and

8 (2) notify each tobacco product manufacturer
9 and tobacco product importer of the determinations
10 made under paragraph (1) with respect to the manu-
11 facturer or importer.

12 (c) TOTAL AMOUNT OF ASSESSMENTS.—

13 (1) IN GENERAL.—The total amount of assess-
14 ments payable by all tobacco product manufacturers
15 and tobacco product importers into the Tobacco
16 Community Revitalization Trust Fund for a fiscal
17 year shall be equal to—

18 (A) the amount of the contribution to the
19 Tobacco Community Revitalization Trust Fund
20 for the fiscal year required under paragraph
21 (2); less

22 (B) any amount made available during the
23 preceding fiscal year to the Tobacco Community
24 Revitalization Trust Fund out of funds allo-

1 cated through national tobacco settlement legis-
2 lation.

3 (2) TOBACCO TRUST FUND CONTRIBUTIONS.—

4 The amount of the contribution to the Tobacco
5 Community Revitalization Trust Fund shall be—

6 (A) \$2,100,000,000 for each of fiscal years
7 1999 through 2008;

8 (B) \$500,000,000 for each of fiscal years
9 2009 through 2023; and

10 (C) for fiscal year 2024 and each subse-
11 quent fiscal year, the amount payable under
12 sections 201 and 202.

13 (d) INDIVIDUAL AMOUNT OF ASSESSMENTS.—The
14 amount of an assessment payable by each tobacco product
15 manufacturer and tobacco product importer into the To-
16 bacco Community Revitalization Trust Fund for a fiscal
17 year shall be equal to the product obtained by multiply-
18 ing—

19 (1) the total amount of assessments payable by
20 all tobacco product manufacturers and tobacco prod-
21 uct importers for the fiscal year under subsection
22 (c); by

23 (2) the market share of the tobacco product
24 manufacturer or tobacco product importer during

1 the most recent calendar year determined under sub-
2 section (b)(1)(A).

3 **TITLE III—INDUSTRY PAYMENTS**
4 **FOR DEPARTMENT TOBACCO**
5 **COSTS**

6 **SEC. 301. INDUSTRY PAYMENTS FOR ALL DEPARTMENT**
7 **COSTS ASSOCIATED WITH TOBACCO PRODUC-**
8 **TION AND REGULATION.**

9 (a) REIMBURSEMENT AUTHORITY.—The Secretary
10 shall use such amounts as are necessary from the Tobacco
11 Community Revitalization Trust Fund at the end of each
12 fiscal year to reimburse the Secretary for—

13 (1) costs associated with the administration of
14 programs established under this Act and amend-
15 ments made by this Act;

16 (2) costs associated with the administration of
17 the tobacco quota program under subtitle B of title
18 III of the Agricultural Adjustment Act of 1938 (7
19 U.S.C. 1311 et seq.) and the tobacco price support
20 program under sections 106, 106A, and 106B of the
21 Agricultural Act of 1949 (7 U.S.C. 1445, 1445–1,
22 1445–2);

23 (3) costs to the Federal Government of carrying
24 out crop insurance programs for tobacco, including
25 the costs incurred by the Federal Crop Insurance

1 Corporation under section 508(e) of the Federal
2 Crop Insurance Act (7 U.S.C. 1508(e)) to pay the
3 premium for catastrophic risk protection for tobacco
4 crops and the Federal portion of the premium for
5 various additional coverages available for tobacco
6 crops;

7 (4) costs associated with all agricultural re-
8 search, extension, or education activities associated
9 with tobacco;

10 (5) costs associated with the administration of
11 loan association and cooperative programs for to-
12 bacco producers, as approved by the Secretary; and

13 (6) any other costs incurred by the Department
14 of Agriculture associated with the production of to-
15 bacco.

16 (b) LIMITATIONS.—Amounts made available under
17 subsection (a) may not be used—

18 (1) to provide direct benefits to quota holders,
19 quota lessees, or quota tenants; or

20 (2) in a manner that results in a decrease, or
21 an increase relative to other crops, in the amount of
22 the crop insurance premiums assessed to active to-
23 bacco producers under the Federal Crop Insurance
24 Act (7 U.S.C. 1501 et seq.).

1 (c) DETERMINATIONS.—Not later than September
2 30, 1998, and each fiscal year thereafter, the Secretary
3 shall determine—

4 (1) the amount of costs described in subsection
5 (a); and

6 (2) the amount that will be provided under this
7 section as reimbursement for the costs.

8 **SEC. 302. INDUSTRY RESPONSIBILITY FOR NO NET COST**
9 **TOBACCO FUNDS AND ACCOUNTS.**

10 (a) NO NET COST TOBACCO FUND.—Section 106A
11 of the Agricultural Act of 1949 (7 U.S.C. 1445–1) is
12 amended to read as follows:

13 **“SEC. 106A. NO NET COST TOBACCO FUND.**

14 **“(a) DEFINITIONS.—**In this section:

15 **“(1) ASSOCIATION.—**The term ‘association’
16 means a producer-owned cooperative marketing asso-
17 ciation that has entered into a loan agreement with
18 the Corporation to make price support available to
19 producers of a kind of tobacco.

20 **“(2) CORPORATION.—**The term ‘Corporation’
21 means the Commodity Credit Corporation, an agen-
22 cy and instrumentality of the United States within
23 the Department of Agriculture through which the
24 Secretary makes price support available to produc-
25 ers.

1 “(3) NET GAINS.—The term ‘net gains’ means
2 the amount by which the total proceeds obtained
3 from the sale by an association of a crop of quota
4 tobacco pledged to the Corporation for a price sup-
5 port loan exceeds the principal amount of the price
6 support loan made by the Corporation to the asso-
7 ciation on the crop, plus interest, charges, and costs
8 of administering the price support program.

9 “(4) NO NET COST TOBACCO FUND.—The term
10 ‘No Net Cost Tobacco Fund’ means the capital ac-
11 count established within each association under this
12 section.

13 “(5) PURCHASER.—The term ‘purchaser’
14 means any person who purchases in the United
15 States, either directly or indirectly for the account of
16 the person or another person, Flue-cured or burley
17 quota tobacco.

18 “(6) QUOTA TOBACCO.—The term ‘quota to-
19 bacco’ means any kind of tobacco for which market-
20 ing quotas are in effect or for which marketing
21 quotas are not disapproved by producers.

22 “(7) TOBACCO COMMUNITY REVITALIZATION
23 TRUST FUND.—The term ‘Tobacco Community Revi-
24 talization Trust Fund’ means the Tobacco Commu-
25 nity Revitalization Trust Fund established under the

1 Tobacco Community Economic Stabilization and
2 Support Act.

3 “(b) PRICE SUPPORT PROGRAM; LOANS TO ASSOCIA-
4 TIONS.—The Secretary may carry out the tobacco price
5 support program through the Corporation. Except as oth-
6 erwise provided by this section, the Secretary shall con-
7 tinue to make price support available to producers through
8 loans to associations that, under agreements with the Cor-
9 poration, agree to make loan advances to producers.

10 “(c) ESTABLISHMENT OF NO NET COST TOBACCO
11 FUND.—

12 “(1) IN GENERAL.—Each association shall es-
13 tablish within the association a No Net Cost To-
14 bacco Fund.

15 “(2) AMOUNT.—There shall be transferred
16 from the Tobacco Community Economic Stabiliza-
17 tion and Support Act to each No Net Cost Tobacco
18 Fund such amount as the Secretary determines will
19 be adequate to reimburse the Corporation for any
20 net losses that the Corporation may sustain under
21 its loan agreements with the association, based on—

22 “(A) reasonable estimates of the amounts
23 that the Corporation has lent or will lend to the
24 association for price support for a crop of quota
25 tobacco, except that, in the case of burley quota

1 tobacco, the Secretary shall determine the
2 transfer amount without regard to any net
3 losses that the Corporation sustained under the
4 loan agreements of the Corporation with the as-
5 sociation for the 1983 crop of burley quota to-
6 bacco;

7 “(B) the cost of administering the tobacco
8 price support program (as determined by the
9 Secretary); and

10 “(C) the proceeds that will be realized
11 from the sales of tobacco that are pledged to
12 the Corporation by the association as security
13 for loans.

14 “(d) ADMINISTRATIVE PROVISIONS.—

15 “(1) SEPARATE ADMINISTRATION.—The Sec-
16 retary shall require that the No Net Cost Tobacco
17 Fund established by each association be kept and
18 maintained separately from all other accounts of the
19 association and be used exclusively, as prescribed by
20 the Secretary, for the purpose of ensuring, insofar
21 as practicable, that the Corporation, under its loan
22 agreements with the association with respect to a
23 crop of quota tobacco, will suffer no net losses (in-
24 cluding recovery of the amount of loans extended to
25 cover the overhead costs of the association), after

1 any net gains are applied to net losses of the Cor-
2 poration under paragraph (3), except that, notwith-
3 standing any other provision of law, the association
4 may, with the approval of the Secretary, use funds
5 in the No Net Cost Tobacco Fund, including interest
6 and other earnings, for—

7 “(A) the purposes of reducing the associa-
8 tion’s outstanding indebtedness to the Corpora-
9 tion associated with a crop of quota tobacco
10 and making loan advances to producers as au-
11 thorized; and

12 “(B) any other purposes that will be mutu-
13 ally beneficial to producers and purchasers and
14 to the Corporation;

15 “(2) INVESTMENT AUTHORITY.—The Secretary
16 shall permit an association to invest amounts in the
17 No Net Cost Tobacco Fund in such manner as the
18 Secretary may approve, and require that the interest
19 or other earnings on the investment shall become a
20 part of the No Net Cost Tobacco Fund;

21 “(3) TREATMENT OF NET GAINS.—The Sec-
22 retary shall require that loan agreements between
23 the Corporation and the association provide that the
24 Corporation shall retain the net gains from each
25 crop of tobacco pledged by the association as secu-

1 rity for price support loans, and that the net gains
2 will be used for the purpose of—

3 “(A) offsetting any losses sustained by the
4 Corporation under its loan agreements with the
5 association for any crop of tobacco; or

6 “(B) reducing the outstanding balance of
7 any price support loan made by the Corporation
8 to the association under the loan agreements
9 for a crop of tobacco; and

10 “(4) SUSPENSION OF TRANSFERS.—If the Sec-
11 retary determines that the amount in the No Net
12 Cost Tobacco Fund or the net gains referred to in
13 paragraph (3) exceeds the total amount necessary
14 for the purposes specified in this section, the Sec-
15 retary shall suspend the transfer of amounts from
16 the Tobacco Community Economic Stabilization and
17 Support Act to the No Net Cost Tobacco Fund
18 under this section.

19 “(e) NONCOMPLIANCE.—

20 “(1) IN GENERAL.—If any association that has
21 entered into a loan agreement with the Corporation
22 with respect to a crop of quota tobacco fails or re-
23 fuses to comply with this section (including regula-
24 tions promulgated under this section) or the terms
25 of the agreement, the Secretary may terminate the

1 agreement or provide that no additional loan funds
2 may be made available under the agreement to the
3 association.

4 “(2) PRICE SUPPORT.—If the Secretary takes
5 action under paragraph (1), the Secretary shall
6 make price support available to producers of the
7 kind or kinds of tobacco, the price of which had been
8 supported through loans to the association, through
9 such other means as are authorized by this Act or
10 the Commodity Credit Corporation Charter Act (15
11 U.S.C. 714 et seq.).

12 “(f) TERMINATION OF AGREEMENT OR ASSOCIA-
13 TION.—If, under subsection (e), a loan agreement with an
14 association is terminated, or if an association having a
15 loan agreement with the Corporation is dissolved, merges
16 with another association, or otherwise ceases to operate,
17 the No Net Cost Tobacco Fund or the net gains referred
18 to in subsection (d)(3) shall be applied or disposed of in
19 such manner as the Secretary may approve or prescribe,
20 except that the net gains shall, to the extent necessary,
21 first be applied or used for the purposes specified in this
22 section.

23 “(g) REGULATIONS.—The Secretary shall issue such
24 regulations as are necessary to carry out this section.”.

1 (b) NO NET COST TOBACCO ACCOUNT.—Section
2 106B of the Agricultural Act of 1949 (7 U.S.C. 1445–
3 2) is amended to read as follows:

4 **“SEC. 106B. NO NET COST TOBACCO ACCOUNT.**

5 “(a) DEFINITIONS.—In this section:

6 “(1) AREA.—The term ‘area’, when used in
7 connection with an association, means the general
8 geographical area in which farms of the producer-
9 members of the association are located, as deter-
10 mined by the Secretary.

11 “(2) ASSOCIATION.—The term ‘association’ has
12 the meaning given the term in section 106A(a)(1).

13 “(3) CORPORATION.—The term ‘Corporation’
14 has the meaning given the term in section
15 106A(a)(2).

16 “(4) NET GAINS.—The term ‘net gains’ has the
17 meaning given the term in section 106A(a)(3).

18 “(5) NO NET COST TOBACCO ACCOUNT.—The
19 term ‘No Net Cost Tobacco Account’ means an ac-
20 count established by and in the Corporation for an
21 association under this section.

22 “(6) PURCHASER.—The term ‘purchaser’ has
23 the meaning given the term in section 106A(a)(5).

24 “(7) TOBACCO.—The term ‘tobacco’ means any
25 kind of tobacco (as defined in section 301(b) of the

1 Agricultural Adjustment Act of 1938 (7 U.S.C.
2 1301(b)) for which marketing quotas are in effect
3 or for which marketing quotas are not disapproved
4 by producers.

5 “(8) TOBACCO COMMUNITY REVITALIZATION
6 TRUST FUND.—The term ‘Tobacco Community Revi-
7 talization Trust Fund’ has the meaning given the
8 term in section 106A(a)(7).

9 “(b) PRICE SUPPORT PROGRAM; USE OF NO NET
10 COST TOBACCO ACCOUNT IN LIEU OF NO NET COST TO-
11 BACCO FUND.—Notwithstanding section 106A, the Sec-
12 retary shall, on the request of any association, and may,
13 if the Secretary determines, after consultation with the as-
14 sociation, that the accumulation of the No Net Cost To-
15 bacco Fund for the association under section 106A is, and
16 is likely to remain, inadequate to reimburse the Corpora-
17 tion for net losses that the Corporation sustains under its
18 loan agreements with the association—

19 “(1) continue to make price support available to
20 producers through the association in accordance
21 with loan agreements entered into between the Cor-
22 poration and the association; and

23 “(2) establish and maintain in accordance with
24 this section a No Net Cost Tobacco Account for the
25 association in lieu of the No Net Cost Tobacco Fund

1 established within the association under section
2 106A.

3 “(c) ESTABLISHMENT OF NO NET COST TOBACCO
4 ACCOUNT.—

5 “(1) IN GENERAL.—A No Net Cost Tobacco
6 Account established for an association under sub-
7 section (b)(2) shall be established within the Cor-
8 poration.

9 “(2) AMOUNT.—There shall be transferred
10 from the Tobacco Community Revitalization Trust
11 Fund to each No Net Cost Tobacco Account such
12 amount as the Secretary determines will be adequate
13 to reimburse the Corporation for any net losses that
14 the Corporation may sustain under its loan agree-
15 ments with the association, based on—

16 “(A) reasonable estimates of the amounts
17 that the Corporation has lent or will lend to the
18 association for price support for a crop of quota
19 tobacco, except that, in the case of burley quota
20 tobacco, the Secretary shall determine the
21 transfer amount without regard to any net
22 losses that the Corporation sustained under the
23 loan agreements of the Corporation with the as-
24 sociation for the 1983 crop of burley quota to-
25 bacco;

1 “(B) the cost of administering the tobacco
2 price support program (as determined by the
3 Secretary); and

4 “(C) the proceeds that will be realized
5 from the sales of the kind of tobacco involved
6 that are pledged to the Corporation by the asso-
7 ciation as security for loans.

8 “(3) TREATMENT OF NO NET COST TOBACCO
9 FUND AMOUNTS.—On the establishment of a No Net
10 Cost Tobacco Account for an association, any
11 amount in the No Net Cost Tobacco Fund estab-
12 lished within the association under section 106A
13 shall be applied or disposed of in such manner as
14 the Secretary may approve or prescribe, except that
15 the amount shall, to the extent necessary, first be
16 applied or used for the purposes specified in that
17 section.

18 “(d) USE.—Amounts deposited in a No Net Cost To-
19 bacco Account established for an association shall be used
20 by the Secretary for the purpose of ensuring, insofar as
21 practicable, that the Corporation under its loan agree-
22 ments with the association will suffer, with respect to the
23 crop involved, no net losses (including recovery of the
24 amount of loans extended to cover the overhead costs of

1 the association), after any net gains are applied to net
2 losses of the Corporation under subsection (g).

3 “(e) EXCESS AMOUNTS.—If the Secretary determines
4 that the amount in the No Net Cost Tobacco Account or
5 the net gains referred to in subsection (g) exceed the total
6 amount necessary to carry out this section, the Secretary
7 shall suspend the transfer of amounts from the Tobacco
8 Community Revitalization Trust Fund to the No Net Cost
9 Tobacco Account under this section.

10 “(f) TERMINATION OF AGREEMENT OR ASSOCIA-
11 TION.—In the case of an association for which a No Net
12 Cost Tobacco Account is established under subsection
13 (b)(2), if a loan agreement between the Corporation and
14 the association is terminated, if the association is dissolved
15 or merges with another association that has entered into
16 a loan agreement with the Corporation to make price sup-
17 port available to producers of the kind of tobacco involved,
18 or if the No Net Cost Tobacco Account terminates by op-
19 eration of law, amounts in the No Net Cost Tobacco Ac-
20 count and the net gains referred to in subsection (g) shall
21 be applied to or disposed of in such manner as the Sec-
22 retary may prescribe, except that the net gains shall, to
23 the extent necessary, first be applied to or used for the
24 purposes specified in this section.

1 “(g) NET GAINS.—The provisions of section
 2 106A(d)(3) relating to net gains shall apply to any loan
 3 agreement between an association and the Corporation en-
 4 tered into on or after the establishment of a No Net Cost
 5 Tobacco Account for the association under subsection
 6 (b)(2).

7 “(h) REGULATIONS.—The Secretary shall issue such
 8 regulations as are necessary to carry out this section.”.

9 (c) CONFORMING AMENDMENTS.—(1) Section 314(a)
 10 of the Agricultural Adjustment Act of 1938 (7 U.S.C.
 11 1314(a)) is amended in the first sentence—

12 (A) by striking “(1)”; and

13 (B) by striking “, or (2)” and all that follows
 14 through “106B(d)(1) of that Act”.

15 (2) Section 1109 of the Agriculture and Food Act
 16 of 1981 (Public Law 97–98; 7 U.S.C. 1445 note) is re-
 17 pealed.

18 **TITLE IV—PERMANENT SALE,**
 19 **RETIREMENT, AND DISTRIBUTION**
 20 **OF TOBACCO QUOTA**

21 **SEC. 401. FUNDS FOR VOLUNTARY QUOTA RETIREMENT.**

22 From amounts in the Tobacco Community Revitaliza-
 23 tion Trust Fund, there shall be available to the Secretary
 24 \$400,000,000 for each fiscal year to make payments to
 25 quota holders who enter into a tobacco quota retirement

1 contract under this title. Amounts unobligated for quota
2 retirement contracts by the end of the fiscal year for which
3 the amounts are made available shall be returned to the
4 Tobacco Community Revitalization Trust Fund.

5 **SEC. 402. TOBACCO QUOTA RETIREMENT CONTRACTS FOR**
6 **TOBACCO QUOTA HOLDERS.**

7 (a) OFFER.—The Secretary shall offer to enter into
8 a quota retirement contract with quota holders under
9 which a quota holder shall agree, in exchange for a lump-
10 sum payment under the contract, to permanently relin-
11 quish to the Secretary all or a portion of the tobacco quota
12 on the quota holder's farm.

13 (b) ANNUAL RETIREMENT LIMITS.—

14 (1) PER QUOTA HOLDER.—A quota holder may
15 not enter into a quota retirement contract under this
16 section for any fiscal year for the retirement of more
17 than—

18 (A) 25,000 pounds of tobacco, in the case
19 of Burley tobacco; and

20 (B) 50,000 pounds of tobacco, in the case
21 of Flue-cured tobacco.

22 (2) FOR ALL QUOTA HOLDERS.—The maximum
23 pounds purchased by the Secretary each fiscal year
24 using quota retirement contracts from all types of
25 tobacco may not exceed 100,000,000 pounds.

1 (c) CONTRACT PAYMENTS.—

2 (1) CALCULATION.—Subject to paragraph (2)
3 and subsection (d), the amount of the payment to be
4 made to a quota holder who enters into in a quota
5 retirement contract under this section shall be equal
6 to the product obtained by multiplying—

7 (A) the total quantity, in pounds, of to-
8 bacco quota relinquished by the quota holder
9 under the contract; by

10 (B) \$4.00.

11 (2) PRO RATA DISTRIBUTION.—If the amount
12 available for a fiscal year under section 401 for pay-
13 ments under quota retirement contracts is insuffi-
14 cient, the Secretary shall make payments under the
15 contracts entered into during that fiscal year on a
16 pro rata basis.

17 (d) PAYMENT LIMITATION.—The amount paid under
18 subsection (b) to a quota holder under one or more quota
19 retirement contracts may not exceed the difference be-
20 tween—

21 (1) the lifetime limitation on payments under
22 title V that applies to the quota holder under such
23 title; and

24 (2) the total amount of any payments actually
25 received by the quota holder under such section.

1 (e) PROHIBITION ON LEASING OF QUOTA.—A quota
2 holder that enters into a quota retirement contract may
3 not acquire tobacco quota, after the date the contract is
4 entered into, for the purpose of producing tobacco on the
5 quota holder's farm or for leasing the quota to a another
6 person to produce tobacco.

7 (f) NONCOMPLIANCE.—If a quota holder who is a
8 party to a quota retirement contract under this section
9 fails to comply with the terms of the contract, the quota
10 holder shall repay to the Secretary the entire amount re-
11 ceived under the contract, including interest payable at a
12 rate prescribed by the Secretary to reflect the cost to the
13 Commodity Credit Corporation of its borrowings from the
14 Treasury of the United States, commencing on the date
15 payment is made under the contract.

16 **SEC. 403. DISTRIBUTION OF RETIRED QUOTA.**

17 (a) REDISTRIBUTION WITHIN SAME COUNTY.—The
18 Secretary shall distribute tobacco quota received by the
19 Secretary under a quota retirement contract to farms—

20 (1) that are located in the same county as the
21 farm subject to the contract;

22 (2) that are not themselves subject to a quota
23 retirement contract; and

24 (3) for which a tobacco farm marketing quota
25 or farm acreage allotment is established under the

1 Agricultural Adjustment Act of 1938 (7 U.S.C.
2 1281 et seq.).

3 (b) CONDITIONS ON DISTRIBUTION.—Tobacco quota
4 received under this section may be leased as provided in
5 the Agricultural Adjustment Act of 1938 (7 U.S.C. 1281
6 et seq.), but may not be sold to the Secretary under a
7 quota retirement contract.

8 **TITLE V—AGRICULTURAL MAR-**
9 **KET TRANSITION ASSISTANCE**

10 **SEC. 501. PAYMENTS FOR LOST TOBACCO QUOTA.**

11 (a) PAYMENTS REQUIRED.—During any marketing
12 year in which the national marketing quota for a kind of
13 tobacco is less than the average national marketing quota
14 level for that kind of tobacco for the 1995 through 1997
15 marketing years, the Secretary shall make payments—

16 (1) to eligible quota holders, quota lessees, and
17 quota tenants as reimbursement for lost tobacco
18 quota as a result of the decrease in demand for do-
19 mestically produced tobacco; and

20 (2) to eligible tobacco warehousemen as reim-
21 bursement for the reduced quantities of tobacco to
22 be marketed by producers through warehousemen as
23 a result of the decrease in demand for domestically
24 produced tobacco.

1 (b) ELIGIBILITY.—To be eligible to receive payments
2 under this title, a quota holder, quota lessee, quota tenant,
3 or tobacco warehouseman shall demonstrate to the satis-
4 faction of the Secretary that, with respect to the 1995,
5 1996, or 1997 marketing year—

6 (1) the person was a quota holder and realized
7 income from the production of tobacco through—

8 (A) the active production of tobacco;

9 (B) the lease and transfer of tobacco quota
10 to another farm;

11 (C) the rental of all or part of the farm of
12 the quota holder, including the right to produce
13 tobacco, to another tobacco producer; or

14 (D) the hiring of a quota tenant to
15 produce tobacco;

16 (2) the person was a quota lessee;

17 (3) the person was a quota tenant; or

18 (4) the person was a warehouseman that mar-
19 keted tobacco on behalf of active tobacco producers.

20 (c) APPLICATION REQUIRED.—A quota holder, quota
21 lessee, quota tenant, or tobacco warehouseman shall pre-
22 pare and submit to the Secretary an application at such
23 time, in such manner, and containing such information as
24 the Secretary may require, including information suffi-

1 cient to make the demonstration required under sub-
2 section (b).

3 **SEC. 502. DETERMINATION OF BASE QUOTA LEVELS FOR**
4 **TOBACCO PRODUCERS.**

5 (a) DETERMINATION REQUIRED.—The Secretary
6 shall determine, for each quota holder, quota lessee, and
7 quota tenant eligible to receive payments under this title,
8 the base quota level for the 1995, 1996, and 1997 market-
9 ing years.

10 (b) QUOTA HOLDERS.—The base quota level for a
11 quota holder shall be equal to the average tobacco farm
12 marketing quota established for the farm owned by the
13 quota holder for the 1995, 1996, and 1997 marketing
14 years.

15 (c) QUOTA LESSEES.—The base quota level for a
16 quota lessee shall be equal to—

17 (1) 50 percent of the average number of pounds
18 of tobacco quota established for a farm for the 1995,
19 1996, and 1997 marketing years—

20 (A) that was leased and transferred to a
21 farm owned by the quota lessee; or

22 (B) for which the rights to produce the to-
23 bacco were rented to the quota lessee; less

24 (2) 25 percent of the average number of pounds
25 of tobacco quota described in paragraph (1) for

1 which a quota tenant was the principal producer of
2 the tobacco quota.

3 (d) QUOTA TENANTS.—The base quota level for a
4 quota tenant shall be equal to the sum of—

5 (1) 50 percent of the average number of pounds
6 of tobacco quota established for a farm for the 1995,
7 1996, and 1997 marketing years—

8 (A) that was owned by a quota holder; and

9 (B) for which the quota tenant was the
10 principal producer of the tobacco on the farm;
11 and

12 (2) 25 percent of the average number of pounds
13 of tobacco quota for the 1995, 1996, and 1997 mar-
14 keting years—

15 (A) that was leased and transferred to a
16 farm owned by a quota lessee or for which the
17 rights to produce the tobacco were rented to a
18 quota lessee; and

19 (B) for which the quota tenant was the
20 principal producer of the tobacco on the farm.

21 (e) MARKETING QUOTAS OTHER THAN POUNDAGE
22 QUOTAS.—For each kind of tobacco for which there is a
23 marketing quota or allotment (on an acreage basis), the
24 base quota level for each quota holder, quota lessee, or
25 quota tenant shall be determined in accordance with this

1 section (based on a poundage conversion) in an amount
2 equal to the product obtained by multiplying—

3 (1) the average tobacco farm marketing quota
4 or allotment for the 1995, 1996, and 1997 market-
5 ing years; by

6 (2) the average county yield per acre for the
7 county in which the farm is located for the kind of
8 tobacco for the marketing years.

9 **SEC. 503. DETERMINATION OF BASE QUOTA VOLUME AND**
10 **COMMISSION LEVELS FOR TOBACCO WARE-**
11 **HOUSEMEN.**

12 (a) DETERMINATION REQUIRED.—The Secretary
13 shall determine for each tobacco warehouseman eligible to
14 receive payments under this title the base quota volume
15 level and commission level for the 1995, 1996, and 1997
16 marketing years.

17 (b) BASE QUOTA VOLUME.—The base quota volume
18 level for a tobacco warehouseman shall be determined
19 using data collected by the Agricultural Marketing Service
20 of the Department of Agriculture and shall be equal to
21 the product obtained by multiplying—

22 (1) the average volume of net sales of the to-
23 bacco warehouseman for the 1995, 1996, and 1997
24 marketing years; by

1 (2) the average percentage for that tobacco
2 warehouseman of the total full season net sales for
3 a particular type of tobacco sold by tobacco ware-
4 housemen for the 1995, 1996, and 1997 marketing
5 years; by

6 (3) the average basic quota for producers for
7 that type of tobacco for the 1995, 1996, and 1997
8 marketing years.

9 (c) **BASE COMMISSION.**—The base commission level
10 for a tobacco warehouseman shall be equal to the average
11 amount of commission and fees imposed by the tobacco
12 warehouseman for marketing tobacco on behalf of active
13 tobacco producers for the 1995, 1996, and 1997 market-
14 ing years, as determined using data collected by the Agri-
15 cultural Marketing Service of the Department of Agri-
16 culture.

17 **SEC. 504. PAYMENT AMOUNTS.**

18 (a) **PRODUCER PAYMENTS.**—During any marketing
19 year in which payments are required to be made under
20 section 501 with respect to a kind of tobacco, the Sec-
21 retary shall make payments to each quota holder, quota
22 lessee, and quota tenant that is eligible to receive pay-
23 ments for lost tobacco quota with respect to that kind of
24 tobacco in an amount that is equal to the product obtained
25 by multiplying—

1 (1) the percentage by which the national mar-
2 keting quota for the kind of tobacco involved is less
3 than the average national marketing quota level for
4 that kind of tobacco for the 1995, 1996, and 1997
5 marketing years; by

6 (2) the base quota level for the quota holder,
7 quota lessee, or quota tenant with respect to that
8 kind of tobacco; by

9 (3) \$4.00.

10 (b) TOBACCO WAREHOUSEMAN PAYMENTS.—During
11 any marketing year in which payments are required to be
12 made under section 501 with respect to a kind of tobacco,
13 the Secretary shall make payments to each tobacco ware-
14 houseman that is eligible to receive payments for reduced
15 tobacco marketing with respect to that kind of tobacco in
16 an amount that is equal to the product obtained by mul-
17 tiplying—

18 (1) the percentage by which the national mar-
19 keting quota for the kind of tobacco involved is less
20 than the average national marketing quota level for
21 that kind of tobacco for the 1995, 1996, and 1997
22 marketing years; by

23 (2) the base quota volume level for the tobacco
24 warehouseman with respect to that kind of tobacco;
25 by

1 (3) the base commission level for the tobacco
2 warehouseman with respect to that kind of tobacco;
3 by

4 (4) \$4.00.

5 (c) LIFETIME LIMITATION ON PAYMENTS.—

6 (1) PRODUCER LIMITS.—The total amount of
7 payments made under this section to a quota holder,
8 quota lessee, or quota tenant shall not exceed the
9 product obtained by multiplying—

10 (A) the base quota level for the quota hold-
11 er, quota lessee, or quota tenant; by

12 (B) \$8.00 per pound.

13 (2) SPECIAL RULE FOR QUOTA HOLDERS WHO
14 ARE ACTIVE PRODUCERS.—In the case of quota
15 holders who receive income from the active produc-
16 tion of tobacco, the amount specified in paragraph
17 (1)(B) shall be \$10,00 per pound rather than \$8.00
18 per pound.

19 (3) TOBACCO WAREHOUSEMAN.—The total
20 amount of payments made under this section to a
21 tobacco warehouseman shall not exceed the product
22 obtained by multiplying—

23 (A) the base quota volume level for the to-
24 bacco warehouseman with respect to the kind of
25 tobacco involved; by

1 (B) the base commission level for the to-
2 bacco warehouseman with respect to that kind
3 of tobacco; and

4 (C) \$10.00.

5 **SEC. 505. EFFECT OF CHANGES IN QUOTA OR FARM OWN-**
6 **ERSHIP.**

7 (a) SALE AND TRANSFER OF QUOTA.—Effective be-
8 ginning January 1, 1999, on the sale and transfer of a
9 farm marketing quota under section 316(g) or 319(g) of
10 the Agricultural Adjustment Act of 1938 (7 U.S.C.
11 1314b(g), 1314e(g))—

12 (1) the person who sold and transferred the
13 quota shall have—

14 (A) the base quota level attributable to the
15 person reduced by the base quota level attrib-
16 utable to the quota that is sold and transferred;
17 and

18 (B) the lifetime limitation on payments es-
19 tablished under section 504 attributable to the
20 person reduced by the product obtained by mul-
21 tiplying—

22 (i) the base quota level attributable to
23 the quota; by

1 (ii) \$8.00 per pound (or \$10.00 per
2 pound if the person is an active tobacco
3 producer); and

4 (2) the person who acquired the quota shall
5 have—

6 (A) the base quota level attributable to the
7 person increased by the base quota level attrib-
8 utable to the quota that was sold and trans-
9 ferred; and

10 (B) the lifetime limitation on payments es-
11 tablished under section 504 attributable to the
12 person—

13 (i) increased by the product obtained
14 by multiplying—

15 (I) the base quota level attrib-
16 utable to the quota; by

17 (II) \$8.00 per pound (or \$10.00
18 per pound if the person is an active
19 tobacco producer); but

20 (ii) decreased by any payments for
21 lost tobacco quota previously made that
22 are attributable to the quota that was sold
23 and transferred.

24 (b) SALE OR TRANSFER OF FARM.—On the sale or
25 transfer of ownership of a farm that is owned by a quota

1 holder, the base quota level established under section 502,
2 the right to payments under subsection 504, and the life-
3 time limitation on payments established under section 504
4 shall transfer to the new owner of the farm to the same
5 extent and in the same manner as those subsections ap-
6 plied to the previous quota holder.

7 (c) DEATH OF QUOTA LESSEE OR QUOTA TEN-
8 ANT.—If a quota lessee or quota tenant who is entitled
9 to payments under this section dies and is survived by a
10 spouse or one or more dependents, the right to receive the
11 payments shall transfer to the surviving spouse or, if there
12 is no surviving spouse, to the surviving dependents in
13 equal shares.

14 **SEC. 506. ACCELERATION OF PAYMENTS.**

15 (a) ACCELERATION REQUIRED.—On the occurrence
16 of any of the events described in subsection (b), the Sec-
17 retary shall make an accelerated lump sum payment in
18 accordance with subsection (c)—

19 (1) to each quota holder, quota lessee, and
20 quota tenant for any affected kind of tobacco to
21 compensate such persons for lost tobacco quota and
22 market disruption resulting from the event; and

23 (2) to each tobacco warehouseman to com-
24 pensate tobacco warehousemen for market disrup-
25 tion resulting from the event.

1 (b) TRIGGERING EVENTS.—The Secretary shall make
2 accelerated payments under subsection (a) if after the
3 date of enactment of this Act—

4 (1) for three consecutive marketing years, the
5 national marketing quota for a kind of tobacco is
6 less than 50 percent of the national marketing quota
7 for the kind of tobacco for the 1997 marketing year;
8 or

9 (2) Congress repeals or makes ineffective, di-
10 rectly or indirectly, any provision of—

11 (A) section 316(g) of the Agricultural Ad-
12 justment Act of 1938 (7 U.S.C. 1314b(g));

13 (B) section 319(g) of the Agricultural Ad-
14 justment Act of 1938 (7 U.S.C. 1314e(g));

15 (C) section 106 of the Agricultural Act of
16 1949 (7 U.S.C. 1445);

17 (D) section 106A of the Agricultural Act
18 of 1949 (7 U.S.C. 1445–1); or

19 (E) section 106B of the Agricultural Act
20 of 1949 (7 U.S.C. 1445–2).

21 (c) AMOUNT.—The amount of the accelerated pay-
22 ments made to each quota holder, quota lessee, quota ten-
23 ant, and tobacco warehouseman under this section shall
24 be equal to—

1 warehousemen under this title shall not be counted toward
2 this limitation.

3 (c) ACCELERATED PAYMENTS.—The annual limita-
4 tion in subsection (b) shall not apply if accelerated pay-
5 ments for lost tobacco quota are made in accordance with
6 section 506.

7 (d) REDUCTIONS.—If the total amount required to
8 be paid under section 504 to quota holders, quota lessees,
9 and quota tenants for a marketing year exceeds the annual
10 limitation specified in subsection (b), the Secretary shall
11 make a pro rata reduction in the amounts payable to
12 quota holders, quota lessees, and quota tenants under
13 such section to ensure that the total amount of the pay-
14 ments for lost tobacco quota does not exceed the specified
15 limitation.

16 (e) ROLLOVER OF PAYMENTS FOR LOST TOBACCO
17 QUOTA.—Subject to subsection (b), if the Secretary makes
18 a reduction in accordance with subsection (d), the amount
19 of the reduction shall be applied to the next marketing
20 year and added to the payments for lost tobacco quota
21 to quota holders, quota lessees, and quota tenants for the
22 marketing year.

23 **SEC. 509. COST-OF-LIVING ADJUSTMENT.**

24 (a) DEFINITIONS.—In this section:

1 (1) BASE QUARTER.—The term “base quarter”,
2 means the last three months of a marketing year.

3 (2) PRICE INDEX.—The term “price index”
4 means the Consumer Price Index (all items—United
5 States city average) published monthly by the Bu-
6 reau of Labor Statistics. The price index for a base
7 quarter is the arithmetical mean of the index for the
8 3 months comprising that base quarter.

9 (b) ADJUSTMENT REQUIRED.—Beginning with the
10 2000 marketing year for a kind of tobacco, the amounts
11 described in subsection (c) shall each be increased by the
12 percent change in the price index for the base quarter of
13 the preceding marketing year over the price index for the
14 base quarter of the second preceding marketing year, ad-
15 justed to the nearest $\frac{1}{10}$ of 1 percent.

16 (c) COVERED AMOUNTS.—The adjustments required
17 by subsection (b) shall be made to—

18 (1) the amounts specified in subsections (a)(3)
19 and (c) of section 504;

20 (2) the amounts specified in subsections
21 (a)(1)(B)(ii) and (a)(2)(B)(i)(II) of section 505;

22 (3) the amount specified in section 508(b); and

23 (4) the base commission level for each tobacco
24 warehouseman.

1 **SEC. 510. EFFECTIVE DATE.**

2 This title shall take effect beginning with the 1999
3 marketing year of each kind of tobacco for which a na-
4 tional marketing quota is in effect.

5 **TITLE VI—COMMUNITY, FARM-**
6 **ER, AND WORKER TRANSI-**
7 **TION ASSISTANCE**

8 **SEC. 601. TOBACCO COMMUNITY ECONOMIC DEVELOP-**
9 **MENT GRANTS.**

10 (a) **AUTHORITY.**—The Secretary shall make grants to
11 tobacco-growing States in accordance with this section to
12 enable the States to carry out economic development ini-
13 tiatives in tobacco-growing communities.

14 (b) **APPLICATION.**—To be eligible to receive payments
15 under this section, a State shall prepare and submit to
16 the Secretary an application at such time, in such manner,
17 and containing such information as the Secretary may re-
18 quire, including—

19 (1) a description of the activities that the State
20 will carry out using amounts received under the
21 grant;

22 (2) a designation of an appropriate State agen-
23 cy to administer amounts received under the grant;
24 and

25 (3) a description of the steps to be taken to en-
26 sure that the funds are distributed in accordance

1 with subsection (e), including the manner in which
2 the State proposes to use historically black colleges
3 and universities in the distribution and use of the
4 funds.

5 (c) AMOUNT OF GRANT.—

6 (1) ALLOTMENT METHOD.—From the amounts
7 available to carry out this section for a fiscal year,
8 the Secretary shall allot to each State an amount
9 that bears the same ratio to the amounts available
10 as the total income of the State derived from the
11 production of tobacco during the 1995, 1996, and
12 1997 marketing years bears to the total income of
13 all States derived from the production of tobacco
14 during the 1995, 1996, and 1997 marketing years.
15 For the 1995, 1996, and 1997 marketing years, the
16 Secretary shall determine the amount of income de-
17 rived from the production of tobacco in each State
18 and in all States.

19 (2) MATCHING FUNDS REQUIREMENT.—A State
20 may not receive more than 50 percent of the allot-
21 ment determined for the State under paragraph (1)
22 for a fiscal year unless the State makes available,
23 out of non-Federal funds, matching funds in an
24 amount equal to not less than 50 percent of the al-

1 lotment for the same purposes for which the allotted
2 funds may be used under subsection (e).

3 (3) FAILURE TO PROVIDE MATCHING FUNDS.—

4 If a State fails to comply with the requirement to
5 provide matching funds for a fiscal year under para-
6 graph (2), the Secretary shall withhold from pay-
7 ment to the State for that fiscal year an amount
8 equal to the difference between—

9 (A) the 50 percent of the amount that
10 would be allotted and paid to the State under
11 paragraph (1) (if the full amount of matching
12 funds were provided by the State); and

13 (B) the amount of matching funds actually
14 provided by the State.

15 (4) REAPPORTIONMENT.—The Secretary shall
16 reapportion amounts withheld under paragraph (3)
17 for a fiscal year among the States satisfying the
18 matching requirement for that fiscal year. Any re-
19 apportionment of funds under this paragraph shall
20 be subject to the matching requirement specified in
21 paragraph (2).

22 (d) PAYMENTS.—

23 (1) IN GENERAL.—A State that has an applica-
24 tion approved by the Secretary under subsection (b)

1 shall be entitled to a payment under this section in
2 an amount determined under subsection (c).

3 (2) FORM OF PAYMENTS.—The Secretary may
4 make payments under this section to a State in in-
5 stallments, and in advance or by way of reimburse-
6 ment, with necessary adjustments on account of
7 overpayments or underpayments, as the Secretary
8 may determine.

9 (3) REALLOTMENT.—Any portion of the allot-
10 ment of a State under subsection (c) that the Sec-
11 retary determines will not be used to carry out this
12 section in accordance with an approved State appli-
13 cation required under subsection (b), shall be reallocot-
14 ted by the Secretary to other States in proportion to
15 the original allotments to the other States.

16 (e) USE AND DISTRIBUTION OF FUNDS.—

17 (1) IN GENERAL.—Amounts received by a State
18 under this section shall be used to carry out eco-
19 nomic development activities, including—

20 (A) rural business enterprise activities de-
21 scribed in subsections (c) and (e) of section
22 310B of the Consolidated Farm and Rural De-
23 velopment Act (7 U.S.C. 1932);

24 (B) down payment loan assistance pro-
25 grams that are similar to the program described

1 in section 310E of the Consolidated Farm and
2 Rural Development Act (7 U.S.C. 1935);

3 (C) activities designed to help create pro-
4 ductive farm or off-farm employment in rural
5 areas to provide a more viable economic base
6 and enhance opportunities for improved in-
7 comes, living standards, and contributions by
8 rural individuals to the economic and social de-
9 velopment of tobacco communities;

10 (D) activities that expand existing infra-
11 structure, facilities, and services to capitalize on
12 opportunities to diversify economies in tobacco
13 communities and that support the development
14 of new industries or commercial ventures;

15 (E) activities by agricultural organizations
16 that provide assistance directly to active tobacco
17 producers to assist in developing other agricul-
18 tural activities that supplement tobacco-produc-
19 ing activities;

20 (F) initiatives designed to create or expand
21 locally owned value-added processing and mar-
22 keting operations in tobacco communities; and

23 (G) technical assistance activities by per-
24 sons to support farmer-owned enterprises, or
25 agriculture-based rural development enterprises,

1 of the type described in section 252 or 253 of
2 the Trade Act of 1974 (19 U.S.C. 2342, 2343).

3 (2) TOBACCO-GROWING COUNTIES.—Assistance
4 may be provided by a State under this section only
5 to assist a county in the State that has been deter-
6 mined by the Secretary to have in excess of
7 \$100,000 in income derived from the production of
8 tobacco during one or more of the 1995, 1996, or
9 1997 marketing years.

10 (3) DISTRIBUTION.—

11 (A) ECONOMIC DEVELOPMENT ACTIVI-
12 TIES.—Not less than 20 percent of the amounts
13 received by a State under this section shall be
14 used to carry out—

15 (i) economic development activities de-
16 scribed in subparagraph (E) or (F) of
17 paragraph (1); or

18 (ii) agriculture-based rural develop-
19 ment activities described in paragraph
20 (1)(G).

21 (B) TECHNICAL ASSISTANCE ACTIVI-
22 TIES.—Not less than 4 percent of the amounts
23 received by a State under this section shall be
24 used to carry out technical assistance activities
25 described in paragraph (1)(G).

1 (C) TOBACCO-GROWING COUNTIES.—To be
2 eligible to receive payments under this section,
3 a State shall demonstrate to the Secretary that
4 funding will be provided, during each 5-year pe-
5 riod for which funding is provided under this
6 section, for activities in each county in the
7 State that has been determined under para-
8 graph (2) to have in excess of \$100,000 in in-
9 come derived from the production of tobacco, in
10 amounts that are at least equal to the product
11 obtained by multiplying—

12 (i) the ratio that the tobacco produc-
13 tion income in the county determined
14 under paragraph (2) bears to the total to-
15 bacco production income for the State de-
16 termined under subsection (c); by

17 (ii) 50 percent of the total amounts
18 received by a State under this section dur-
19 ing the five-year period.

20 (f) PREFERENCES IN HIRING.—A State may require
21 recipients of funds under this section to provide a pref-
22 erence in employment to—

23 (1) an individual who—

24 (A) during the 1996 calendar year, was
25 employed in the manufacture, processing, or

1 warehousing of tobacco or tobacco products, or
2 resided, in a county described in subsection
3 (e)(2); and

4 (B) is eligible for assistance under the to-
5 bacco worker transition program established
6 under section 602; or

7 (2) an individual who—

8 (A) during the 1996 marketing year, car-
9 ried out tobacco quota or relevant tobacco pro-
10 duction activities in a county described in sub-
11 section (e)(2);

12 (B) is eligible for a farmer opportunity
13 grant under subpart 9 of part A of title IV of
14 the Higher Education Act of 1965; and

15 (C) has successfully completed a course of
16 study at an institution of higher education.

17 (g) AVAILABLE FUNDS.—Amounts in the Tobacco
18 Community Revitalization Trust Fund shall be available
19 for making expenditures after October 1, 1998, for to-
20 bacco community economic development grants, but not
21 to exceed—

22 (1) \$400,000,000 for each of fiscal years 1999
23 through 2008, less any amount required to be paid
24 under title III for the fiscal year; and

1 (2) \$450,000,000 for each of fiscal year 2009
2 through 2023, less any amount required to be paid
3 under title III during the fiscal year.

4 **SEC. 602. TOBACCO WORKER TRANSITION PROGRAM.**

5 (a) GROUP ELIGIBILITY REQUIREMENTS.—

6 (1) CRITERIA.—A group of workers (including
7 workers in any firm or subdivision of a firm involved
8 in the manufacture, processing, or warehousing of
9 tobacco or tobacco products) shall be certified as eli-
10 gible to apply for adjustment assistance under this

11 section pursuant to a petition filed under subsection
12 (b) if the Secretary of Labor determines that a sig-
13 nificant number or proportion of the workers in such
14 workers' firm or an appropriate subdivision of the
15 firm have become totally or partially separated, or
16 are threatened to become totally or partially sepa-
17 rated, and—

18 (A) the sales or production, or both, of
19 such firm or subdivision have decreased abso-
20 lutely; and

21 (B) the implementation of the national to-
22 bacco settlement contributed importantly to
23 such workers' separation or threat of separation
24 and to the decline in the sales or production of
25 such firm or subdivision.

1 (2) DEFINITION OF CONTRIBUTED IMPOR-
2 TANTLY.—In paragraph (1)(B), the term “contrib-
3 uted importantly” means a cause that is important
4 but not necessarily more important than any other
5 cause.

6 (3) REGULATIONS.—The Secretary of Labor
7 shall issue regulations relating to the application of
8 the criteria described in paragraph (1) in making
9 preliminary findings under subsection (b) and deter-
10 minations under subsection (c).

11 (b) PRELIMINARY FINDINGS AND BASIC ASSIST-
12 ANCE.—

13 (1) FILING OF PETITIONS.—A petition for cer-
14 tification of eligibility to apply for adjustment assist-
15 ance under this section may be filed by a group of
16 workers (including workers in any firm or subdivi-
17 sion of a firm involved in the manufacture, process-
18 ing, or warehousing of tobacco or tobacco products)
19 or by their certified or recognized union or other
20 duly authorized representative with the Governor of
21 the State in which such workers’ firm or subdivision
22 thereof is located.

23 (2) FINDINGS AND ASSISTANCE.—Upon receipt
24 of a petition under paragraph (1), the Governor
25 shall—

1 (A) notify the Secretary of Labor that the
2 Governor has received the petition;

3 (B) within 10 days after receiving the peti-
4 tion—

5 (i) make a preliminary finding as to
6 whether the petition meets the criteria de-
7 scribed in subsection (a)(1); and

8 (ii) transmit the petition, together
9 with a statement of the finding under
10 clause (i) and reasons for the finding, to
11 the Secretary of Labor for action under
12 subsection (c); and

13 (C) if the preliminary finding under sub-
14 paragraph (B)(i) is affirmative, ensure that
15 rapid response and basic readjustment services
16 authorized under other Federal laws are made
17 available to the workers.

18 (c) REVIEW OF PETITIONS BY SECRETARY; CERTIFI-
19 CATIONS.—

20 (1) IN GENERAL.—The Secretary of Labor,
21 within 30 days after receiving a petition under sub-
22 section (b)(2)(B)(ii), shall determine whether the pe-
23 tition meets the criteria described in subsection
24 (a)(1). Upon a determination that the petition meets
25 such criteria, the Secretary of Labor shall issue to

1 workers covered by the petition a certification of eli-
2 gibility to apply for the assistance described in sub-
3 section (d).

4 (2) DENIAL OF CERTIFICATION.—Upon the de-
5 nial of a certification with respect to a petition
6 under paragraph (1), the Secretary of Labor shall
7 review the petition in accordance with the require-
8 ments of other applicable assistance programs to de-
9 termine if the workers may be certified under such
10 other provisions.

11 (d) COMPREHENSIVE ASSISTANCE.—

12 (1) IN GENERAL.—Workers covered by a certifi-
13 cation issued by the Secretary of Labor under sub-
14 section (c)(1) shall be provided with benefits and
15 services described in paragraph (2) in the same
16 manner and to the same extent as workers covered
17 under a certification under subchapter A of title II
18 of the Trade Act of 1974 (19 U.S.C. 2271 et seq.),
19 except that the total amount of payments under this
20 section for any fiscal year shall not exceed
21 \$50,000,000.

22 (2) BENEFITS AND SERVICES.—The benefits
23 and services described in this paragraph are the fol-
24 lowing:

1 (A) Employment services of the type de-
2 scribed in section 235 of the Trade Act of 1974
3 (19 U.S.C. 2295).

4 (B) Training described in section 236 of
5 the Trade Act of 1974 (19 U.S.C. 2296), ex-
6 cept that notwithstanding the provisions of sec-
7 tion 236(a)(2)(A) of such Act, the total amount
8 of payments for training under this section for
9 any fiscal year shall not exceed \$25,000,000.

10 (C) Tobacco worker readjustment allow-
11 ances, which shall be provided in the same man-
12 ner as trade readjustment allowances are pro-
13 vided under part I of subchapter B of chapter
14 2 of title II of the Trade Act of 1974 (19
15 U.S.C. 2291 et seq.), except that—

16 (i) the provisions of sections
17 231(a)(5)(C) and 231(c) of such Act (19
18 U.S.C. 2291(a)(5)(C), 2291(c)), authoriz-
19 ing the payment of trade readjustment al-
20 lowances upon a finding that it is not fea-
21 sible or appropriate to approve a training
22 program for a worker, shall not be applica-
23 ble to payment of allowances under this
24 section; and

1 (ii) notwithstanding the provisions of
2 section 233(b) of such Act (19 U.S.C.
3 2293(b)), in order for a worker to qualify
4 for tobacco readjustment allowances under
5 this section, the worker shall be enrolled in
6 a training program approved by the Sec-
7 retary of Labor of the type described in
8 section 236(a) of such Act (19 U.S.C.
9 2296(a)) by the later of—

10 (I) the last day of the 16th week
11 of such worker's initial unemployment
12 compensation benefit period; or

13 (II) the last day of the 6th week
14 after the week in which the Secretary
15 of Labor issues a certification cover-
16 ing such worker.

17 In cases of extenuating circumstances re-
18 lating to enrollment of a worker in a train-
19 ing program under this section, the Sec-
20 retary of Labor may extend the time for
21 enrollment for a period of not to exceed 30
22 days.

23 (D) Job search allowances of the type de-
24 scribed in section 237 of the Trade Act of 1974
25 (19 U.S.C. 2297).

1 (E) Relocation allowances of the type de-
2 scribed in section 238 of the Trade Act of 1974
3 (19 U.S.C. 2298).

4 (e) INELIGIBILITY OF INDIVIDUALS RECEIVING PAY-
5 MENTS FOR LOST TOBACCO QUOTA.—No benefits or serv-
6 ices may be provided under this section to any individual
7 who has received payments for lost tobacco quota under
8 section 201.

9 (f) EFFECTIVE DATE.—This section shall take effect
10 on the date that is the later of—

11 (1) October 1, 1998; or

12 (2) the date on which legislation implementing
13 the national tobacco settlement is enacted.

14 (g) TERMINATION DATE.—No assistance, vouchers,
15 allowances, or other payments may be provided under this
16 section after the date that is the earlier of—

17 (1) the date that is 10 years after the effective
18 date of this section under subsection (g); or

19 (2) the date on which legislation establishing a
20 program providing dislocated workers with com-
21 prehensive assistance substantially similar to the as-
22 sistance provided by this section becomes effective.

23 (h) AVAILABLE FUNDS.—Amounts in the Tobacco
24 Community Revitalization Trust Fund shall be available
25 for making expenditures after October 1, 1998, for assist-

1 ance provided under the tobacco worker transition pro-
 2 gram, but not to exceed \$50,000,000 for any fiscal year.

3 **SEC. 603. FARMER OPPORTUNITY GRANTS.**

4 (a) **AUTHORITY TO PROVIDE FARMER OPPORTUNITY**
 5 **GRANTS.**—Part A of title IV of the Higher Education Act
 6 of 1965 (20 U.S.C. 1070 et seq.) is amended by adding
 7 at the end the following:

8 **“Subpart 9—Farmer Opportunity Grants**

9 **“SEC. 420D. STATEMENT OF PURPOSE.**

10 “It is the purpose of this subpart to assist in making
 11 available the benefits of postsecondary education to eligi-
 12 ble students (determined in accordance with section 420F)
 13 in institutions of higher education by providing farmer op-
 14 portunity grants to all eligible students.

15 **“SEC. 420E. PROGRAM AUTHORITY; AMOUNT AND DETER-**
 16 **MINATIONS; APPLICATIONS.**

17 “(a) **PROGRAM AUTHORITY AND METHOD OF**
 18 **DISTRIBUTION.**—

19 “(1) **PROGRAM AUTHORITY.**—From amounts
 20 made available under section 603(b) of the Tobacco
 21 Community Economic Stabilization and Support
 22 Act, the Secretary, during the period beginning July
 23 1, 1999, and ending September 30, 2024, shall pay
 24 to each eligible institution such sums as may be nec-
 25 essary to pay to each eligible student (determined in

1 accordance with section 420F) for each academic
2 year during which that student is in attendance at
3 an institution of higher education, as an under-
4 graduate, a farmer opportunity grant in the amount
5 for which that student is eligible, as determined pur-
6 suant to subsection (b). Not less than 85 percent of
7 such sums shall be advanced to eligible institutions
8 prior to the start of each payment period and shall
9 be based upon an amount requested by the institu-
10 tion as needed to pay eligible students, except that
11 this sentence shall not be construed to limit the au-
12 thority of the Secretary to place an institution on a
13 reimbursement system of payment.

14 “(2) CONSTRUCTION.—Nothing in this section
15 shall be construed to prohibit the Secretary from
16 paying directly to students, in advance of the begin-
17 ning of the academic term, an amount for which the
18 students are eligible, in cases where the eligible in-
19 stitution elects not to participate in the disburse-
20 ment system required by paragraph (1).

21 “(3) DESIGNATION.—Grants made under this
22 subpart shall be known as ‘farmer opportunity
23 grants’.

24 “(b) AMOUNT OF GRANTS.—

25 “(1) AMOUNTS.—

1 “(A) IN GENERAL.—The amount of the
2 grant for a student eligible under this subpart
3 shall be—

4 “(i) \$1,700 for each of the academic
5 years 1999–2000 through 2003–2004;

6 “(ii) \$2,000 for each of the academic
7 years 2004–2005 through 2008–2009;

8 “(iii) \$2,300 for each of the academic
9 years 2009–2010 through 2013–2014;

10 “(iv) \$2,600 for each of the academic
11 years 2014–2015 through 2018–2019; and

12 “(v) \$2,900 for each of the academic
13 years 2019–2020 through 2023–2024.

14 “(B) PART-TIME RULE.—In any case
15 where a student attends an institution of higher
16 education on less than a full-time basis (includ-
17 ing a student who attends an institution of
18 higher education on less than a half-time basis)
19 during any academic year, the amount of the
20 grant for which that student is eligible shall be
21 reduced in proportion to the degree to which
22 that student is not so attending on a full-time
23 basis, in accordance with a schedule of reduc-
24 tions established by the Secretary for the pur-
25 poses of this subparagraph, computed in ac-

1 cordance with this subpart. Such schedule of re-
2 ductions shall be established by regulation and
3 published in the Federal Register.

4 “(2) MAXIMUM.—No grant under this subpart
5 shall exceed the cost of attendance (as described in
6 section 472) at the institution at which that student
7 is in attendance. If, with respect to any student, it
8 is determined that the amount of a grant exceeds
9 the cost of attendance for that year, the amount of
10 the grant shall be reduced to an amount equal to the
11 cost of attendance at such institution.

12 “(3) PROHIBITION.—No grant shall be awarded
13 under this subpart to any individual who is incarcer-
14 ated in any Federal, State, or local penal institution.

15 “(c) PERIOD OF ELIGIBILITY FOR GRANTS.—

16 “(1) IN GENERAL.—The period during which a
17 student may receive grants shall be the period re-
18 quired for the completion of the first undergraduate
19 baccalaureate course of study being pursued by that
20 student at the institution at which the student is in
21 attendance, except that any period during which the
22 student is enrolled in a noncredit or remedial course
23 of study as described in paragraph (2) shall not be
24 counted for the purpose of this paragraph.

1 “(2) CONSTRUCTION.—Nothing in this section
2 shall be construed to—

3 “(A) exclude from eligibility courses of
4 study that are noncredit or remedial in nature
5 and that are determined by the institution to be
6 necessary to help the student be prepared for
7 the pursuit of a first undergraduate baccalaureate
8 degree or certificate or, in the case of
9 courses in English language instruction, to be
10 necessary to enable the student to utilize already
11 existing knowledge, training, or skills;
12 and

13 “(B) exclude from eligibility programs of
14 study abroad that are approved for credit by
15 the home institution at which the student is
16 enrolled.

17 “(3) PROHIBITION.—No student is entitled to
18 receive farmer opportunity grant payments concurrently
19 from more than 1 institution or from the Secretary
20 and an institution.

21 “(d) APPLICATIONS FOR GRANTS.—

22 “(1) IN GENERAL.—The Secretary shall from
23 time to time set dates by which students shall file
24 applications for grants under this subpart. The filing
25 of applications under this subpart shall be coordi-

1 nated with the filing of applications under section
2 401(c).

3 “(2) INFORMATION AND ASSURANCES.—Each
4 student desiring a grant for any year shall file with
5 the Secretary an application for the grant containing
6 such information and assurances as the Secretary
7 may deem necessary to enable the Secretary to carry
8 out the Secretary’s functions and responsibilities
9 under this subpart.

10 “(e) DISTRIBUTION OF GRANTS TO STUDENTS.—
11 Payments under this section shall be made in accordance
12 with regulations promulgated by the Secretary for such
13 purpose, in such manner as will best accomplish the pur-
14 pose of this section. Any disbursement allowed to be made
15 by crediting the student’s account shall be limited to tui-
16 tion and fees and, in the case of institutionally owned
17 housing, room and board. The student may elect to have
18 the institution provide other such goods and services by
19 crediting the student’s account.

20 “(f) INSUFFICIENT FUNDING.—If, for any fiscal
21 year, the funds made available to carry out this subpart
22 from the Tobacco Community Revitalization Trust Fund
23 are insufficient to satisfy fully all grants for students de-
24 termined to be eligible under section 420F, the amount

1 of the grant provided under subsection (b) shall be re-
2 duced on a pro rata basis among all eligible students.

3 “(g) TREATMENT OF INSTITUTIONS AND STUDENTS
4 UNDER OTHER LAWS.—Any institution of higher edu-
5 cation that enters into an agreement with the Secretary
6 to disburse to students attending that institution the
7 amounts those students are eligible to receive under this
8 subpart shall not be deemed, by virtue of such agreement,
9 to be a contractor maintaining a system of records to ac-
10 complish a function of the Secretary. Recipients of farmer
11 opportunity grants shall not be considered to be individual
12 grantees for purposes of the Drug-Free Workplace Act of
13 1988 (41 U.S.C. 701 et seq.).

14 **“SEC. 420F. STUDENT ELIGIBILITY.**

15 “(a) IN GENERAL.—In order to receive any grant
16 under this subpart, a student shall—

17 “(1) be a member of a tobacco farm family in
18 accordance with subsection (b);

19 “(2) be enrolled or accepted for enrollment in
20 a degree, certificate, or other program (including a
21 program of study abroad approved for credit by the
22 eligible institution at which such student is enrolled)
23 leading to a recognized educational credential at an
24 institution of higher education that is an eligible in-

1 stitution in accordance with section 487, and not be
2 enrolled in an elementary or secondary school;

3 “(3) if the student is presently enrolled at an
4 institution of higher education, be maintaining satis-
5 factory progress in the course of study the student
6 is pursuing in accordance with subsection (c);

7 “(4) not owe a refund on grants previously re-
8 ceived at any institution of higher education under
9 this title, or be in default on any loan from a stu-
10 dent loan fund at any institution provided for in
11 part D, or a loan made, insured, or guaranteed by
12 the Secretary under this title for attendance at any
13 institution;

14 “(5) file with the institution of higher education
15 that the student intends to attend, or is attending,
16 a document, that need not be notarized, but that
17 shall include—

18 “(A) a statement of educational purpose
19 stating that the money attributable to such
20 grant will be used solely for expenses related to
21 attendance or continued attendance at such in-
22 stitution; and

23 “(B) such student’s social security num-
24 ber; and

25 “(6) be a citizen of the United States.

1 “(b) TOBACCO FARM FAMILIES.—

2 “(1) IN GENERAL.—For the purpose of sub-
3 section (a)(1), a student is a member of a tobacco
4 farm family if during calendar year 1996 the stu-
5 dent was—

6 “(A) an individual who—

7 “(i) is an active tobacco producer (as
8 defined in section 2 of the Tobacco Com-
9 munity Economic Stabilization and Sup-
10 port Act); or

11 “(ii) is otherwise actively engaged in
12 the production of tobacco;

13 “(B) a spouse, son, daughter, stepson, or
14 stepdaughter of an individual described in sub-
15 paragraph (A);

16 “(C) an individual—

17 “(i) who was a brother, sister, step-
18 brother, stepsister, son-in-law, or daughter-
19 in-law of an individual described in sub-
20 paragraph (A); and

21 “(ii) whose principal place of resi-
22 dence was the home of the individual de-
23 scribed in subparagraph (A); or

24 “(D) an individual who was a dependent
25 (within the meaning of section 152 of the Inter-

1 nal Revenue Code of 1986) of an individual de-
2 scribed in subparagraph (A).

3 “(2) ADMINISTRATION.—On request, the Sec-
4 retary of Agriculture shall provide to the Secretary
5 such information as is necessary to carry out this
6 subsection.

7 “(c) SATISFACTORY PROGRESS.—

8 “(1) IN GENERAL.—For the purpose of sub-
9 section (a)(3), a student is maintaining satisfactory
10 progress if—

11 “(A) the institution at which the student is
12 in attendance reviews the progress of the stu-
13 dent at the end of each academic year, or its
14 equivalent, as determined by the institution;
15 and

16 “(B) the student has at least a cumulative
17 C average or its equivalent, or academic stand-
18 ing consistent with the requirements for grad-
19 uation, as determined by the institution, at the
20 end of the second such academic year.

21 “(2) SPECIAL RULE.—Whenever a student fails
22 to meet the eligibility requirements of subsection
23 (a)(3) as a result of the application of this sub-
24 section and subsequent to that failure the student
25 has academic standing consistent with the require-

1 ments for graduation, as determined by the institu-
2 tion, for any grading period, the student may, sub-
3 ject to this subsection, again be eligible under sub-
4 section (a)(3) for a grant under this subpart.

5 “(3) WAIVER.—Any institution of higher edu-
6 cation at which the student is in attendance may
7 waive paragraph (1) or (2) for undue hardship based
8 on—

9 “(A) the death of a relative of the student;

10 “(B) the personal injury or illness of the
11 student; or

12 “(C) special circumstances as determined
13 by the institution.

14 “(d) STUDENTS WHO ARE NOT SECONDARY SCHOOL
15 GRADUATES.—In order for a student who does not have
16 a certificate of graduation from a school providing second-
17 ary education, or the recognized equivalent of such certifi-
18 cate, to be eligible for any assistance under this subpart,
19 the student shall meet either 1 of the following standards:

20 “(1) EXAMINATION.—The student shall take an
21 independently administered examination and shall
22 achieve a score, specified by the Secretary, dem-
23 onstrating that such student can benefit from the
24 education or training being offered. Such examina-
25 tion shall be approved by the Secretary on the basis

1 of compliance with such standards for development,
2 administration, and scoring as the Secretary may
3 prescribe in regulations.

4 “(2) DETERMINATION.—The student shall be
5 determined as having the ability to benefit from the
6 education or training in accordance with such pro-
7 cess as the State shall prescribe. Any such process
8 described or approved by a State for the purposes of
9 this section shall be effective 6 months after the date
10 of submission to the Secretary unless the Secretary
11 disapproves such process. In determining whether to
12 approve or disapprove such process, the Secretary
13 shall take into account the effectiveness of such
14 process in enabling students without secondary
15 school diplomas or the recognized equivalent to bene-
16 fit from the instruction offered by institutions utiliz-
17 ing such process, and shall also take into account
18 the cultural diversity, economic circumstances, and
19 educational preparation of the populations served by
20 the institutions.

21 “(e) SPECIAL RULE FOR CORRESPONDENCE
22 COURSES.—A student shall not be eligible to receive a
23 grant under this subpart for a correspondence course un-
24 less such course is part of a program leading to an associ-
25 ate, bachelor, or graduate degree.

1 “(f) COURSES OFFERED THROUGH TELECOMMUNI-
2 CATIONS.—

3 “(1) RELATION TO CORRESPONDENCE
4 COURSES.—A student enrolled in a course of in-
5 struction at an eligible institution of higher edu-
6 cation (other than an institute or school that meets
7 the definition in section 521(4)(C) of the Carl D.
8 Perkins Vocational and Applied Technology Edu-
9 cation Act (20 U.S.C. 2471(4)(C))) that is offered
10 in whole or in part through telecommunications and
11 leads to a recognized associate, bachelor, or graduate
12 degree conferred by such institution shall not be
13 considered to be enrolled in correspondence courses
14 unless the total amount of telecommunications and
15 correspondence courses at such institution equals or
16 exceeds 50 percent of such courses.

17 “(2) RESTRICTION OR REDUCTIONS OF FINAN-
18 CIAL AID.—A student’s eligibility to receive a grant
19 under this subpart may be reduced if a financial aid
20 officer determines under the discretionary authority
21 provided in section 479A that telecommunications
22 instruction results in a substantially reduced cost of
23 attendance to such student.

24 “(3) DEFINITION.—For the purposes of this
25 subsection, the term ‘telecommunications’ means the

1 use of television, audio, or computer transmission,
2 including open broadcast, closed circuit, cable,
3 microwave, or satellite, audio conferencing, computer
4 conferencing, or video cassettes or discs, except that
5 such term does not include a course that is delivered
6 using video cassette or disc recordings at such insti-
7 tution and that is not delivered in person to other
8 students of that institution.

9 “(g) STUDY ABROAD.—Nothing in this subpart shall
10 be construed to limit or otherwise prohibit access to study
11 abroad programs approved by the home institution at
12 which a student is enrolled. An otherwise eligible student
13 who is engaged in a program of study abroad approved
14 for academic credit by the home institution at which the
15 student is enrolled shall be eligible to receive a grant under
16 this subpart, without regard to whether such study abroad
17 program is required as part of the student’s degree
18 program.

19 “(h) VERIFICATION OF SOCIAL SECURITY NUM-
20 BER.—The Secretary, in cooperation with the Commis-
21 sioner of Social Security, shall verify any social security
22 number provided by a student to an eligible institution
23 under subsection (a)(5)(B) and shall enforce the following
24 conditions:

1 “(1) PENDING VERIFICATION.—Except as pro-
2 vided in paragraphs (2) and (3), an institution shall
3 not deny, reduce, delay, or terminate a student’s eli-
4 gibility for assistance under this subpart because so-
5 cial security number verification is pending.

6 “(2) DENIAL OR TERMINATION.—If there is a
7 determination by the Secretary that the social secu-
8 rity number provided to an eligible institution by a
9 student is incorrect, the institution shall deny or ter-
10 minate the student’s eligibility for any grant under
11 this subpart until such time as the student provides
12 documented evidence of a social security number
13 that is determined by the institution to be correct.

14 “(3) CONSTRUCTION.—Nothing in this sub-
15 section shall be construed to permit the Secretary to
16 take any compliance, disallowance, penalty, or other
17 regulatory action against—

18 “(A) any institution of higher education
19 with respect to any error in a social security
20 number, unless such error was a result of fraud
21 on the part of the institution; or

22 “(B) any student with respect to any error
23 in a social security number, unless such error
24 was a result of fraud on the part of the
25 student.”.

1 (b) AVAILABLE FUNDS.—Amounts in the Tobacco
2 Community Revitalization Trust Fund shall be available
3 for making expenditures after October 1, 1998, under sub-
4 part 9 of part A of title IV of the Higher Education Act
5 of 1965, as added by this section, for farmer opportunity
6 grants, but not to exceed—

7 (1) \$42,500,000 for each of the academic years
8 1999–2000 through 2003–2004;

9 (2) \$50,000,000 for each of the academic years
10 2004–2005 through 2008–2009;

11 (3) \$57,500,000 for each of the academic years
12 2009–2010 through 2013–2014;

13 (4) \$65,000,000 for each of the academic years
14 2014–2015 through 2018–2019; and

15 (5) \$72,500,000 for each of the academic years
16 2019–2020 through 2023–2024.

17 **SEC. 604. RESEARCH GRANTS FOR ALTERNATIVE USES OF**
18 **TOBACCO PRODUCTION AND PROCESSING**
19 **EQUIPMENT.**

20 (a) RESEARCH GRANTS AUTHORIZED.—The Sec-
21 retary of Agriculture may make grants under this section
22 on the basis of a competitive application process (and in
23 accordance with such regulations that the Secretary may
24 promulgate) to an eligible institution to assist the institu-

1 tion to conduct research regarding alternative uses for to-
2 bacco production and processing equipment.

3 (b) ELIGIBLE INSTITUTIONS.—A land-grant college
4 or university (as defined in section 1404(10) of the Na-
5 tional Agricultural Research, Extension, and Teaching
6 Policy Act of 1977 (7 U.S.C. 3103(10))) and historically
7 black colleges and universities shall be eligible for grants
8 under this section.

9 (c) PERIOD OF GRANT.—The Secretary may award
10 a grant under this section for a period not to exceed five
11 years.

12 (d) PREFERENCES.—In making grants under this
13 section, the Secretary shall give preference to proposals
14 that—

15 (1) demonstrate linkages with—

16 (A) agencies of the Department of Agri-
17 culture;

18 (B) other related Federal research labora-
19 tories and agencies;

20 (C) other colleges and universities; and

21 (D) private industry; and

22 (2) guarantee matching funds in excess of the
23 amounts required by subsection (e).

24 (e) MATCHING FUNDS.—An eligible institution shall
25 contribute an amount of non-Federal funds that is at least

1 equal to the amount of grant funds received under this
2 section.

3 (f) **LIMITATION ON USE OF GRANT FUNDS.**—Funds
4 provided under this section may not be used for the plan-
5 ning, repair, rehabilitation, acquisition, or construction of
6 a building or facility.

7 (g) **AVAILABLE FUNDS.**—Amounts in the Tobacco
8 Community Revitalization Trust Fund shall be available
9 for making expenditures after October 1, 1998, for re-
10 search grants regarding alternative uses of tobacco pro-
11 duction and processing equipment, but not to exceed
12 \$3,000,000 for any fiscal year.

13 **TITLE VII—TAX TREATMENT FOR**
14 **PAYMENTS FOR LOST TO-**
15 **BACCO QUOTA**

16 **SEC. 701. PAYMENTS FOR LOST TOBACCO QUOTA.**

17 (a) **IN GENERAL.**—Part III of subchapter B of chap-
18 ter 1 of the Internal Revenue Code of 1986 (relating to
19 items specifically excluded from gross income) is amended
20 by redesignating section 139 as section 140 and by insert-
21 ing after section 138 the following new section:

22 **“SEC. 139. PAYMENTS FOR LOST TOBACCO QUOTA.**

23 “(a) **EXCLUSION FROM GROSS INCOME.**—In the case
24 of an eligible person, gross income does not include any
25 amount which (but for this subsection) would be includible

1 in gross income by reason of receipt of a payment for lost
2 tobacco quota.

3 “(b) REDUCTION IN BASIS OF FARM PROPERTY.—

4 The amount excluded from gross income under subsection
5 (a) shall be applied to reduce the basis of the real property
6 of the taxpayer to which the tobacco quota relates. Such
7 reduction shall be applied at the beginning of the taxable
8 year following the taxable year in which such exclusion oc-
9 curs.

10 “(c) LIMITATION.—The amount excluded under sub-
11 section (a) shall not exceed the aggregate adjusted bases
12 of depreciable real property (determined after any reduc-
13 tions under subsection (b)) held by the taxpayer imme-
14 diately before the receipt of the payment for lost tobacco
15 quota.

16 “(d) LOSS.—No loss shall be allowed under this sub-
17 title on a sale or other disposition of a tobacco quota with
18 respect to which a payment for lost tobacco quota is ex-
19 cluded from gross income under this section.

20 “(e) DEFINITIONS.—For purposes of this section—

21 “(1) ELIGIBLE PERSON.—The term ‘eligible
22 person’ means a quota holder, quota lessee, or quota
23 tenant.

24 “(2) QUOTA HOLDER, QUOTA LESSEE, QUOTA
25 TENANT.—The terms ‘quota holder’, ‘quota lessee’,

1 and ‘quota tenant’ have the meanings given such
2 terms by section 2 of the Tobacco Community Eco-
3 nomic Stabilization and Support Act.

4 “(3) PAYMENT FOR LOST TOBACCO QUOTA.—
5 The term ‘payment for lost tobacco quota’ means a
6 payment under title IV or V of the Tobacco Commu-
7 nity Economic Stabilization and Support Act.

8 “(4) TOBACCO QUOTA.—The term ‘tobacco
9 quota’ means a tobacco farm marketing quota or
10 farm acreage allotment that was established under
11 the Agricultural Adjustment Act of 1938 for any of
12 the 1995, 1996, or 1997 crop years.”.

13 (b) CLERICAL AMENDMENTS.—The table of sections
14 for part III of subchapter B of chapter 1 of such Code
15 is amended by striking the item relating to section 139
16 and inserting after the item relating to section 138 the
17 following new items:

“Sec. 139. Payments for lost tobacco quota.

“Sec. 140. Cross references to other Acts.”

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years ending after the
20 beginning of the 1999 marketing year for any kind of to-
21 bacco.

1 **TITLE VIII—IMMUNITY**
2 **SEC. 801. GENERAL IMMUNITY FOR TOBACCO PRODUCERS**
3 **AND WAREHOUSERS.**

4 Notwithstanding any other provision of this Act, an
5 active tobacco producer, tobacco-related growers associa-
6 tion, or tobacco warehouse owner or employee may not be
7 subject to liability in any Federal or State court for any
8 cause of action resulting from the failure of any tobacco
9 product manufacturer, distributor, or retailer to comply
10 with national tobacco settlement legislation.

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