ON CAPITOL HILL

Hatch Wants Tobacco Bill Before Recess

Senate Judiciary Chairman Orrin G. Hatch said yesterday that he wanted legislation enforcing a national tobacco settlement submitted before Congress adjourns for the year, although lawmakers are unlikely to act on it by then.

"There are 101 issues that have to be determined, but we're determining them," Hatch (R-Utah) said after a Judiciary subcommittee hearing on the proposed $368.5 billion deal between the tobacco industry and state attorneys general.

Congress must pass legislation for the agreement to take effect.

Hatch said the bill being drafted would stick closely to that deal, by which the industry would settle dozens of state lawsuits and win protection from future lawsuits by paying $368.5 billion over 25 years, accepting limits on advertising and paying fines for failure to discourage youth smoking.

He said he wanted a "discussion bill" before the end of the session so that interested parties could offer opinions before hearings begin. Congress is expected to wrap up business for the year sometime next month.

Hatch said President Clinton's recommendation to boost cigarette prices by as much as $1.50 a pack as a deterrent to youth smoking was a "likely benchmark." He also indicated the bill would fund smoking cessation programs and research into smoking-related diseases, provide relief to tobacco farmers whose business might be jeopardized and impose fines on tobacco companies.

—Associated Press

Gulf War Report

■ The mysterious illnesses that veterans of the Persian Gulf War have complained about were probably caused by "a variety of toxic agents" encountered in the war against Iraq, a House subcommittee ... the Pentagon be forced to give up its lead role in investigating the matter. It said Congress should create or designate an independent agency to research Gulf War illnesses and their causes.

The Pentagon has said it would resist efforts to remove it from the lead role. Spokesman Kenneth Bacon said the Pentagon acknowledged it made mistakes in its early handling of the matter but has recently made important progress in investigating causes and dealing directly with affected veterans.

The report by the House Government Reform and Oversight subcommittee on human resources asserted that the Clinton administration's approach, through the Pentagon, the CIA and the Department of Veterans Affairs, is "irreparably flawed."

The subcommittee said its 20-month investigation found that toxic agents including Iraqi chemical weapons most likely are to blame for the respiratory and other Gulf War illnesses.

The Pentagon and other independent groups of experts have failed to find firm evidence of a link to chemical weapons.

—Associated Press

Lighthouse Rescue

■ Plans to save the historic Cape Hatteras lighthouse will move forward after the Senate approved $2 million to help save the country's tallest brick lighthouse from the encroaching Atlantic Ocean, officials said yesterday.

The Senate approved the appropriation Tuesday after the House approved it last week. President Clinton is expected to sign the federal budget soon.

The funding will allow National Parks Service officials to begin a project to relocate the historic 198-foot tower, which has languished for more than two decades, in May 1999.

Shoreline erosion has brought the ocean to within 120 feet of the black and white stri landmark's and scientists it stands 80 percent chance of being toppled in a

The Washington Post
Thursday, October 30, 1997

increase by at least $1.50.

Economists have estimated that under the accord drafted in June, the price would have risen by 62 cents, although the industry said that estimate is too low.

In the Senate, where anti-tobacco sentiment has grown in the past few months, several committees have already begun hearings on the proposed tobacco settlement. There has been less activity in the House.

Hatch spoke with reporters after a Judiciary subcommittee hearing on whether an exemption for antitrust included in the proposal was too broad.

Federal Trade Commission Chairman Robert Pitofsky testified that the proposal as originally drafted might give the industry a windfall of more than $100 billion. He said an exemption should be narrowly drawn to prevent excess profits for the industry. Hatch appeared to agree.

"I don't care who gets the windfall," Hatch said. "I would prefer it go to the federal government or the states." ^REUTERS@

Help

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Next Story: **China Critics Hold 'Stateless Dinner'**

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Questions or Comments

to Sarco

FLOOR STATEMENT OF U.S. SENATOR CHARLES S. ROBB
NOVEMBER 3, 1997

Mr. President, farmers face a great deal of uncertainty. The uncontrollable forces of nature or a volatile market can destroy a farmer's livelihood without warning. When the crops are planted, growers worry about whether they'll be enough rain--or too much; whether supply will be too great or demand too small; whether prices will be too low, or production costs too high. For tobacco growers, these unavoidable concerns were compounded when the tobacco industry and the 40 states' attorneys general unveiled their global settlement of tobacco issues on June 20 of this year. The parties did not address how the settlement would affect America's tobacco growers and their communities, however.

Much has happened since that time. Congressional hearings have been held, legislation has been drafted, and the President has reviewed the global settlement. A common theme runs through these separate actions, and that theme is that tobacco farmers and the families and communities that depend on them should not be punished by comprehensive tobacco legislation. I believe the President said it best when he remarked during his discussion of the tobacco settlement in September that "we have a responsibility to [tobacco growers]. They haven't done anything wrong. They haven't done anything illegal. They're good, hardworking, tax-paying citizens, and they have not caused this problem. And we cannot let them, their families, or their communities just be crippled and broken by this. And, I don't think of the public health community wants to do that . . . We're trying to change America and make everybody whole. And they deserve a chance to have their lives, and be made whole, and to go on with the future as well."

My staff and I have been working for a number of months on a proposal I believe may offer a means of making tobacco growers whole and providing the resources necessary to expand economic opportunities in tobacco-dependent regions. While we have discussed these concepts with various people, I would like to describe it more publicly now so that I can get broader feedback from interested parties. In putting together this proposal, we have talked to tobacco growers, local government officials interested in economic development, agricultural economists and members of the public health community.

To reduce youth smoking, health advocates seek an immediate and substantial increase in the price of tobacco products. If Congress adopts this strategy, it will have a substantial effect throughout the tobacco-growing regions, and I believe we have an obligation to help provide a soft landing for the people who would be affected.

The plan we've developed contains several components. First, it would compensate quota owners for the value of their quota, which is likely to be eroded over time by this government action. Second, it would dismantle the existing federal tobacco program, which has been under annual assault, and reinstitute a privatized supply-limiting program. Third, it would target economic development funds to tobacco-dependent communities, to be used to attract quality jobs and train individuals for them. The effect of these changes, which I will describe in more detail, would be to give quota holders the value of their asset, guarantee that producers retain a program stabilizing the supply and price of tobacco, reduce operating costs to the grower by eliminating the expenses associated with buying or leasing quota, make domestic tobacco more competitive, and provide long-term economic development.

Buy-out of quota asset. Tobacco quota refers to the amount of tobacco that can be produced domestically. Last year, there were 1.5 billion pounds of tobacco quota. Today, quota owned by an individual, which represents the proportion of the total amount of domestic quota an owner has the right to produce, is an asset which can be bought or sold or leased. Its value has accrued over time, and for many in tobacco-producing regions it is the major asset used to pay for retirement. Farmers acquire quota throughout their lives so they can grow tobacco to sustain their families, and then in retirement sell or lease it to others for income. A substantial and immediate increase in the price of tobacco products will decrease demand and will reduce the amount of quota. This erodes the value accrued by quota-holders, as their proportionate share declines with demand. Since so many have invested in this asset, many of whom rely on it for retirement, it is appropriate to compensate for the decline in value caused by a radical change in government policy.

I propose giving quota owners $8/pound for their quota. The funds would be paid out in five annual installments of $1.60/pound based on the three-year average (1995-1997) of their basic quota. To avoid serious tax consequences, which would be the government giving with one hand and taking away with the other, the funds could be placed in a tax-deferred 401(k)-type plan, or used tax-free to reduce debt associated with acquiring the quota. This program would convert existing quota into cash, it would terminate the existing tobacco quota system, and a new program would be instituted to give growers the right to grow tobacco through the issuance of licenses.

New Tobacco Program. It is crucial that we reconstitute some form of supply-limiting tobacco program. Without one, production shifts to large agribusinesses that are encouraged to grow as much tobacco as possible. The price for tobacco would plummet, and many communities where tobacco is now grown would be immediately devastated. A supply-limiting program stabilizes the price of tobacco, so that wild swings don't put small growers out of business, and limits production. While many agricultural commodity programs have moved away from the supply-limiting approach, I believe it is still appropriate in the unique case of tobacco. There is no other farm product where the ultimate goal is to increase the cost to consumers, not decrease it. In addition, the "free market" isn't so free in the tobacco industry, because there are essentially only four buyers who have unparalleled control over the market. To require farmers to contract individually with the few large buyers is to put the farmers at a gross competitive disadvantage.

The new tobacco program should be privatized to the extent possible. No one enjoys the annual uncertainty that follows from constant attempts to end the tobacco program. Growers, who benefit from the program, should be willing to take on the obligation of running it. Once all the quota has been bought out, the new system would grant licenses to actual tobacco producers. These licenses would go to all producers, whether they were quota holders, tenant farmers or quota leasees. There would be no significant cost associated with acquiring the licenses. These licenses would give the farmer the right to continue growing tobacco, but unlike the previous system that right could not be bought or sold or leased. In other words, that license, unlike quota, would not be a liquid asset. If the grower decided to stop exercising the right to produce granted by the license, the license would be surrendered to the issuing authority, which could then reissue the license to another grower. By wringing the value out of quota through the buy-out, producers will no longer face the expense of leasing or buying quota. Once that cost of operation is eliminated--which represents about 40¢ of the price of a pound of flue-cured tobacco--the producer can be more competitive, both here and overseas. And by being more competitive, the decline in quota will not be as steep, and growers will not suffer the severe dislocation that a sudden drop in quota would create, whether that drop is caused by decreased demand or increased costs of production.

I would like to see the creation of a privatized authority that would govern the production, marketing, importation, exportation and consumer quality assurance of U.S. farm produced tobacco. This authority, which I'll call the Tobacco Production Control Corporation, could have a varied membership, and one option would be to have an authority with 21 members. The members would include the Secretary of Agriculture, the Secretary of Health and Human Services, the Administrator of EPA, the U.S. Trade Representative, nine representatives of Tobacco Loan Associations, four rotating representatives of the public health community, one representative from domestic cigarette manufacturers, one representative form the domestic export leaf dealers, one representative from tobacco marketing facilities, one representative from the Tobacco Marketing and Quality Assurance Corporation and one representative from the agriculture department of a tobacco state university.

The Tobacco Loan Associations would be comprised of all licensees of each respective type of tobacco. Initially, licenses would be issued to all tobacco growers based on the three-year average (1995-1997) of tobacco they produced. The Tobacco Loan Associations would issue licenses to control the quantity of tobacco production, and would assure compliance by levying fines. Additionally, they would arrange for financing and administration of price supports, including the right to receive, process, store and sell any U.S. produced tobacco received as collateral for private price support loans.

The Tobacco Marketing and Quality Assurance Corporation would be created to determine and describe the physical characteristics of U.S. farm-produced tobacco and unmanufactured imported tobacco, operate a crop insurance program, and assure the physical and chemical integrity of U.S. produced and imported unmanufactured tobacco. This would insure that the tobacco being used in domestically manufactured tobacco products is of the highest quality and is free from prohibited physical and chemical agents. The Quality Assurance Corporation would consist of a CEO hired by the Tobacco Production Control Corporation and a staff experience in the sampling and analysis of unmanufactured tobacco and capable of collecting data and monitoring tobacco production and consumption information.

These are the elements that could constitute a new tobacco program. Under this proposed program, once the quota holder has received the value of the asset, a new system of regulating the production of tobacco would be created. This approach honors the value of quota, retains the price stabilizing benefits of the tobacco program but eliminates the current costs associated with acquiring quota, making domestic tobacco more competitive in the future. I'd like to acknowledge the insightful contribution of Henry Maxey, a tobacco grower from Pittsylvania County, who first presented this idea to a member of my staff in a meeting a few months ago in the Halifax office of Delegate Ted Bennett. While I've gotten input from an number of people since then, Mr. Maxey should be credited with getting the ball rolling.

Economic Development: I would like to devote $250 million annually for economic diversification in tobacco-dependent communities. Unfortunately, the biggest export in many of the tobacco-growing regions is the children. They leave the area because there aren't enough high quality jobs in the community. Tobacco legislation provides us a unique opportunity to address this situation. The economic development funds should be used for two purposes: attracting quality jobs and training people to fill them.

I believe that economic development activities are best generated from those most familiar with a community's needs. Generally speaking, I believe that economic development funds should go to counties to carry out those activities that best suit their needs. I would envision that the funds would be distributed to localities based on their proportionate share of the amount of tobacco produced annually, which is a rough approximation of how dependent each community is on tobacco income. In order to foster long-range thinking and coordination in the region, the communities should develop and submit economic development plans. In the case where an independent city is surrounded by a tobacco-dependent county, but doesn't itself produce tobacco, representatives from the city should have a voice in the development of the county's economic development plan, due to the economic interdependence of the two independent governments.

In some circumstances, counties have banded together to form regional economic development commissions, like the A.L. Philpott Southside Economic Development Commission in Virginia. In that case, the commission should be given the authority to coordinate the economic development funds, allowing the various counties to benefit from a regional approach. Such an approach would avoid duplicative efforts to provide the same services or attract the same industries as a neighbor in the region, making the funds more effective. When coordinating the economic development investments, the commission will be required to target a certain percentage of the funds to the most tobacco-dependent counties as determined by their proportionate share of the amount of tobacco produced annually. This approach combines regional planning with local investment.

The funds can only be used for specific purposes, such as improving the quality of all levels of education in the region, promoting tourism through natural resource protection, constructing advanced manufacturing centers, industrial parks, water and sewer facilities and transportation improvements, establishing small business incubators, and installing high technology infrastructure improvements. We will need to insure, however, that these funds are not used to reduce the amount of funding that would otherwise be provided by the local, state or federal governments.

Transition. Whenever there is a major shift in a program like the one this proposal contemplates, we need to be concerned about providing a smooth transition. In fact, the uncertainty created by the mere possibility of major tobacco legislation will undoubtedly affect tobacco growers next year, who expect a serious decline in quota because these issues remain unresolved. To make sure that current producers can survive until this new system is implemented over the five-year buy-out period, we should consider giving a minimum of income protection during this period. One option would be to add protections in the event tobacco quota falls by more than 10% from 1997 levels. If that occurs, tobacco producers would be eligible for a $1/pound payment for lost quota from their 1997 level. This is especially important to farmers operating without much margin, as we make the transition to a more competitive marketplace.

Conclusion. I hope that these ideas generate some discussion and ultimately I intend to introduce legislation incorporating these ideas. My purpose is to find a mechanism that recognizes the changes facing the tobacco industry, and provides some degree of certainty to tobacco growers and their communities so that they are not faced with cataclysmic upheaval as a result of those changes. And I look forward to working toward this goal with colleagues who are interested in addressing these challenges.

A New Proposal Regarding Tobacco

- *Summary*: Because government action is about to erode the value of quota, there would be a buy out of all existing quota at $8/lb. A privatized tobacco program limiting supply would be reinstituted, providing growers with a license to grow tobacco based on historical average production for that grower. To provide long-term economic security in tobacco communities, $250 million would be provided for economic development. Finally, a transition payment would be offered to growers as the system changes from its present form to the new one.

- *Quota Equity Buy-out*: The proposal would give quota owners $8/pound for their quota. The funds would be paid out in five annual installments of $1.60/pound based on the three-year average (1995-1997) of their basic quota. To avoid serious tax consequences, which would be the government giving with one hand and taking away with the other, the funds could be placed in a tax-deferred 401(k)-type plan, or used tax-free to reduce debt associated with acquiring the quota. This program would convert existing quota into cash, it would terminate the existing tobacco quota system, and a new program would be instituted to give growers the right to grow tobacco through the issuance of licenses.

- *New Tobacco Program*: Once all the quota has been bought out, the new system would grant licenses to actual tobacco producers. These licenses would go to all producers, whether they were quota holders, tenant farmers or quota leasees. There would be no significant cost associated with acquiring the licenses. These licenses would give the farmer the right to continue growing tobacco, but unlike the previous system that right could not be bought or sold or leased. In other words, that license, unlike quota, would not be a liquid asset. If the grower decided to stop exercising the right to produce granted by the license, the license would be surrendered to the issuing authority, which could then reissue the license to another grower. By wringing the value out of quota through the buy-out, producers will no longer face the expense of leasing or buying quota. Once that cost of operation is eliminated–which represents about 40¢ of the price of a pound of flue-cured tobacco–the producer can be more competitive, both here and overseas. And by being more competitive, the decline in quota will not be as steep, and growers will not suffer the severe dislocation that a sudden drop in quota would create, whether that drop is caused by decreased demand or increased costs of production.

- *Economic Development*: In addition, $250 million annually would be allocated for economic development in tobacco dependent communities. The funds could be used for specific purposes, such as improving the quality of all levels of education in the region, promoting tourism through natural resource protection, constructing advanced manufacturing centers, industrial parks, water and sewer facilities and transportation improvements, establishing small business incubators, and installing high technology infrastructure improvements.

- *Transition*: To make sure that current producers can survive until this new system is implemented over the five-year buy-out period, the proposal contemplates giving a minimum of income protection during this period. One option would be to add protections in the event tobacco quota falls by more than 10% from 1997 levels. If that occurs, tobacco producers would be eligible for a $1/pound payment for lost quota from their 1997 level.

tobacco

FAX TRANSMISSION

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To: Skye Philbrick Date: 11/13/97

Fax #: Pages: 6 including cover sheet

From: Jim Low

Subject:

COMMENTS:

Long-Term Economic Assistance For Farmers (LEAF) Act Summary

1. Short Title and Table of Contents

2. Tobacco Community Revitalization Trust Fund. Allocates $28.5 billion from tobacco manufacturer payments under a tobacco settlement to create the fund. The payments would be allocated to domestic manufacturers on the basis of market share. Monies deposited into the fund would be used for the following purposes:

1. **PAYMENTS FOR LOST TOBACCO QUOTA:** The bill establishes a system to compensate farmers for reduction in tobacco quota below the average 1994-1996 quota. Quota holders would be paid $4 per pound per year for every pound quota falls below the baseline level. Payments to an individual quota holder would be subject to a lifetime limit of $8 per pound times the farmer's baseline quota. The right to receive payments would transfer with the sale of the quota.

   Farmers who lease tobacco would be an effective rate of $2 per pound for the amount quota falls below what was leased in 1994-1996. The lessee has a lifetime limit on payments equal to one-half the baseline amount times $8 per pound.

   Tenant farmers who raise tobacco for a quota owner would receive the same level of payments as those who lease tobacco quota. Tenant farmers who raise tobacco for a quota lessee would receive half of the payment going to the lessee.

   The total amount payable to farmers would be limited to $1.6 billion per year. Any monies owed in excess of this figure would be rolled over into the next year until all payments are made.

   Payments would be accelerated and paid in full upon the termination of the tobacco program or in the case of a greater than 50% cut in quota for three consecutive years.

2. **TOBACCO PROGRAM AND RELATED COSTS:** The bill would require all costs associated with the tobacco program -- administrative costs, extension services, crop insurance, loan association administrative costs, grading and inspection fees, etc. -- to be paid for out of the fund. Costs are estimated not to exceed $100 million per year.

   Under the bill, the tobacco program would continue to operate, as would the current system of farmer supported price support payments.

3. **TOBACCO COMMUNITY DEVELOPMENT:** The bill would provide

approximately $8.3 billion over 25 years ($300-350 million annually) in the form of grants to states for agricultural and economic development in tobacco-producing counties. Half of the money distributed to a state will be allocated among counties in direct proportion to each county's share of tobacco income for that state. The other half of the grant may be used by states to fund agricultural and economic development activities within eligible counties that meet criteria listed in the bill.

At least 20% of the funds received by the states must be spent on agriculture-related development activities.

The bill also includes long-term technical assistance to farmers and farmer-owned businesses seeking to diversify the agricultural economy in tobacco-producing counties. States would be required to spend at least 4% of grant amounts the total amount provided to each state for technical assistance.

3. **Modifications to Tobacco Program.** Allows the Secretary of Agriculture to approve a referendum on the lease of tobacco quotas within a single state; increases the penalties against manufacturers who fail to purchase at least 90% of their tobacco purchase intentions and deposits penalty payments into the Trust Fund; repeals the tobacco marketing assessment.

4. **Farmer Opportunity Grants.** Establishes a $1.4 billion grant program for tobacco farmers and their families to pay for higher education. Grants would be made in the amount of $1,700 per year, rising to $2,900 annually by the year 2019. Both tobacco farmers and their dependents would be eligible for grants, as would the immediate relatives of farmers whose primary place of residence is with the tobacco farmer.

Grants would be used to pay the tuition and fees of attending an institution of higher learning including universities, community colleges and vocational schools. Academic eligibility would be identical to the standards regulating Pell Grants. Receiving a Farmer Opportunity Grant would not impact a student's ability to receive other income-based assistance.

The bill would allow states to require firms receiving funding under Section 2 of the bill to give preference in hiring to those individuals who have completed an educational program funded by a Farmer Opportunity Grant.

5. **Tobacco Worker Transitional Program.** Establishes a $500 million worker retraining program, modeled on the NAFTA Trade Adjustment Assistance program. Workers would qualify when the sales or production of a firm involved in the manufacture, processing or warehousing of tobacco or tobacco products decline, in part or wholly due to the implementation of a national tobacco settlement. Individuals who receive payments for lost tobacco quota would not be eligible to receive assistance under this section.

QUESTIONS AND ANSWERS ABOUT THE LEAF ACT

1. How will tobacco-producing communities receive the economic development money in the bill? Economic development funds would be distributed to states on the basis of each state's share of national tobacco farm income. States would be required to demonstrate that funds were used in tobacco-producing counties in an amount equal to half of the county's proportion of state tobacco farm income. The remaining half could be spent according to the priorities identified by States to the Secretary of Agriculture. All money must be spent within tobacco-producing counties.

2. How long will it take for tobacco-producing communities to receive economic development money? The bill provides for funds to be made available beginning on October 1, 1998.

3. What will money going to communities be used for? Who will decide? To receive the economic development grant, a state must submit an economic development plan to the Secretary of Agriculture detailing what activities would be funded, what state agencies would have oversight of the funds and what controls will be used to ensure the funds are spent appropriately.

Grant monies would be available for a wide range of development activities, including business enterprise grants and loans, value-added processing facilities, infrastructure, supplementary crops, and other activities that help create productive on- and off-farm employment in tobacco producing counties.

The bill would require that least 20% of the funds received by a State be spent on agriculture-related economic development and direct at least 4% of the grant money to technical assistance that supports farmer-owned enterprises and agriculture-based rural development enterprises.

4. Is the money taxable? The bill does not change current-law tax treatment of assets or government payments.

5. Will you offer this measure as a stand-alone bill, as part of an overall tobacco settlement or as an amendment to other legislation being considered on the floor? Our aim in introducing the package is to ensure that farmer needs are recognized and included in any national tobacco settlement. We will pursue any and all avenues necessary to make this happen.

6. Where will the money come from? The programs in the bill would be funded by a $28.5 billion trust fund created from within the amount tobacco companies are required to pay as part of a national tobacco settlement.

7. Does your package actually help wean farmers off tobacco? Our package compensates farmers for the loss they will suffer as a result of the enactment of a national tobacco settlement -- a settlement farmers had no part in negotiating. It provides farmers with the opportunity to cease production of tobacco if they so choose, by selling their quotas (which should have increased value under the LEAF Act) to other farmers and taking advantage of the educational and economic development funds provided in the bill. For the communities who will be severely impacted by decline in tobacco production, the bill provides tools to diversify their economies, both on and off the farm. For farmers who choose to continue to grow tobacco for which there is a demand, the bill allows them to do so on the same basis they have for the last sixty years.

8. What about the quota program? Our bill leaves the tobacco program intact. The price support program operates at no net cost to the federal treasury. Our bill would completely remove any federal economic involvement in the cultivation of tobacco by reimbursing the government for every cost associated with growing tobacco. The bill does so even in those cases like crop insurance and extension services, programs that are available to virtually all farmers without regard to the crop grown.

9. How long will farmers continue to receive payments for lost tobacco quotas? Under the LEAF Act, a farmer would receive payments until he reached the limit of $8 times his baseline quota, but in no case for longer than 25 years.

10. Why doesn't your plan give farmers the option of a buyout? Farmers have always had the option of a buyout, by selling their quota to another farmer. The LEAF Act should help farmers who choose to stop growing tobacco by, first, significantly increasing the value of a tobacco quota and, second, providing educational and economic assistance for farmers to find another means of making a living, on or off the farm. Quota values should increase because the LEAF Act creates a compensation system that protects farmers against declining quota. Removing this uncertainty about the future of quota helps protect its value.

11. Doesn't this plan create an artificial market for tobacco? No. The LEAF Act maintains the current tobacco program, which is market driven. The tobacco program ensures a supply of leaf sufficient to meet the needs of domestic manufacturers, raw leaf exporters and a reserve level. Without the program, it is very likely that a huge surplus of tobacco would be created, driving prices down and bankrupting many farmers.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. FORD (for himself, Mr. HELMS, Mr. FAIRCLOTH, Mr. MCCONNELL, Mr. CLELAND, Mr. HOLLINGS AND Mr. THURMOND):

S. 1310. A bill to provide market transition assistance for tobacco producers, tobacco industry workers, and their communities; to the Committee on Agriculture, Nutrition, and Forestry.

THE LONG-TERM ECONOMIC ASSISTANCE FOR FARMERS ACT

Mr. FORD. Mr. President, on June 20, the attorneys general of several States emerged from a Washington hotel conference room to announce a proposed national tobacco settlement. The announcement sent Washington spin doctors to work, pronouncing the defeat of public enemy number one—the tobacco industry. Press release after press release painted a picture of fat cat tobacco executives, rich at the expense of public health, finally being called to account.

But this picture of tobacco is not what I see when I go home to Kentucky. There I see hard-working farmers trying to make an honest living off a crop that has helped hundreds of communities in my State thrive for centuries.

Maybe you've forgotten about the farmer. That wouldn't surprise me. They weren't in the room during the tobacco negotiations. They were not included in the final settlement, and to date, the only plan that mentions them would put them out of business.

Mr. President, it is as if the thousands of men and women who have been the bedrock of hundreds of communities simply no longer have any value.

Sixty thousand farm families produce tobacco in 119 of 120 counties in my State. While tobacco uses only 1 to 2 percent of their acreage, it produces 20 to 25 percent of their farm income. Along with these farm families are tens of thousands of workers who warehouse, process and manufacture tobacco. They all live in communities where every tobacco dollar has a multiplier effect on the local economy, rolling over three to four times.

And they're the reason I am here today.

Mr. President, I am pleased to join several of my colleagues in introducing legislation which addresses the needs of tobacco farmers, tobacco workers, and their communities and should provide the framework for taking care of them in any comprehensive legislation.

First and foremost, "taking care of them" means protecting the tobacco program.

Opponents of the program claim they're not attacking farmers, but with the program goes stability, with the program goes the small family farmer, and with the program goes hundreds of small rural communities.

Mr. President, the program is the key to preventing fence row to fence row production.

It is the key to keeping tobacco prices high.

And it is the key to keeping tobacco production in the hands of small family farms and keeping rural communities alive.

Without the program, look for cheap cigarettes, look for the size of farms—at the very least—to triple in size. Look for family farms to go out of business, and look for the rural communities they sustain, to shut down.

What are the benefits of killing the program? For hard-working family farmers there simply are none.

That is why killing the program is a nonstarter. And even though criticisms are based either on misconceptions or misrepresentations of the program, we're willing to address them by covering all these costs with our legislation. But make no mistake, we're not willing to eliminate the program.

The legislation we're introducing today follows the principles every one of my colleagues went on record supporting in a September 9 Sense of the Senate amendment. We all agreed that tobacco growers should be fairly compensated as part of any Federal legislation to implement the tobacco settlement. We all agreed tobacco growing communities should be provided sufficient resources to adjust to the economic impact of any settlement legislation. We all agreed compensation to farmers and their communities should come from funds provided within the parameters of the national settlement, as paid by tobacco manufacturers. And we all agreed the tobacco program should be maintained and operated at no net cost to the taxpayer.

These four simple principles will mean the difference between a productive future for tobacco farmers and a "for sale" sign up at the end of the driveway—the difference between communities where a farmer's children stay to raise their children and a ghost town.

At the core of the legislation is the establishment of a Tobacco Community Revitalization Trust Fund. The trust fund will provide compensation for farmers, investment funds for communities, and education and retraining funds, all within the parameters of the tobacco program and the national tobacco settlement dollar figure.

First, the fund will provide tobacco quota holders with "Payments for Lost Tobacco Quota" based on the drop in the amount of tobacco they can grow. The national tobacco settlement could cause consumption to drop substantially, which would translate into deep cuts in each farm's tobacco quota and each farmer's income. Under our bill, quota holders will receive $4 per pound per year for every pound by which the quota drops below their base quota. A maximum lifetime limit on payments will be set for quota holders at $8 times the number of pounds in their base quota. Those who lease quota or grow tobacco as a tenant farmer will receive $2 per pound, with a life time cap of $4 per pound.

Second, the trust fund will make payments to cover all administrative costs associated with the production of tobacco. This will include salaries at USDA to administer the tobacco program, and any shortfall in the provision of crop insurance for tobacco farmers. This should finally put a stop to false claims that tobacco growers receive subsidies from the Federal Government.

Third, the trust fund will provide Farmer Opportunity grants for higher education. Tobacco farmers and their dependents will be eligible for higher education grants of up to $1,700 per year—which is the current average size of a Pell grant—to attend a university, community college, vocational school, or other recognized institution. Academic eligibility standards will be modeled after Pell grants, including requirements that students maintain satisfactory progress toward the completion of their degree, and maintain at a C average. Funding will be provided to cover up to 25,000 individuals from tobacco farm families.

Mr. President, the tobacco program has long meant the difference between whether a family can afford to send their children to college or whether their education stops after grade 12. We need to do everything we can to preserve a farm family's ability to provide their children with access to higher education opportunities.

Fourth, the fund will provide benefits to displaced workers from tobacco warehousing, processing, and manufacturing operations. This program is modeled after the NAFTA Trade Adjustment Assistance Program for Displaced Workers. Under these provisions, workers who lose their jobs can receive tobacco readjustment allowances, employment services, job training, job search allowances, and relocation allowances, all of which are modeled after the NAFTA benefits and services.

And fifth, the fund will provide economic development assistance to tobacco growing communities hit hard by the national tobacco settlement.

The economic development fund will begin at $400 million per year minus the amount used for administrative costs of the tobacco program, distributed through block grants to tobacco growing States.

States can use the funding to provide several types of assistance, including rural business enterprise grants, farm ownership loans, activities which create farm and off-farm employment, activities which expand infrastructure facilities, and services which help diversify local economies, long-term business technical assistance, grants to agricultural organizations to help tobacco growers find supplemental agricultural activities, and activities which create or expand locally owned value-added agricultural processing and marketing operations.

Providing stability, preserving traditions, keeping farms in the hands of families, protecting hundreds of communities, Mr. President, I believe this legislation will give tobacco farmers, tobacco industry workers and tobacco growing communities the resources to deal with the national tobacco settlement likely to impact them.

With the tobacco program completely funded by tobacco growers or the industry itself, antitobacco advocates can no longer take aim at the farmer under the pretense of fiscal responsibility. And with a sense of stability and predictability, farmers can begin to prepare for the future in a responsible and thoughtful way.

I plan on sharing this proposal with my colleagues involved in writing comprehensive legislative proposals to implement the national tobacco settlement, but I hope all my colleagues interested in this issue and interested in preserving a farming tradition will take a close look at this program so that we can move forward in helping tobacco farm families and their communities.

Mr. President, we have not just singled out the farmer. We have included the total community, from education to job opportunity, whatever it might be, so we have taken in the whole community. I am very pleased with the hard work and support that has been given to me by Senator MCCONNELL, Senator FAIRCLOTH, Senator HELMS, and others to make this introduction so important today.

USDA

U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

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FAX COVER SHEET

DATE: 7/11/97

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FROM: Charlie Rawls

720-6158

5437 (FAX)

MESSAGE: FYI

NORTH CAROLINA DEPARTMENT OF AGRICULTURE • JAMES A. GRAHAM, COMMISSIONER

DIVISION OF MARKETING

TOBACCO SECTION

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RALEIGH, NC 27611
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FAX NO.: SEE BELOW DATE: July 10, 1997

TO: SEE BELOW PAGES: 1 OF 2

FROM: COMMISSIONER JAMES A. GRAHAM

SUBJECT: **POSITION ON CURRENT TOBACCO NEGOTIATIONS AS IT RELATES TO PRODUCTION**

SEN. JESSE HELMS
SEN. LAUCH FAIRCLOTH
REP. BOB ETHERIDGE
REP. BILL HEFNER
REP. MIKE McINTYRE
CHARLIE RAWLS
ERSKINE BOWLES
BOB JENKINS
LIONIEL EDWARDS
SAM COLEY
PAUL DEW
CHARLIE HARVEY
ROBERT CALDWELL
MAC DUNKLEY
TOMMY BUNN
CHARLIE KING
LISA EDDINGTON
NCSU
USDA-AMS TOBACCO DIVISION - RALEIGH

NORTH CAROLINA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

POSITION ON CURRENT TOBACCO NEGOTIATIONS AS IT RELATES TO PRODUCTION

A meeting was held today at the request of Commissioner James A. Graham to discuss farmer needs in connection with the current tobacco settlement. The following people were in attendance: Commissioner Graham, NCDA (chairman); Deputy Commissioner Weldon Denny, NCDA; W.B. Jenkins, NC Farm Bureau; Larry Wooten, NC Farm Bureau; Lionel Edwards, Flue-Cured Stabilization; Arnold Hamm, Flue-Cured Stabilization; Charles Harvey, Tobacco Growers Assn. of NC; Robert Caldwell, NC State Grange; John Cyrus, NC State Grange; Mac Dunkley, Bright Belt Warehouse Assn.; Paul Dew, NC Agribusiness Council; Sam Coley, USDA-FSA; Carol Holley, USDA-FSA; William Upchurch, NCDA; Carl Sofley, NCDA; David McLeod, NCDA; Harry Daniel, NCDA; Peter Daniel, NCDA.

The group recommends as follows:

1. PROTECT THE CURRENT TOBACCO PROGRAM.

2. MAINTAIN THE TOBACCO QUOTA AND CURRENT PRICE SUPPORT SYSTEM.

3. A COMMITMENT FROM THE TOBACCO COMPANIES TO PURCHASE 600 MILLION POUNDS OF FLUE-CURED TOBACCO ANNUALLY.

It was a consensus of this group that any legislation enacted by Congress to implement the settlement should address the following growers concerns.

4. AUTHORIZE THE SECRETARY OF AGRICULTURE TO IMPLEMENT PROGRAM CHANGES THROUGH A REFERENDUM BY THE GROWERS.

5. SET ASIDE ONE PERCENT (1%) OF SETTLEMENT PACKAGE TO ALLOW FOR QUOTA BUY-DOWN OR OTHER PROGRAM ENHANCEMENTS.

6. TOBACCO GROWERS, GROWERS' ORGANIZATIONS, WAREHOUSES, AND DEALERS SHOULD RECEIVE THE SAME IMMUNITY OR LIMITATION OF LEGAL LIABILITY AFFORDED TO THE TOBACCO COMPANIES.

Prepared July 10, 1997 by the North Carolina
Department of Agriculture and Consumer Services
James A. Graham, Commissioner

Luger

THE GLOBAL SET **M:**

BACKGROUND

How does the tobacco program work? Since the New Deal, the government has supported the price farmers receive for tobacco and controlled its production. It is illegal to grow tobacco without a government-granted "quota." This quota allows the farmer who holds it to sell a certain amount of tobacco. As a practical matter, many quotas are now owned by retirees or non-farmers. Active farmers lease from these quota-holders the right to grow tobacco.

Tobacco is produced mostly in the Southeast, but some production occurs in a number of states outside that region. The primary types are flue-cured (produced chiefly in North Carolina) and burley (produced chiefly in Kentucky). Generally, the federal government does not expend money on the tobacco program. Since the mid-1980s, assessments levied on producers and purchasers of tobacco have been used to ensure that the program operates at "no net cost."

The program has two basic features. First, quotas aim at keeping a tight balance between supply and demand by restricting supply. Second, the government operates a price-support program that guarantees a minimum price to farmers.

How might the "global settlement" affect the tobacco program? The agreement between attorneys general and tobacco companies contains no provisions directly affecting growers. However, if the settlement were accompanied by a reduction in demand for tobacco as a result of price increases and public education, prices received by farmers could decline. Production quotas might need to be smaller, reducing farm revenues.

Some observers also believe the tobacco program will enjoy less Congressional and public support in the future because of growing reluctance to encourage tobacco production. These observers argue that producers have a unique opportunity, under the proposed global settlement, to capture the equity they have built up in the existing system and either continue to grow tobacco without public assistance or develop alternative income sources.

What are the weaknesses of the current tobacco program? Although tobacco grower groups contend that the existing program works well, there are some signs of trouble ahead. The share of imported tobacco in the U.S. market has risen from 10% in the 1950s to 35% today. Meanwhile, the U.S. share of world tobacco exports has fallen from 30% in 1960 to 10% today. Steadily increasing support prices, which are set by a formula that incorporates production cost increases and other factors, have played a role in eroding U.S. competitiveness.

Imports may increase further. An increasingly stringent regulatory climate in the U.S. could also create incentives for cigarette manufacturing to move offshore. As other countries become able to produce higher-quality tobacco, such a migration of manufacturing is increasingly possible.

THE LUGAR PROPOSAL

A transition for tobacco producers would be funded by tobacco companies at a cost of about $15 billion in addition to the proposed $368.5 billion settlement. The legislation would --

1. **Buy out production quotas.** Terminating the tobacco program would negate the value of production quotas. Holders of these quotas have built up equity in a system maintained by federal policy over half a century, and can reasonably argue for some compensation. The 1996 "freedom to farm" law provided similar transitional compensation for producers of several other crops.

   All quota would be "bought out" at a rate of $8 for each pound of quota. This rate is derived from the recent average annual lease rate for quota of about 40 cents per pound. Quota-holders could choose between (1) a lump sum payment in 1999 to those who agreed to cease tobacco production altogether, and (2) three equal annual payments beginning in 1999 to those who wished to retain the ability to grow tobacco (without a subsidy). Each quota-holder's buyout would be based on 1995-97 quotas.

2. **Make transition payments to producers.** Tobacco prices would likely decline as the price support and quota systems ended. Producers who lease quota would also see their production costs fall since they would no longer make lease payments. Because prices might fall more than the decline in production costs, transition payments would be made to producers who lease quota. The payments would amount to 40 cents per pound of leased quota for three consecutive years while the program was being phased out.

   Transition payments would be made only to producers leasing quota. Producers who both own and lease quota would receive transition payments based on their leased quota and a buyout payment based on the quota they owned. Transition payments would be based on a farmer's average production during 1993-97.

3. **Phase out the price support system.** In the four years after enactment of the new law, the price support system would be gradually eliminated. In 1998, both price supports and quotas would be established under existing practice. In 1999, quotas would be eliminated through the buyout. Also in 1999, price supports would decline by 25%, then by a further 10% in each of 2000 and 2001, and would end thereafter.

4. **Provide assistance to affected rural communities.** In some states, tobacco is important to many local economies. Both the settlement itself and the end of the price support program could cause dislocations in some of these communities. Therefore, $100 million per year for three years would be provided in block grants to states dependent on tobacco, in order to facilitate the development of alternative industries, crops and infrastructure. States would be eligible for grants based on the number of tobacco-dependent counties, a determination that would take into account a county's gross tobacco sales receipts and its total farm income. Recipient states would then determine the areas most in need of assistance and would determine the purposes for which the money would be allocated.

Media Advisory
Senate Agriculture, Nutrition and Forestry Committee
Chairman Dick Lugar, U.S. Senator for Indiana

Date: 10/24/97

Contact: Jennifer Cutshall 202-224-7438

LUGAR INTRODUCES TOBACCO BUYOUT AND TRANSITION PROGRAM

WASHINGTON – U.S. Sen. Dick Lugar, Chairman of the Senate Agriculture, Nutrition and Forestry Committee, today introduced a sweeping proposal to include tobacco farmers and tobacco-dependent communities in the global tobacco settlement. In introducing the bill, Lugar issued the following remarks:

I rise today to introduce legislation to reform the federal tobacco quota and price support programs. This legislation would provide economic assistance to tobacco quota owners, tobacco producers, and tobacco-dependent communities as they make the transition to the free market.

Nearly every American is aware of the global tobacco settlement between 40 states' attorneys general and cigarette companies. Tobacco farmers and their communities were conspicuously omitted from these negotiations. Yet the settlement offers Congress a unique opportunity to provide economic assistance to tobacco farmers while ending the federal government's support for tobacco production.

My legislation would buy out tobacco marketing quotas, provide transition payments to tobacco producers, phase out the price support program, and provide economic assistance to tobacco-dependent communities. The cost of these reforms would be approximately $15 billion and would be paid for with funds from the tobacco settlement. Because farmers were not considered in the negotiations that led to this settlement, this amount would be added to the current $368.5 billion.

Under my legislation, the tobacco quota program would end in 1999 and, beginning that year, the price support program would be phased out over three years. In 1999, price supports would decline by 25 percent, then by an additional 10 percent in each of 2000 and 2001, and would end thereafter.

Quota owners would receive $8 for every pound of quota they own. They could elect to receive either (1) a lump sum payment in 1999 if they agree to cease tobacco production altogether, or (2) three equal annual payments beginning in 1999 if they choose to continue to produce tobacco.

Tobacco producers would receive transition payments of 40 cents per pound over three consecutive years for tobacco quota that they lease or rent on a cash-rent or crop-share basis. Transition payments would be based on the average of three years of production over the 1993-97 period. Producers who both own and lease quota would receive transition payments based on their leased quota and a buyout based on the quota they own.

-MORE-

Page 2:
Lugar Tobacco Proposal
10-24-97

Under this legislation, producers would be able to grow whatever amounts of tobacco they choose--free of government control. Most other farm programs went through a similar change just last year when Congress passed the "freedom-to farm" legislation. The global tobacco settlement would provide the funds to assist tobacco farmers as they join other farmers in the free market.

Communities that are economically dependent on tobacco production would receive $300 million in economic assistance. Eligible states would receive block grants to facilitate the development of alternative crops, industries, and infrastructure. Recipient states would then determine the areas most in need of assistance.

With or without a settlement, the forces to reform the tobacco program have been converging for some time now and they can no longer be ignored. High domestic price supports have hurt the competitiveness of U.S.-grown tobacco. Exports of tobacco have fallen, while imports have grown. Congress has already ended government control over nearly every other farm commodity. And, most importantly, Congress cannot ask Americans to accept federal support for tobacco production when we are considering legislation to settle claims that stem directly from tobacco use.

Clearly, the tobacco program may not be sustainable for much longer. With that reality facing all tobacco producers, we should not pass up this opportunity to provide economic assistance to farmers and their communities.

Lugar Proposal Summary

Plan	Economic Assistance	Description
1. **Quota holder** buyout.	$8 per pound of quota.	1) A lump sum payment in 1999 for those who agree to end tobacco production. 2) Three equal payments, from 1999-2001, to those who wish to continue production.

2. Transition payments to **growers**.	**40¢** per pound of leased quota.	Leased quota value would be base farmer's average production from 1993-97. Payments would be mad from 1999-2001.
3. Phase out of **price support** program.	1999 - decline by 25% 2000 - decline by 10% 2001 - decline by 10%	The price support program would e 2002 and free market principles wo go into effect.
4. Economic assistance to **tobacco-dependent communities.**	**$300 million.**	$100 million per year for 3 years wo be block granted to tobacco depen states. States would determine the areas most in need and the purpos for which the money is allocated.

###

2ND DOCUMENT of Level 1 printed in FULL format.

FULL TEXT OF BILLS

105TH CONGRESS; 1ST SESSION
IN THE SENATE OF THE UNITED STATES
AS INTRODUCED IN THE SENATE

S. 1313

1997 S. 1313; 105 S. 1313

<=1> Retrieve Bill Tracking Report

SYNOPSIS:
A BILL To provide market transition assistance to quota owners, tobacco producers, and communities that are dependent on tobacco production, to phase out Federal programs that support tobacco production, and for other purposes.

DATE OF INTRODUCTION: OCTOBER 24, 1997

Lugar

DATE OF VERSION: OCTOBER 27, 1997 -- VERSION: 1

SPONSOR(S):
Mr. LUGAR introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

TEXT:
* Be it enacted by the Senate and House of Representatives of the United*
*States of America in Congress assembled, *
SECTION 1. SHORT TITLE; TABLE OF CONTENTS.
(a) SHORT TITLE.-THIS ACT MAY BE CITED AS THE "TOBACCO TRANSITION ACT".
(B) TABLE OF CONTENTS.-THE TABLE OF CONTENTS OF THIS ACT IS AS FOLLOWS:

SEC. 2. PURPOSES.
The purposes of this Act are-

(1) to authorize the use of binding contracts between the United States and tobacco quota owners and tobacco producers to compensate them for the termination of Federal programs that support the production of tobacco in the United States;

(2) to make available to States funds for economic assistance initiatives in counties of States that are dependent on the production of tobacco; and

(3) to terminate Federal programs that support the production of tobacco in the United States.

SEC. 3. DEFINITIONS.

In this Act:

(1) ASSOCIATION.-THE TERM "ASSOCIATION" MEANS A PRODUCER-OWNED COOPERATIVE MARKETING ASSOCIATION THAT HAS ENTERED INTO A LOAN AGREEMENT WITH THE COMMODITY CREDIT CORPORATION TO MAKE PRICE SUPPORT AVAILABLE TO PRODUCERS.

(2) BUYOUT PAYMENT.-THE TERM "BUYOUT PAYMENT" MEANS A PAYMENT MADE TO A QUOTA OWNER UNDER SECTION 104 IN 1 OR MORE INSTALLMENTS IN ACCORDANCE WITH SECTION 102(C)(1).

(3) CONTRACT.-THE TERM "CONTRACT" OR "TOBACCO TRANSITION CONTRACT" MEANS A CONTRACT ENTERED INTO UNDER SECTION 102.

(4) GOVERNOR.-THE TERM "GOVERNOR" MEANS THE CHIEF EXECUTIVE OFFICER OF A STATE.

(5) LEASE.-THE TERM "LEASE" MEANS A RENTAL OF QUOTA ON EITHER A CASH RENT OR CROP SHARE BASIS.

(6) MARKETING YEAR.-THE TERM "MARKETING YEAR" MEANS-

(A) IN THE CASE OF FLUE-CURED TOBACCO, THE PERIOD BEGINNING JULY 1 AND ENDING THE FOLLOWING JUNE 30; AND

(B) IN THE CASE OF EACH OTHER KIND OF TOBACCO, THE PERIOD BEGINNING OCTOBER 1 AND ENDING THE FOLLOWING SEPTEMBER 30.

(7) OWNER.-THE TERM "OWNER" MEANS A PERSON WHO, AT THE TIME OF ENTERING INTO A TOBACCO TRANSITION CONTRACT, OWNS QUOTA PROVIDED BY THE SECRETARY.

(8) PHASEOUT PERIOD.-THE TERM "PHASEOUT PERIOD" MEANS THE 3-YEAR PERIOD CONSISTING OF THE 1999 THROUGH 2001 MARKETING YEARS.

(9) PRICE SUPPORT.-THE TERM "PRICE SUPPORT" MEANS A NONRECOURSE LOAN PROVIDED BY THE COMMODITY CREDIT CORPORATION THROUGH AN ASSOCIATION FOR THE KIND OF TOBACCO INVOLVED..

(10) PRODUCER.-THE TERM "PRODUCER" MEANS A PERSON WHO DURING AT LEAST 3 OF THE 1993 THROUGH 1997 CROPS OF TOBACCO (AS DETERMINED BY THE SECRETARY) THAT WERE SUBJECT TO QUOTA-

(A) LEASED QUOTA;

(B) SHARED IN THE RISK OF PRODUCING A CROP OF TOBACCO; AND

(C) MARKETED THE TOBACCO SUBJECT TO QUOTA.

(11) QUOTA.-THE TERM "QUOTA" MEANS THE QUANTITY OF TOBACCO PRODUCED IN THE UNITED STATES, AND MARKETED DURING A MARKETING YEAR, THAT WILL BE USED IN, OR EXPORTED FROM, THE UNITED STATES DURING THE MARKETING YEAR (INCLUDING AN ADJUSTMENT FOR STOCKS), AS ESTIMATED BY THE SECRETARY.

(12) SECRETARY.-THE TERM "SECRETARY" MEANS THE SECRETARY OF AGRICULTURE.

(13) STATE.-THE TERM "STATE" MEANS EACH OF THE SEVERAL STATES OF THE UNITED STATES, THE DISTRICT OF COLUMBIA, THE COMMONWEALTH OF PUERTO RICO, AND ANY OTHER TERRITORY OR POSSESSION OF THE UNITED STATES.

(14) TOBACCO.-THE TERM "TOBACCO" MEANS ANY KIND OF TOBACCO FOR

WHICH A MARKETING QUOTA IS IN EFFECT OR FOR WHICH A MARKETING QUOTA IS NOT DISAPPROVED BY PRODUCERS.

(15) TOBACCO TRANSITION ACCOUNT.-THE TERM "TOBACCO TRANSITION ACCOUNT" MEANS THE TOBACCO TRANSITION ACCOUNT ESTABLISHED BY SECTION 101(A).

(16) TRANSITION PAYMENT.-THE TERM "TRANSITION PAYMENT" MEANS A PAYMENT MADE TO A PRODUCER UNDER SECTION 105 FOR EACH OF THE 1999 THROUGH 2001 MARKETING YEARS.

(17) TRUST FUND.-THE TERM "TRUST FUND" MEANS THE NATIONAL TOBACCO SETTLEMENT TRUST FUND ESTABLISHED IN THE TREASURY OF THE UNITED STATES CONSISTING OF AMOUNTS THAT ARE APPROPRIATED OR CREDITED TO THE TRUST FUND FROM THE TOBACCO SETTLEMENT APPROVED BY CONGRESS.

(18) UNITED STATES.-THE TERM "UNITED STATES", WHEN USED IN A GEOGRAPHICAL SENSE, MEANS ALL OF THE STATES.

TITLE I-TOBACCO PRODUCTION TRANSITION

Subtitle A-Tobacco Transition Contracts

SEC. 101. TOBACCO TRANSITION ACCOUNT.

(a) ESTABLISHMENT.-THERE IS ESTABLISHED IN THE TRUST FUND A TOBACCO TRANSITION ACCOUNT.

(B) USE.-FUNDS APPROPRIATED OR CREDITED TO THE TOBACCO TRANSITION ACCOUNT SHALL BE AVAILABLE FOR PROVIDING BUYOUT PAYMENTS AND TRANSITION PAYMENTS AUTHORIZED UNDER THIS SUBTITLE.

(C) TERMINATION.-THE TOBACCO TRANSITION ACCOUNT TERMINATES EFFECTIVE SEPTEMBER 30, 2001.

SEC. 102. OFFER AND TERMS OF TOBACCO TRANSITION CONTRACTS.

(a) OFFER.-THE SECRETARY SHALL OFFER TO ENTER INTO A TOBACCO TRANSITION CONTRACT WITH EACH OWNER AND PRODUCER OF TOBACCO.

(B) TERMS.-UNDER THE TERMS OF A CONTRACT, THE OWNER OR PRODUCER SHALL AGREE, IN EXCHANGE FOR A PAYMENT MADE PURSUANT TO SECTION 104 OR 105, AS APPLICABLE, TO RELINQUISH THE VALUE OF QUOTA THAT IS OWNED OR LEASED.

(C) RIGHTS OF OWNERS AND PRODUCERS.-

(1) OWNERS.-AN OWNER SHALL ELECT TO RECEIVE A BUYOUT PAYMENT IN-

(A) 1 INSTALLMENT FOR THE KIND OF TOBACCO INVOLVED, IN EXCHANGE FOR PERMANENTLY FOREGOING PRODUCTION OF TOBACCO: OR

(B) 3 EQUAL INSTALLMENTS, 1 INSTALLMENT FOR EACH OF THE 1999 THROUGH 2001 CROPS OF TOBACCO, IN WHICH CASE THE OWNER SHALL HAVE THE RIGHT TO CONTINUE PRODUCTION OF EACH OF THOSE CROPS.

(2) PRODUCERS.-IN THE CASE OF EACH OF THE 1999 THROUGH 2001 CROPS FOR THE KIND OF TOBACCO INVOLVED, A PRODUCER WHO IS NOT AN OWNER DURING THE 1998 MARKETING YEAR FOR THE KIND OF TOBACCO INVOLVED SHALL NOT BE SUBJECT TO ANY RESTRICTIONS ON THE QUANTITY OF TOBACCO PRODUCED OR MARKETED.

SEC. 103. ELEMENTS OF CONTRACTS.

(a) DEADLINES FOR CONTRACTING.-

(1) COMMENCEMENT.-TO THE MAXIMUM EXTENT PRACTICABLE, THE SECRETARY SHALL COMMENCE ENTERING INTO CONTRACTS UNDER THIS SUBTITLE NOT LATER THAN 90 DAYS AFTER THE DATE OF ENACTMENT OF THIS ACT.

(2) DEADLINE.-THE SECRETARY MAY NOT ENTER INTO A CONTRACT UNDER THIS SUBTITLE AFTER JUNE 31, 1999.

(B) DURATION OF CONTRACT.-

(1) BEGINNING DATE.-THE TERM OF A CONTRACT SHALL BEGIN ON THE DATE THAT IS THE BEGINNING OF THE 1999 MARKETING YEAR FOR THE KIND OF TOBACCO INVOLVED.

(2) TERMINATION DATE.-

(A) IN GENERAL.-EXCEPT AS PROVIDED IN SUBPARAGRAPH (B), THE

TERM OF A CONTRACT SHALL TERMINATE ON THE DATE THAT IS THE END OF THE 2001 MARKETING YEAR FOR THE KIND OF TOBACCO INVOLVED.

(B) EXCEPTION.-IN THE CASE OF AN OWNER WHO ENTERS INTO A CONTRACT AND ELECTS TO RECEIVE A BUYOUT PAYMENT IN 1 INSTALLMENT UNDER SECTION 102(C)(1)(A), THE CONTRACT SHALL BE PERMANENT.

(C) TIME FOR PAYMENT.-

(1) IN GENERAL.-A BUYOUT PAYMENT OR TRANSITION PAYMENT SHALL BE MADE NOT LATER THAN THE DATE THAT IS THE BEGINNING OF THE MARKETING YEAR FOR THE KIND OF TOBACCO INVOLVED FOR EACH YEAR OF THE TERM of a tobacco transition contract of an owner or producer of tobacco.

(2) APPLICABILITY.-THIS SUBSECTION SHALL BE APPLICABLE TO ALL PAYMENTS COVERED BY SECTION 102(C).

SEC. 104. BUYOUT PAYMENTS TO OWNERS.

(a) IN GENERAL.-DURING THE PHASEOUT PERIOD, THE SECRETARY SHALL MAKE BUYOUT PAYMENTS TO OWNERS IN ACCORDANCE WITH SECTION 102(C)(1).

(B) COMPENSATION FOR LOST VALUE.-THE PAYMENT SHALL CONSTITUTE COMPENSATION FOR THE LOST VALUE TO THE OWNER OF THE QUOTA.

(C) PAYMENT CALCULATION.-UNDER THIS SECTION, THE TOTAL AMOUNT OF THE BUYOUT PAYMENT MADE TO AN OWNER SHALL BE DETERMINED BY MULTIPLYING-

(1) $8.00; BY

(2) THE AVERAGE ANNUAL QUANTITY OF QUOTA OWNED BY THE OWNER DURING THE 1995 THROUGH 1997 CROP YEARS.

SEC. 105. TRANSITION PAYMENTS TO PRODUCERS.

(a) IN GENERAL.-THE SECRETARY SHALL MAKE TRANSITION PAYMENTS DURING EACH OF THE 1999 THROUGH 2001 MARKETING YEARS FOR A KIND OF TOBACCO THAT WAS SUBJECT TO A QUOTA TO A PRODUCER WHO-

(1) PRODUCED THE KIND OF TOBACCO DURING AT LEAST 3 OF THE 1993 THROUGH 1997 CROP YEARS; AND

(2) ENTERED INTO A TOBACCO TRANSITION CONTRACT.

(B) TRANSITION PAYMENTS LIMITED TO LEASED QUOTA.-A PRODUCER SHALL BE ELIGIBLE FOR TRANSITION PAYMENTS ONLY FOR THE PORTION OF THE PRODUCTION OF THE PRODUCER THAT IS SUBJECT TO QUOTA THAT IS LEASED DURING THE 3 CROP YEARS DESCRIBED IN SUBSECTION (A)(1).

(C) COMPENSATION FOR LOST REVENUE.-THE PAYMENTS SHALL CONSTITUTE COMPENSATION FOR THE LOST REVENUE INCURRED BY A TOBACCO PRODUCER DURING EACH OF THE 1999 THROUGH 2001 MARKETING YEARS FOR THE KIND OF TOBACCO INVOLVED.

(D) ELECTION BY PRODUCER; PRODUCTION.-

(1) ELECTION.-THE PRODUCER MAY ELECT WHICH 3 OF THE 1993 THROUGH 1997 CROP YEARS SHALL BE USED FOR THE CALCULATION UNDER SUBSECTION (E).

(2) PRODUCTION.-THE PRODUCER SHALL HAVE THE BURDEN OF DEMONSTRATING TO THE SECRETARY THE PRODUCTION OF TOBACCO FOR EACH YEAR OF THE ELECTION.

(E) PAYMENT CALCULATION.-UNDER THIS SECTION, EACH OF THE 3 TRANSITION PAYMENTS MADE TO A PRODUCER FOR THE KIND OF TOBACCO INVOLVED SHALL BE DETERMINED BY MULTIPLYING-

(1) 40 CENTS; BY

(2) THE AVERAGE QUANTITY OF THE KIND OF TOBACCO PRODUCED BY THE PRODUCER DURING THE 3 CROP YEARS ELECTED BY THE PRODUCER UNDER SUBSECTION (D).

Subtitle B-Rural Economic Assistance Block Grants

SEC. 111. RURAL ECONOMIC ASSISTANCE BLOCK GRANTS.

(a) IN GENERAL.-FOR EACH OF FISCAL YEARS 1999 THROUGH 2001, THE SECRETARY SHALL USE FUNDS IN THE TOBACCO TRANSITION ACCOUNT TO PROVIDE

BLOCK GRANTS TO TOBACCO-GROWING STATES TO ASSIST AREAS OF SUCH A STATE THAT ARE ECONOMICALLY DEPENDENT ON THE PRODUCTION OF TOBACCO.

(B) FUNDING.-TO CARRY OUT THIS SECTION, THERE SHALL BE CREDITED TO THE TOBACCO TRANSITION ACCOUNT, FROM THE TRUST FUND, $100,000,000 FOR EACH OF FISCAL YEARS 1999 THROUGH 2001.

(C) PAYMENTS BY SECRETARY TO TOBACCO-GROWING STATES.-

(1) IN GENERAL.-THE SECRETARY SHALL USE THE AMOUNT AVAILABLE FOR A FISCAL YEAR UNDER SUBSECTION (B) TO MAKE BLOCK GRANT PAYMENTS TO THE GOVERNORS OF TOBACCO-GROWING STATES.

(2) AMOUNT.-THE AMOUNT OF A BLOCK GRANT PAID TO A TOBACCO-GROWING STATE SHALL BE BASED ON-

(A) THE NUMBER OF COUNTIES IN THE STATE IN WHICH TOBACCO PRODUCTION IS A SIGNIFICANT PART OF THE COUNTY'S ECONOMY; AND

(B) THE LEVEL OF ECONOMIC DEPENDENCE OF THE COUNTY ON TOBACCO PRODUCTION.

(D) GRANTS BY STATES TO ASSIST TOBACCO-GROWING AREAS.-

(1) IN GENERAL.-A GOVERNOR OF A TOBACCO-GROWING STATE SHALL USE THE AMOUNT OF THE BLOCK GRANT TO THE STATE UNDER SUBSECTION (C) TO MAKE GRANTS TO COUNTIES OR OTHER PUBLIC OR PRIVATE ENTITIES IN THE STATE TO ASSIST AREAS THAT ARE DEPENDENT ON THE PRODUCTION OF TOBACCO, AS DETERMINED BY THE GOVERNOR.

(2) AMOUNT.-THE AMOUNT OF A GRANT PAID TO A COUNTY OR OTHER ENTITY TO ASSIST AN AREA SHALL BE BASED ON (AS DETERMINED BY THE SECRETARY)-

(A) THE RATIO OF GROSS TOBACCO SALES RECEIPTS IN THE AREA TO THE TOTAL FARM INCOME IN THE AREA; AND

(B) THE RATIO OF ALL TOBACCO RELATED RECEIPTS IN THE AREA TO THE TOTAL INCOME IN THE AREA.

(3) USE OF GRANTS.-A COUNTY OR OTHER ENTITY THAT RECEIVES A GRANT UNDER THIS SUBSECTION SHALL USE THE GRANT IN A MANNER DETERMINED APPROPRIATE BY the county or entity (with the approval of the State) to assist producers and other persons who are economically dependent on the production of tobacco, including use for-

(A) on-farm diversification and alternatives to the production of tobacco and risk management; and

(B) off-farm activities such as development of non-tobacco related jobs.

(e) TERMINATION OF AUTHORITY.-THE AUTHORITY PROVIDED BY THIS SECTION TERMINATES OCTOBER 1, 2001.

TITLE II-TOBACCO PRICE SUPPORT AND PRODUCTION ADJUSTMENT PROGRAMS

Subtitle A-Tobacco Price Support Program

SEC. 201. INTERIM REFORM OF TOBACCO PRICE SUPPORT PROGRAM.

(a) PRICE SUPPORT RATES.-SECTION 106 OF THE AGRICULTURAL ACT OF 1949 (7 U.S.C. 1445) IS AMENDED-

(1) BY STRIKING SUBSECTION (A) AND INSERTING THE FOLLOWING:

"(A) IN GENERAL.-THE PRICE SUPPORT RATE FOR EACH KIND OF TOBACCO FOR WHICH QUOTAS HAVE BEEN APPROVED SHALL BE REDUCED BY-

"(1) FOR THE 1999 CROP, 25 PERCENT FROM THE 1998 SUPPORT RATE FOR THE KIND OF TOBACCO INVOLVED;

"(2) FOR THE 2000 CROP, 10 PERCENT FROM THE 1999 SUPPORT RATE FOR THE KIND OF TOBACCO INVOLVED; AND

"(3) FOR THE 2001 CROP, 10 PERCENT FROM THE 2000 SUPPORT RATE FOR THE KIND OF TOBACCO INVOLVED.";

(2) BY STRIKING SUBSECTIONS (B) AND (F); AND

(3) BY REDESIGNATING SUBSECTIONS (C), (D), AND (G) AS SUBSECTIONS

(B), (C), AND (D), RESPECTIVELY.

(B) BUDGET DEFICIT ASSESSMENT.-SECTION 106 OF THE AGRICULTURAL ACT OF 1949 (7 U.S.C. 1445) (AS AMENDED BY SUBSECTION (A)(3)) IS AMENDED BY STRIKING SUBSECTION (D) AND INSERTING THE FOLLOWING:

"(D) TOBACCO TRANSITION PAYMENT.-EFFECTIVE ONLY FOR THE 1998 CROP OF TOBACCO, THE SECRETARY OF THE TREASURY SHALL TRANSFER FROM THE TOBACCO TRANSITION ACCOUNT OF THE NATIONAL TOBACCO SETTLEMENT TRUST FUND AN AMOUNT EQUAL TO THE PRODUCT OBTAINED BY MULTIPLYING-

"(1) THE AMOUNT PER POUND EQUAL TO 2 PERCENT OF THE NATIONAL PRICE SUPPORT LEVEL FOR EACH KIND OF TOBACCO FOR WHICH PRICE SUPPORT IS MADE AVAILABLE UNDER THIS ACT; AND

"(2) THE TOTAL QUANTITY OF THE KIND OF TOBACCO THAT IS PRODUCED OR PURCHASED IN, OR IMPORTED INTO, THE UNITED STATES.".

(C) NO NET COST TOBACCO FUND AND ACCOUNT.-

(1) NO NET COST TOBACCO FUND.-SECTION 106A OF THE AGRICULTURAL ACT OF 1949 (7 U.S.C. 1445-1) IS AMENDED TO READ AS FOLLOWS:

"SEC. 106A. NO NET COST TOBACCO FUND.

"(a) DEFINITIONS.-IN THIS SECTION:

"(1) ASSOCIATION.-THE TERM 'ASSOCIATION' MEANS A PRODUCER-OWNED COOPERATIVE MARKETING ASSOCIATION THAT HAS ENTERED INTO A LOAN AGREEMENT WITH THE CORPORATION TO MAKE PRICE SUPPORT AVAILABLE TO PRODUCERS OF A KIND OF TOBACCO.

"(2) CORPORATION.-THE TERM 'CORPORATION' MEANS THE COMMODITY CREDIT CORPORATION, AN AGENCY AND INSTRUMENTALITY OF THE UNITED STATES WITHIN THE DEPARTMENT OF AGRICULTURE THROUGH WHICH THE SECRETARY MAKES PRICE SUPPORT AVAILABLE TO PRODUCERS.

"(3) NET GAINS.-THE TERM 'NET GAINS' MEANS THE AMOUNT BY WHICH THE TOTAL PROCEEDS OBTAINED FROM THE SALE BY AN ASSOCIATION OF A CROP OF QUOTA TOBACCO PLEDGED TO THE CORPORATION FOR A PRICE SUPPORT LOAN EXCEEDS THE PRINCIPAL AMOUNT OF THE PRICE SUPPORT LOAN MADE BY THE CORPORATION TO THE ASSOCIATION ON THE CROP, PLUS INTEREST, CHARGES, AND COSTS OF ADMINISTERING THE PRICE SUPPORT PROGRAM.

"(4) NO NET COST TOBACCO FUND.-THE TERM 'NO NET COST TOBACCO FUND' MEANS THE CAPITAL ACCOUNT ESTABLISHED WITHIN EACH ASSOCIATION UNDER THIS SECTION.

"(5) PURCHASER.-THE TERM 'PURCHASER' MEANS ANY PERSON WHO PURCHASES IN THE UNITED STATES, EITHER DIRECTLY OR INDIRECTLY FOR THE ACCOUNT OF THE PERSON OR ANOTHER PERSON, FLUE-CURED OR BURLEY QUOTA TOBACCO.

"(6) QUOTA TOBACCO.-THE TERM 'QUOTA TOBACCO' MEANS ANY KIND OF TOBACCO FOR WHICH MARKETING QUOTAS ARE IN EFFECT OR FOR WHICH MARKETING QUOTAS ARE NOT DISAPPROVED BY PRODUCERS.

"(7) TRUST FUND.-THE TERM 'TRUST FUND' MEANS THE NATIONAL TOBACCO SETTLEMENT TRUST FUND ESTABLISHED IN THE TREASURY OF THE UNITED STATES CONSISTING OF AMOUNTS THAT ARE APPROPRIATED OR CREDITED TO THE TRUST FUND FROM THE TOBACCO SETTLEMENT APPROVED BY CONGRESS.

"(B) PRICE SUPPORT PROGRAM; LOANS.-THE SECRETARY-

"(1) may carry out the tobacco price support program through the Corporation; and

"(2) shall, except as otherwise provided by this section, continue to make price support available to producers through loans to associations that, under agreements with the Corporation, agree to make loan advances to producers.

"(c) ESTABLISHMENT OF FUND.-

"(1) IN GENERAL.-EACH ASSOCIATION SHALL ESTABLISH WITHIN THE ASSOCIATION A NO NET COST TOBACCO FUND.

"(2) AMOUNT.-THERE SHALL BE TRANSFERRED FROM THE TRUST FUND TO EACH NO NET COST TOBACCO FUND SUCH AMOUNT AS THE SECRETARY DETERMINES WILL BE ADEQUATE TO REIMBURSE THE CORPORATION FOR ANY NET LOSSES THAT THE CORPORATION MAY SUSTAIN UNDER ITS LOAN AGREEMENTS WITH THE ASSOCIATION, BASED ON-

"(A) REASONABLE ESTIMATES OF THE AMOUNTS THAT THE CORPORATION HAS LENT OR WILL LEND TO THE ASSOCIATION FOR PRICE SUPPORT FOR THE 1982 AND SUBSEQUENT CROPS OF QUOTA TOBACCO, EXCEPT THAT FOR THE 1986 AND SUBSEQUENT CROPS OF BURLEY QUOTA TOBACCO, THE SECRETARY SHALL DETERMINE THE AMOUNT OF ASSESSMENTS WITHOUT REGARD TO ANY NET LOSSES THAT THE CORPORATION MAY SUSTAIN UNDER THE LOAN AGREEMENTS OF THE CORPORATION WITH THE ASSOCIATION FOR THE 1983 CROP OF BURLEY QUOTA TOBACCO;

"(B) THE COST OF ADMINISTERING THE TOBACCO PRICE SUPPORT PROGRAM (AS DETERMINED BY THE SECRETARY); AND

"(C) THE PROCEEDS THAT WILL BE REALIZED FROM THE SALES OF TOBACCO THAT ARE PLEDGED TO THE CORPORATION BY THE ASSOCIATION AS SECURITY FOR LOANS.

"(D) ADMINISTRATION.-THE SECRETARY SHALL-

"(1) REQUIRE THAT THE NO NET COST TOBACCO FUND ESTABLISHED BY EACH ASSOCIATION BE KEPT AND MAINTAINED SEPARATELY FROM ALL OTHER ACCOUNTS OF THE ASSOCIATION AND BE USED EXCLUSIVELY, AS PRESCRIBED BY THE SECRETARY, FOR THE PURPOSE OF ENSURING, INSOFAR AS PRACTICABLE, THAT THE CORPORATION, UNDER ITS LOAN AGREEMENTS WITH THE ASSOCIATION WITH RESPECT TO 1982 AND SUBSEQUENT CROPS OF QUOTA TOBACCO, WILL SUFFER NO NET LOSSES (INCLUDING RECOVERY OF THE AMOUNT OF LOANS EXTENDED TO COVER THE OVERHEAD COSTS OF THE ASSOCIATION), AFTER ANY NET GAINS ARE APPLIED TO NET LOSSES OF THE CORPORATION UNDER PARAGRAPH (3), EXCEPT THAT, NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE ASSOCIATION MAY, WITH THE APPROVAL OF THE SECRETARY, USE FUNDS IN THE NO NET COST TOBACCO FUND, INCLUDING INTEREST AND OTHER EARNINGS, FOR-

"(A) THE PURPOSES OF REDUCING THE ASSOCIATION'S OUTSTANDING INDEBTEDNESS TO THE CORPORATION ASSOCIATED WITH 1982 AND SUBSEQUENT CROPS OF QUOTA TOBACCO AND MAKING LOAN ADVANCES TO PRODUCERS AS AUTHORIZED; AND

"(B) ANY OTHER PURPOSES THAT WILL BE MUTUALLY BENEFICIAL TO PRODUCERS AND PURCHASERS AND TO THE CORPORATION;

"(2) PERMIT AN ASSOCIATION TO INVEST THE FUNDS IN THE NO NET COST TOBACCO FUND IN SUCH MANNER AS THE SECRETARY MAY APPROVE, AND REQUIRE THAT THE INTEREST OR OTHER EARNINGS ON THE INVESTMENT SHALL BECOME A PART OF THE NO NET COST TOBACCO FUND;

"(3) REQUIRE THAT LOAN AGREEMENTS BETWEEN THE CORPORATION AND THE ASSOCIATION PROVIDE THAT THE CORPORATION SHALL RETAIN THE NET GAINS FROM EACH OF THE 1982 AND SUBSEQUENT CROPS OF TOBACCO PLEDGED BY THE ASSOCIATION AS SECURITY FOR PRICE SUPPORT LOANS, AND THAT THE NET GAINS WILL BE USED FOR THE PURPOSE OF-

"(A) OFFSETTING ANY LOSSES SUSTAINED BY THE CORPORATION UNDER ITS LOAN AGREEMENTS WITH THE ASSOCIATION FOR ANY OF THE 1982 AND SUBSEQUENT CROPS OF TOBACCO; OR

"(B) REDUCING THE OUTSTANDING BALANCE OF ANY PRICE SUPPORT LOAN MADE BY THE CORPORATION TO THE ASSOCIATION UNDER THE LOAN AGREEMENTS FOR 1982 AND SUBSEQUENT CROPS OF TOBACCO; AND

"(4) EFFECTIVE FOR THE 1986 AND SUBSEQUENT CROPS OF QUOTA TOBACCO, IF THE SECRETARY DETERMINES THAT THE AMOUNT IN THE NO NET COST TOBACCO FUND OR THE NET GAINS REFERRED TO IN PARAGRAPH (3) EXCEEDS

THE TOTAL AMOUNT NECESSARY FOR THE PURPOSES SPECIFIED IN THIS SECTION, SUSPEND THE TRANSFER OF AMOUNTS FROM THE TRUST FUND TO THE NO NET COST TOBACCO FUND UNDER THIS SECTION.

"(E) NONCOMPLIANCE.-

"(1) IN GENERAL.-IF ANY ASSOCIATION THAT HAS ENTERED INTO A LOAN AGREEMENT WITH THE CORPORATION WITH RESPECT TO ANY OF THE 1982 OR SUBSEQUENT CROPS OF QUOTA TOBACCO FAILS OR REFUSES TO COMPLY WITH THIS SECTION (INCLUDING REGULATIONS PROMULGATED UNDER THIS SECTION) OR THE TERMS OF THE AGREEMENT, THE SECRETARY MAY TERMINATE THE AGREEMENT OR PROVIDE THAT NO ADDITIONAL LOAN FUNDS MAY BE MADE AVAILABLE UNDER THE AGREEMENT TO THE ASSOCIATION.

"(2) PRICE SUPPORT.-IF THE SECRETARY TAKES ACTION UNDER PARAGRAPH (1), THE SECRETARY SHALL MAKE PRICE SUPPORT AVAILABLE TO PRODUCERS OF THE KIND OR KINDS OF TOBACCO, THE PRICE OF WHICH HAD BEEN SUPPORTED THROUGH LOANS TO THE ASSOCIATION, THROUGH SUCH OTHER MEANS AS ARE AUTHORIZED BY THIS ACT OR THE COMMODITY CREDIT CORPORATION CHARTER ACT (15 U.S.C. 714 ET SEQ.).

"(F) TERMINATION OF AGREEMENT OR ASSOCIATION.-IF, UNDER SUBSECTION (E), A LOAN AGREEMENT WITH AN ASSOCIATION IS TERMINATED, OR IF AN ASSOCIATION HAVING A LOAN AGREEMENT WITH THE CORPORATION IS DISSOLVED, MERGES WITH ANOTHER ASSOCIATION, OR OTHERWISE CEASES TO OPERATE, THE NO NET COST TOBACCO FUND OR THE NET GAINS REFERRED TO IN SUBSECTION (D)(3) SHALL BE APPLIED OR DISPOSED OF IN SUCH MANNER AS THE SECRETARY MAY APPROVE OR PRESCRIBE, EXCEPT THAT THE NET GAINS SHALL, TO THE EXTENT NECESSARY, FIRST BE APPLIED OR USED FOR THE PURPOSES SPECIFIED IN THIS SECTION.

"(G) REGULATIONS.-THE SECRETARY SHALL ISSUE SUCH REGULATIONS AS ARE NECESSARY TO CARRY OUT THIS SECTION.".

(2) NO NET COST TOBACCO ACCOUNT.-SECTION 106B OF THE AGRICULTURAL ACT OF 1949 (7 U.S.C. 1445-2) IS AMENDED TO READ AS FOLLOWS:

"SEC. 106B. NO NET COST TOBACCO ACCOUNT.

"(a) DEFINITIONS.-IN THIS SECTION:

"(1) AREA.-THE TERM 'AREA', WHEN USED IN CONNECTION WITH AN ASSOCIATION, MEANS THE GENERAL GEOGRAPHICAL AREA IN WHICH FARMS OF THE PRODUCER-MEMBERS OF THE ASSOCIATION ARE LOCATED, AS DETERMINED BY THE SECRETARY.

"(2) ASSOCIATION.-THE TERM 'ASSOCIATION' HAS THE MEANING GIVEN THE TERM IN SECTION 106A(A)(1).

"(3) CORPORATION.-THE TERM 'CORPORATION' HAS THE MEANING GIVEN THE TERM IN SECTION 106A(A)(2).

"(4) NET GAINS.-THE TERM 'NET GAINS' HAS THE MEANING GIVEN THE TERM IN SECTION 106A(A)(3).

"(5) NO NET COST TOBACCO ACCOUNT.-THE TERM 'NO NET COST TOBACCO ACCOUNT' MEANS AN ACCOUNT ESTABLISHED BY AND IN THE CORPORATION FOR AN ASSOCIATION UNDER THIS SECTION.

"(6) PURCHASER.-THE TERM 'PURCHASER' HAS THE MEANING GIVEN THE TERM IN SECTION 106A(A)(5).

"(7) TOBACCO.-THE TERM 'TOBACCO' MEANS ANY KIND OF TOBACCO (AS DEFINED IN SECTION 301(B) OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938 (7 U.S.C. 1301(B))) FOR WHICH MARKETING QUOTAS ARE IN EFFECT OR FOR WHICH MARKETING QUOTAS ARE NOT DISAPPROVED BY PRODUCERS.

"(8) TRUST FUND.-THE TERM 'TRUST FUND' HAS THE MEANING GIVEN THE TERM IN SECTION 106A(A)(7).

"(B) PRICE SUPPORT PROGRAM; LOANS.-NOTWITHSTANDING SECTION 106A, THE SECRETARY SHALL, ON THE REQUEST OF ANY ASSOCIATION, AND MAY, IF THE SECRETARY DETERMINES, AFTER CONSULTATION WITH THE ASSOCIATION, THAT THE

ACCUMULATION OF THE NO NET COST TOBACCO FUND FOR THE ASSOCIATION UNDER SECTION 106A IS, AND IS LIKELY TO REMAIN, INADEQUATE TO REIMBURSE THE CORPORATION FOR NET LOSSES THAT THE CORPORATION SUSTAINS UNDER ITS LOAN AGREEMENTS WITH THE ASSOCIATION-

"(1) CONTINUE TO MAKE PRICE SUPPORT AVAILABLE TO PRODUCERS THROUGH THE ASSOCIATION IN ACCORDANCE WITH LOAN AGREEMENTS ENTERED INTO BETWEEN THE CORPORATION AND THE ASSOCIATION; AND

"(2) ESTABLISH AND MAINTAIN IN ACCORDANCE WITH THIS SECTION A NO NET COST TOBACCO ACCOUNT FOR THE ASSOCIATION IN LIEU OF THE NO NET COST TOBACCO FUND ESTABLISHED WITHIN THE ASSOCIATION UNDER SECTION 106A.

"(C) ESTABLISHMENT OF ACCOUNT.-

"(1) IN GENERAL.-A NO NET COST TOBACCO ACCOUNT ESTABLISHED FOR AN ASSOCIATION UNDER SUBSECTION (B)(2) SHALL BE ESTABLISHED WITHIN THE CORPORATION.

"(2) AMOUNT.-THERE SHALL BE TRANSFERRED FROM THE TRUST FUND TO EACH NO NET COST TOBACCO ACCOUNT SUCH AMOUNT AS THE SECRETARY DETERMINES WILL BE ADEQUATE TO REIMBURSE THE CORPORATION FOR ANY NET LOSSES THAT THE CORPORATION MAY SUSTAIN UNDER ITS LOAN AGREEMENTS WITH THE ASSOCIATION, BASED ON-

"(A) REASONABLE ESTIMATES OF THE AMOUNTS THAT THE CORPORATION HAS LENT OR WILL LEND TO THE ASSOCIATION FOR PRICE SUPPORT FOR THE 1982 AND SUBSEQUENT CROPS OF QUOTA TOBACCO, EXCEPT THAT FOR THE 1986 AND SUBSEQUENT CROPS OF BURLEY QUOTA TOBACCO, THE SECRETARY SHALL DETERMINE THE AMOUNT OF ASSESSMENTS WITHOUT REGARD TO ANY NET LOSSES THAT THE CORPORATION MAY SUSTAIN UNDER THE LOAN AGREEMENTS OF THE CORPORATION WITH THE ASSOCIATION FOR THE 1983 CROP OF BURLEY QUOTA TOBACCO;

"(B) THE COST OF ADMINISTERING THE TOBACCO PRICE SUPPORT PROGRAM (AS DETERMINED BY THE SECRETARY); AND

"(C) THE PROCEEDS THAT WILL BE REALIZED FROM THE SALES OF THE KIND OF TOBACCO INVOLVED

that are pledged to the Corporation by the association as security for loans.

"(3) ADMINISTRATION.-ON THE ESTABLISHMENT OF A NO NET COST TOBACCO ACCOUNT FOR AN ASSOCIATION, ANY AMOUNT IN THE NO NET COST TOBACCO FUND ESTABLISHED WITHIN THE ASSOCIATION UNDER SECTION 106A SHALL BE APPLIED OR DISPOSED OF IN SUCH MANNER AS THE SECRETARY MAY APPROVE OR PRESCRIBE, EXCEPT THAT THE AMOUNT SHALL, TO THE EXTENT NECESSARY, FIRST BE APPLIED OR USED FOR THE PURPOSES SPECIFIED IN THAT SECTION.

"(D) USE.-AMOUNTS DEPOSITED IN A NO NET COST TOBACCO ACCOUNT ESTABLISHED FOR AN ASSOCIATION SHALL BE USED BY THE SECRETARY FOR THE PURPOSE OF ENSURING, INSOFAR AS PRACTICABLE, THAT THE CORPORATION UNDER ITS LOAN AGREEMENTS WITH THE ASSOCIATION WILL SUFFER, WITH RESPECT TO THE CROP INVOLVED, NO NET LOSSES (INCLUDING RECOVERY OF THE AMOUNT OF LOANS EXTENDED TO COVER THE OVERHEAD COSTS OF THE ASSOCIATION), AFTER ANY NET GAINS ARE APPLIED TO NET LOSSES OF THE CORPORATION UNDER SUBSECTION (G).

"(E) EXCESS AMOUNTS.-IF THE SECRETARY DETERMINES THAT THE AMOUNT IN THE NO NET COST TOBACCO ACCOUNT OR THE NET GAINS REFERRED TO IN SUBSECTION (G) EXCEED THE TOTAL AMOUNT NECESSARY TO CARRY OUT THIS SECTION, THE SECRETARY SHALL SUSPEND THE TRANSFER OF AMOUNTS FROM THE TRUST FUND TO THE NO NET COST TOBACCO ACCOUNT UNDER THIS SECTION.

"(F) TERMINATION OF AGREEMENT OR ASSOCIATION.-IN THE CASE OF AN ASSOCIATION FOR WHICH A NO NET COST TOBACCO ACCOUNT IS ESTABLISHED UNDER SUBSECTION (B)(2), IF A LOAN AGREEMENT BETWEEN THE CORPORATION AND THE

ASSOCIATION IS TERMINATED, IF THE ASSOCIATION IS DISSOLVED OR MERGES WITH ANOTHER ASSOCIATION THAT HAS ENTERED INTO A LOAN AGREEMENT WITH THE CORPORATION TO MAKE PRICE SUPPORT AVAILABLE TO PRODUCERS OF THE KIND OF TOBACCO INVOLVED, OR IF THE NO NET COST TOBACCO ACCOUNT TERMINATES BY OPERATION OF LAW, AMOUNTS IN THE NO NET COST TOBACCO ACCOUNT AND THE NET GAINS REFERRED TO IN SUBSECTION (G) SHALL BE APPLIED TO OR DISPOSED OF IN SUCH MANNER AS THE SECRETARY MAY PRESCRIBE, EXCEPT THAT THE NET GAINS SHALL, TO THE EXTENT NECESSARY, FIRST BE APPLIED TO OR USED FOR THE PURPOSES SPECIFIED IN THIS SECTION.

"(G) NET GAINS.-THE PROVISIONS OF SECTION 106A(D)(3) RELATING TO NET GAINS SHALL APPLY TO ANY LOAN AGREEMENT BETWEEN AN ASSOCIATION AND THE CORPORATION ENTERED INTO ON OR AFTER THE ESTABLISHMENT OF A NO NET COST TOBACCO ACCOUNT FOR THE ASSOCIATION UNDER SUBSECTION (B)(2).

"(H) REGULATIONS.-THE SECRETARY SHALL ISSUE SUCH REGULATIONS AS ARE NECESSARY TO CARRY OUT THIS SECTION.".

(3) CONFORMING AMENDMENTS.-

(A) SECTION 314(A) OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938 (7 U.S.C. 1314(A)) IS AMENDED IN THE FIRST SENTENCE-

(I) BY STRIKING "(1)"; AND

(II) BY STRIKING ", OR (2)" AND ALL THAT FOLLOWS THROUGH "106B(D)(1) OF THAT ACT".

(B) SECTION 320B(C)(1) OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938 (7 U.S.C. 1314H(C)(1)) IS AMENDED BY INSERTING AFTER "1445-2)" THE FOLLOWING: "(AS IN EFFECT BEFORE THE EFFECTIVE DATE OF THE AMENDMENTS MADE BY SECTION 201(C) OF THE TOBACCO TRANSITION ACT)".

(D) ADMINISTRATIVE COSTS.-SECTION 1109 OF THE AGRICULTURE AND FOOD ACT OF 1981 (PUBLIC LAW 97-98; 7 U.S.C. 1445 NOTE) IS REPEALED.

(E) CROPS.-THIS SECTION AND THE AMENDMENTS MADE BY THIS SECTION SHALL APPLY WITH RESPECT TO THE 1999 AND SUBSEQUENT CROPS OF THE KIND OF TOBACCO INVOLVED.

SEC. 202. TERMINATION OF TOBACCO PRICE SUPPORT PROGRAM.

(a) PARITY PRICE SUPPORT.-SECTION 101 OF THE AGRICULTURAL ACT OF 1949 (7 U.S.C. 1441) IS AMENDED-

(1) IN THE FIRST SENTENCE OF SUBSECTION (A), BY STRIKING "TOBACCO (EXCEPT AS OTHERWISE PROVIDED HEREIN), CORN," AND INSERTING "CORN";

(2) BY STRIKING SUBSECTIONS (C), (G), (H), AND (I);

(3) IN SUBSECTION (D)(3)-

(A) BY STRIKING ", EXCEPT TOBACCO,"; AND

(B) BY STRIKING "AND NO PRICE SUPPORT SHALL BE MADE AVAILABLE FOR ANY CROP OF TOBACCO FOR WHICH MARKETING QUOTAS HAVE BEEN DISAPPROVED BY PRODUCERS;"; AND

(4) BY REDESIGNATING SUBSECTIONS (D) AND (E) AS SUBSECTIONS (C) AND (D), RESPECTIVELY.

(B) TERMINATION OF TOBACCO PRICE SUPPORT AND NO NET COST PROVISIONS.-SECTIONS 106, 106A, AND 106B OF THE AGRICULTURAL ACT OF 1949 (7 U.S.C. 1445, 1445-1, 1445-2) ARE REPEALED.

(C) DEFINITION OF BASIC AGRICULTURAL COMMODITY.-SECTION 408(C) OF THE AGRICULTURAL ACT OF 1949 (7 U.S.C. 1428(C)) IS AMENDED BY STRIKING "TOBACCO,".

(D) REVIEW OF BURLEY TOBACCO IMPORTS.-SECTION 3 OF PUBLIC LAW 98-59 (7 U.S.C. 625) IS REPEALED.

(E) POWERS OF COMMODITY CREDIT CORPORATION.-SECTION 5 OF THE COMMODITY CREDIT CORPORATION CHARTER ACT (15 U.S.C. 714C) IS AMENDED BY INSERTING "(OTHER THAN TOBACCO)" AFTER "AGRICULTURAL COMMODITIES" EACH PLACE IT

APPEARS.
(F) TRANSITION PROVISIONS.-
(1) LIABILITY.-THE AMENDMENTS MADE BY THIS SECTION SHALL NOT AFFECT THE LIABILITY OF ANY PERSON UNDER ANY PROVISION OF LAW AS IN EFFECT BEFORE THE EFFECTIVE DATE OF THIS SECTION.
(2) TOBACCO STOCKS AND LOANS.-THE SECRETARY SHALL ISSUE REGULATIONS THAT REQUIRE-
(A) THE ORDERLY DISPOSITION OF TOBACCO STOCKS; AND
(B) THE REPAYMENT OF ALL TOBACCO PRICE SUPPORT LOANS BY NOT LATER THAN 1 YEAR AFTER THE EFFECTIVE DATE OF THIS SECTION.
(G) CROPS.-THIS SECTION AND THE AMENDMENTS MADE BY THIS SECTION SHALL APPLY WITH RESPECT TO THE 2002 AND SUBSEQUENT CROPS OF THE KIND OF TOBACCO INVOLVED.

Subtitle B-Tobacco Production Adjustment Programs

SEC. 211. TERMINATION OF TOBACCO PRODUCTION ADJUSTMENT PROGRAMS.
(a) DECLARATION OF POLICY.-SECTION 2 OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938 (7 U.S.C. 1282) IS AMENDED BY STRIKING "TOBACCO,".
(b) DEFINITIONS.-SECTION 301(B) OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938 (7 U.S.C. 1301(B)) IS AMENDED-
(1) IN PARAGRAPH (3)-
(A) BY STRIKING SUBPARAGRAPH (C); AND
(B) BY REDESIGNATING SUBPARAGRAPH (D) AS SUBPARAGRAPH (C);
(2) IN PARAGRAPH (6)(A), BY STRIKING "TOBACCO,";
(3) IN PARAGRAPH (7), BY STRIKING THE FOLLOWING:
"TOBACCO (FLUE-CURED), JULY 1-JUNE 30;
"TOBACCO (OTHER THAN FLUE-CURED), OCTOBER 1-SEPTEMBER 30;";
(4) IN PARAGRAPH (10)-
(A) BY STRIKING SUBPARAGRAPH (B); AND
(B) BY REDESIGNATING SUBPARAGRAPH (C) AS SUBPARAGRAPH (B);
(5) IN PARAGRAPH (11)(B), BY STRIKING "AND TOBACCO";
(6) IN PARAGRAPH (12), BY STRIKING "TOBACCO,";
(7) IN PARAGRAPH (14)-
(A) IN SUBPARAGRAPH (A), BY STRIKING "(A)"; AND
(B) BY STRIKING SUBPARAGRAPHS (B), (C), AND (D);
(8) BY STRIKING PARAGRAPH (15);
(9) IN PARAGRAPH (16)-
(A) BY STRIKING SUBPARAGRAPH (B); AND
(B) BY REDESIGNATING SUBPARAGRAPH (C) AS SUBPARAGRAPH (B); AND
(10) BY REDESIGNATING PARAGRAPHS (16) AND (17) AS PARAGRAPHS (15) AND (16), RESPECTIVELY.
(C) PARITY PAYMENTS.-SECTION 303 OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938 (7 U.S.C. 1303) IS AMENDED IN THE FIRST SENTENCE BY STRIKING "RICE, OR TOBACCO," AND INSERTING "OR RICE,".
(D) MARKETING QUOTAS.-PART I OF SUBTITLE B OF TITLE III OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938 (7 U.S.C. 1311 ET SEQ.) IS REPEALED.
(E) ADMINISTRATIVE PROVISIONS.-SECTION 361 OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938 (7 U.S.C. 1361) IS AMENDED BY STRIKING "TOBACCO,".
(F) ADJUSTMENT OF QUOTAS.-SECTION 371 OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938 (7 U.S.C. 1371) IS AMENDED-
(1) IN THE FIRST SENTENCE OF SUBSECTION (A), BY STRIKING "PEANUTS, OR TOBACCO" AND INSERTING "OR PEANUTS"; AND
(2) IN THE FIRST SENTENCE OF SUBSECTION (B), BY STRIKING "PEANUTS OR TOBACCO" AND INSERTING "OR PEANUTS".
(G) REPORTS AND RECORDS.-SECTION 373 OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938 (7 U.S.C. 1373) IS AMENDED-

(1) BY STRIKING "PEANUTS, OR TOBACCO" EACH PLACE IT APPEARS IN SUBSECTIONS (A) AND (B) AND INSERTING "OR PEANUTS"; AND

(2) IN SUBSECTION (A)-

(A) IN THE FIRST SENTENCE, BY STRIKING "ALL PERSONS ENGAGED IN THE BUSINESS OF REDRYING, PRIZING, OR STEMMING TOBACCO FOR PRODUCERS,"; AND

(B) IN THE LAST SENTENCE, BY STRIKING "$500;" AND ALL THAT FOLLOWS THROUGH THE PERIOD AT THE END OF THE SENTENCE AND INSERTING "$500.".

(H) REGULATIONS.-SECTION 375(A) OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938 (7 U.S.C. 1375(A)) IS AMENDED BY STRIKING "PEANUTS, OR TOBACCO" AND INSERTING "OR PEANUTS".

(I) EMINENT DOMAIN.-SECTION 378 OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938 (7 U.S.C. 1378) IS AMENDED-

(1) IN THE FIRST SENTENCE OF SUBSECTION (C), BY STRIKING "COTTON, TOBACCO, AND PEANUTS" AND INSERTING "COTTON AND PEANUTS"; AND

(2) BY STRIKING SUBSECTIONS (D), (E), AND (F).

(J) BURLEY TOBACCO FARM RECONSTITUTION.-SECTION 379 OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938 (7 U.S.C. 1379) IS AMENDED-

(1) IN SUBSECTION (A)-

(A) BY STRIKING "(A)"; AND

(B) IN PARAGRAPH (6), BY STRIKING ", BUT THIS CLAUSE (6) SHALL NOT BE APPLICABLE IN THE CASE OF BURLEY TOBACCO"; AND

(2) BY STRIKING SUBSECTIONS (B) AND (C).

(K) ACREAGE-POUNDAGE QUOTAS.-SECTION 4 OF THE ACT ENTITLED "AN ACT TO AMEND THE AGRICULTURAL ADJUSTMENT ACT OF 1938, AS AMENDED, TO PROVIDE FOR ACREAGE-POUNDAGE MARKETING QUOTAS FOR TOBACCO, TO AMEND THE TOBACCO PRICE SUPPORT PROVISIONS OF THE AGRICULTURAL ACT OF 1949, AS AMENDED, AND FOR OTHER PURPOSES", APPROVED APRIL 16, 1965 (PUBLIC LAW 89-12; 7 U.S.C. 1314C NOTE), IS REPEALED.

(L) BURLEY TOBACCO ACREAGE ALLOTMENTS.-THE ACT ENTITLED "AN ACT RELATING TO BURLEY TOBACCO FARM ACREAGE ALLOTMENTS UNDER THE AGRICULTURAL ADJUSTMENT ACT OF 1938, AS AMENDED", APPROVED JULY 12, 1952 (7 U.S.C. 1315), IS REPEALED.

(M) TRANSFER OF ALLOTMENTS.-SECTION 703 OF THE FOOD AND AGRICULTURE ACT OF 1965 (7 U.S.C. 1316) IS REPEALED.

(N) ADVANCE RECOURSE LOANS.-SECTION 13(A)(2)(B) OF THE FOOD SECURITY IMPROVEMENTS ACT OF 1986 (7 U.S.C. 1433C-1(A)(2)(B)) IS AMENDED BY STRIKING "TOBACCO AND".

(O) TOBACCO FIELD MEASUREMENT.-SECTION 1112 OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1987 (PUBLIC LAW 100-203) IS AMENDED BY STRIKING SUBSECTION (C).

(P) LIABILITY.-THE AMENDMENTS MADE BY THIS SECTION SHALL NOT AFFECT THE LIABILITY OF ANY PERSON UNDER ANY PROVISION OF LAW AS IN EFFECT BEFORE THE EFFECTIVE DATE UNDER SUBSECTION (Q).

(Q) CROPS.-THIS SECTION AND THE AMENDMENTS MADE BY THIS SECTION SHALL APPLY WITH RESPECT TO THE 1999 AND SUBSEQUENT CROPS OF THE KIND OF TOBACCO INVOLVED.

TITLE III-FUNDING

SEC. 301. TRUST FUND.

(a) REQUEST.-THE SECRETARY OF AGRICULTURE SHALL REQUEST THE SECRETARY OF THE TREASURY TO TRANSFER, FROM THE TOBACCO TRANSITION ACCOUNT IN THE TRUST FUND, AMOUNTS AUTHORIZED UNDER SECTIONS 104, 105, AND 111, AND THE AMENDMENTS MADE BY SECTION 201, TO THE ACCOUNT OF THE COMMODITY CREDIT CORPORATION.

(B) TRANSFER.-ON RECEIPT OF SUCH A REQUEST, THE SECRETARY OF THE TREASURY SHALL TRANSFER AMOUNTS REQUESTED UNDER SUBSECTION (A).

(C) USE.-THE SECRETARY OF AGRICULTURE SHALL USE THE AMOUNTS TRANSFERRED UNDER SUBSECTION (B) TO CARRY OUT THE ACTIVITIES DESCRIBED IN SUBSECTION (A).

(D) TERMINATION OF AUTHORITY.-THE AUTHORITY PROVIDED UNDER THIS SECTION SHALL EXPIRE ON SEPTEMBER 30, 2001.

SEC. 302. COMMODITY CREDIT CORPORATION.

The Secretary may use the funds, facilities, and authorities of the Commodity Credit Corporation to carry out this Act and the amendments made by this Act.

LOAD-DATE: October 28, 1997

The Long-term Economic Assistance for Farmers (LEAF) Act
October 23, 1997

SUMMARY OF PROPOSAL

A. CREATION OF TOBACCO COMMUNITY REVITALIZATION FUND

- Funding: The National Tobacco Settlement Legislation will include a Tobacco Community Revitalization Fund for tobacco producers and tobacco growing communities for the purpose of adjusting to the impact of the legislation. Upon the enactment of the National Tobacco Settlement, funding will be contributed into the Tobacco Community Revitalization Fund.

  Total payments into the Fund would be made as follows:

Years 1 through 10	$ 2.1 Billion per year
Years 11 through 25	$ 500 million per year
Year 26 and after	Amounts sufficient to cover tobacco program costs, as calculated annually by USDA (see below)

The Long-term Economic Assistance for Farmers (LEAF) Act
October 23, 1997

- Spending Authority: The Tobacco Community Revitalization Fund will be administered by the Department of Agriculture. Spending will be authorized as listed below, and will not be subject to appropriations. The Fund will be used for the following purposes:

  ✓ Payments for Lost Tobacco Quota: The Secretary shall make Lost Tobacco Quota Payments to individuals who were tobacco quota holders, quota lessees, and quota tenants during 1996. Payments will be made in any year in which the number of pounds which may be marketed under such quota falls below an average of 1994-1996 basic quota poundage levels. (For types of tobacco not operating on a poundage basis, the Secretary shall make a poundage-equivalent calculation for purposes of this provision.) Quota holders shall be paid $4 per pound in any given year for every pound that their quota falls below their base quota level. Quota holders will have a lifetime limit of such payments equal to $8 per pound times their entire base quota level. In addition, for producers of leased or rented tobacco, annual and lifetime payment limits will be adjusted so that lessees receive payments based on 50% of their leased or rented production. Total payments will not exceed $1.6 Billion in any calendar year. To the extent that aggregate annual payments exceed $1.6 Billion, quota holders and active tobacco producers entitled to such payments will have payments rolled over into subsequent years.

  Example: Farmer X has a base tobacco quota of 10,000 pounds. Farmer X has a lifetime limit on Payments for Lost Tobacco Quota of $80,000. As a result of the national tobacco settlement, quotas fall by 25% and remain at that level for the next 25 years. Farmer X will receive annual payments of $10,000 each year for the next 8 years as compensation for lost quota. (In this example the lifetime limit is reached in the 8th year.)

  In the event that the (a) federal tobacco program is terminated or statutory changes are made to the quota or price support formulas, or (b) if the basic quota falls below 50% of the base quota level for 3 straight years, Payments for Lost Tobacco Quota will be accelerated. In such case, individuals who remain eligible to receive Payments for Lost Tobacco Quota shall receive the full amount of their lifetime payment limit, minus any Payments for Lost Tobacco Quota already received.

The Long-term Economic Assistance for Farmers (LEAF) Act
October 23, 1997

✓ Costs Incidental to the Tobacco Program: The Fund will cover administrative costs, crop insurance, cooperative extension service costs relative to tobacco, and loan association administrative costs, all of which will be calculated annually by the Secretary of Agriculture.

✓ Farmer Opportunity Grants: 1996 quota holders and active tobacco producers and their spouses and dependents will be eligible for grants of up to $1,700 per academic year to pursue an undergraduate baccalaureate, community college, or vocational school education. This amount would be adjusted upward in future years (see below). Academic eligibility standards would be modeled after Pell Grant standards. Any assistance provided through Farmer Opportunity Grants would be in addition to any other source of federal financial assistance. In the event that there are more than 25,000 qualified applicants for Farmer Opportunity Grants in any academic year, the amount of the grants would be prorated to cover all eligible applicants. Administration of the program would be coordinated between the Departments of Agriculture and Education. States would be authorized to require recipients of Tobacco Community Economic Development Grants to give preference in employment to Farmer Opportunity Grant recipients who have completed their undergraduate, community college, or vocational course of study and whose quota or tobacco production for 1996 was located in the county where the economic development activity is located.

Funding for Farmer Opportunity Grants will be made available subject to the following limitations:

Period	Maximum Grant	Maximum Annual Funding
Years 1-5	$ 1,700	$ 42.5 mil.
Years 6-10	$ 2,000	$ 50 mil.
Years 11-15	$ 2,300	$ 57.5 mil.
Years 16-20	$ 2,600	$ 65 mil.
Years 21-25	$ 2,900	$ 72.5 mil.

✓ Benefits for Displaced Tobacco Industry workers: Up to $50 million annually will be available to provide benefits to displaced workers for a period of 10 years. The benefits program will be modeled after the NAFTA displaced worker program, and administered by the Department of Labor. It will be available to tobacco manufacturing, processing, and warehouse employees affected by the National Tobacco Settlement. The program would provide "tobacco readjustment allowances" to supplement unemployment compensation benefits, job training, employment services, and job search and relocation allowances. States would be authorized to require recipients of Tobacco Community Economic Development Grants to give preference in employment to displaced workers whose previous job was located in the county where the economic development activity is located.

✓ Tobacco Community Economic Development Grants: $400 million annually minus amounts necessary for program costs in years 1 through 10, and $450 million annually minus amounts necessary to cover program costs in years 11 through 25, will be made available for Tobacco Community Economic Development Grants. Grants will be made to states based on the 1994-1996 share of national tobacco farm income. States may use any such funds, in any county with more than $100,000 in tobacco farm income in 1996, to fund economic development initiatives. The grants may be used for (1) rural business enterprise grants, (2) farm ownership loans, (3) activities which create farm or off-farm employment, (4) activities which expand existing infrastructure, facilities or services which help diversify local economies, (5) long-term business technical assistance, (6) grants to agricultural organizations to assist tobacco producers with supplemental activities, and (7) the creation or expansion of locally-owned, value-added agricultural processing and marketing operations. At least twenty percent of the funds received by a state must be used for agricultural development (#6 and #7 above). States will be required to provide that over each five year period for which funds are received, a minimum share of funding will go to each county with 1996 tobacco farm income of $100,000 or greater equal to at least one-half of their share of 1996 state tobacco farm income.

The Long-term Economic Assistance for Farmers (LEAF) Act
October 23, 1997

- TOTAL AUTHORIZED SPENDING:

  Payments for Lost Tobacco Quota: $1.6 Billion annual cap; $16 Billion maximum over 25 years

  Program costs: Estimated at up to $100 million per year; no time limit

  Farmer opportunity grants: $42.5 million per year for first 5 years, rising $7.5 million annually during each succeeding 5 year period up to $72.5 million per year; $1.4375 Billion maximum over 25 years

  Displaced workers: Up to $50 million annually for 10 years

  Tobacco Community Economic Development Grants: $400 million per year minus amounts necessary to cover program costs for first 10 years; $450 million annually minus amounts necessary to cover program costs for next 15 years; maximum $10.75 Billion minus program costs over 25 years

B. IMMUNITY

- Tobacco farmers, grower associations, and warehouse employees will not be subject to liability for any failure by tobacco manufacturers, distributors, or retailers to comply with the terms of the tobacco settlement.

C. TOBACCO PROGRAM CHANGES

- Tobacco Program Referenda: For any kind of tobacco, upon the receipt of a petition from more than five percent of the active tobacco producers within any state for such kind of tobacco, the Secretary shall conduct a referendum on any authorized proposals relating to the lease and transfer of quota within a state which are requested by the petition. Upon the approval by a majority of the active tobacco producers within the state for such kind of tobacco, the Secretary shall permit such changes to apply to all active tobacco producers and quota holders within such state.

- Purchase Intention penalty: The penalty on manufacturers for failing to purchase at least 90 percent of their stated annual purchase intentions will be increased to a penalty rate equal to 105% of the prior year market average for such type of tobacco. Penalty payments will be deposited into the Tobacco Community Revitalization Fund.

Tobacco-Legislation

The Public Health and Education Resource (PHAER) Act

Introduced in the Senate by Sen. Frank R. Lautenberg (D-NJ) and in the House by Rep. James V. Hansen (R-UT)

PHAER would raise the price of cigarettes to a level that would decrease youth smoking by half.

- PHAER would place a $1.50 Public Health and Education Resource (PHAER) per-pack fee on cigarettes and a comparable fee on other tobacco products.
- The PHAER fee would be phased in by 50-cent increments over three years.
- In the fourth year, the PHAER fee would be indexed for inflation to ensure that youth smoking does not rise again due to inflationary effects. This index will be based on the CPI, the Medical CPI or an increase of 3%, whichever is greater.
- The PHAER fee will raise approximately $494 billion over 25 years (using the tobacco consumption projections of the Joint Committee on Taxation), an average of almost $20 billion per year. Of these funds:

75% (an average of $15 billion per year) will be distributed at the *State* level for:

- Smoking cessation programs and services
- School and community-based tobacco education and prevention programs
- State-level counter-advertising campaigns
- ASSIST and similar community-based tobacco control programs
- Expansion of the Children's Health Insurance Program created in the 1997 Budget Reconciliation Act
- Early childhood development programs through the Maternal Child Health Block Grant and WIC
- Other appropriate public health uses

25% (an average of $5 billion per year) will be distributed at the *Federal* level for:

- Research and prevention programs at NIH and CDC
- FDA jurisdiction over tobacco products
- USDA programs to assist tobacco farmers, their families and their communities
- A national counter-advertising campaign
- Medicare prevention programs and premium and cost-sharing assistance for low-income Medicare beneficiaries
- International Programs to decrease worldwide tobacco-related illness
- The Drug Czar to conduct tobacco education and prevention programs
- The VA to conduct tobacco education, intervention and outreach programs.

The Public Health and Education Resource (PHAER) Act

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Section-by-Section Summary

Section 101 -- Imposition and Use of Increased Taxes on Tobacco Products

Cigarette Tax

The excise tax will be phased in as follows:

Year	Increase	Total tax per pack
1999	$0.50	$0.74
2000	$0.50 (plus $0.10 from BBA)	$1.34
2001	$0.50	$1.84
2002	$0.00 (plus $0.05 from BBA)	$1.89
2003	*Tobacco tax annually indexed to CPI, Medical CPI, or 3 percent, whichever is greater*	

Other Tobacco Products

- All taxes on other tobacco products are increased proportionally.

Indexing

- The tobacco taxes will be annually indexed by the CPI, the Medical CPI or 3 percent, whichever is greater.

Floor Stocks Taxes

- All tobacco products that have been distributed by the manufacturer before the increase in taxes called for periodically in this bill shall be taxed at the new rate.

Section 102 -- Tax Treatment for Certain Tobacco-Related Expenses

- The increased taxes contained in this bill will be nondeductible for the tobacco companies.

Section 201

- A new Trust Fund is created: The Public Health and Education Resource fund. This Trust Fund will be created in the Department of the Treasury.

The Secretary of Health and Human Services shall distribute 75 percent of the annual amounts collected in the Trust Fund to the States for the following programs:

(not less than/ nor more than)	
10/30*	Tobacco education and prevention programs in schools
10/30	Smoking cessation programs
10/30	Counter advertising programs
10/25	State Children's Health Insurance Program
5/10	WIC/Maternal Child Health Services Block Grant
1/3	ASSIST and other local tobacco control programs
0/5	State health block grant

Allocation Rules

- Each state grant level will be based on the percentage agreed upon by the Attorneys General in their Report by the Allocation Subcommittee on September 16, 1997.

Maintenance of Effort

- States must maintain the same spending on current programs that they spent the year before.

Federal Funding

Twenty-five percent of the annual amounts collected in the Trust Fund shall go to the following Federal programs:

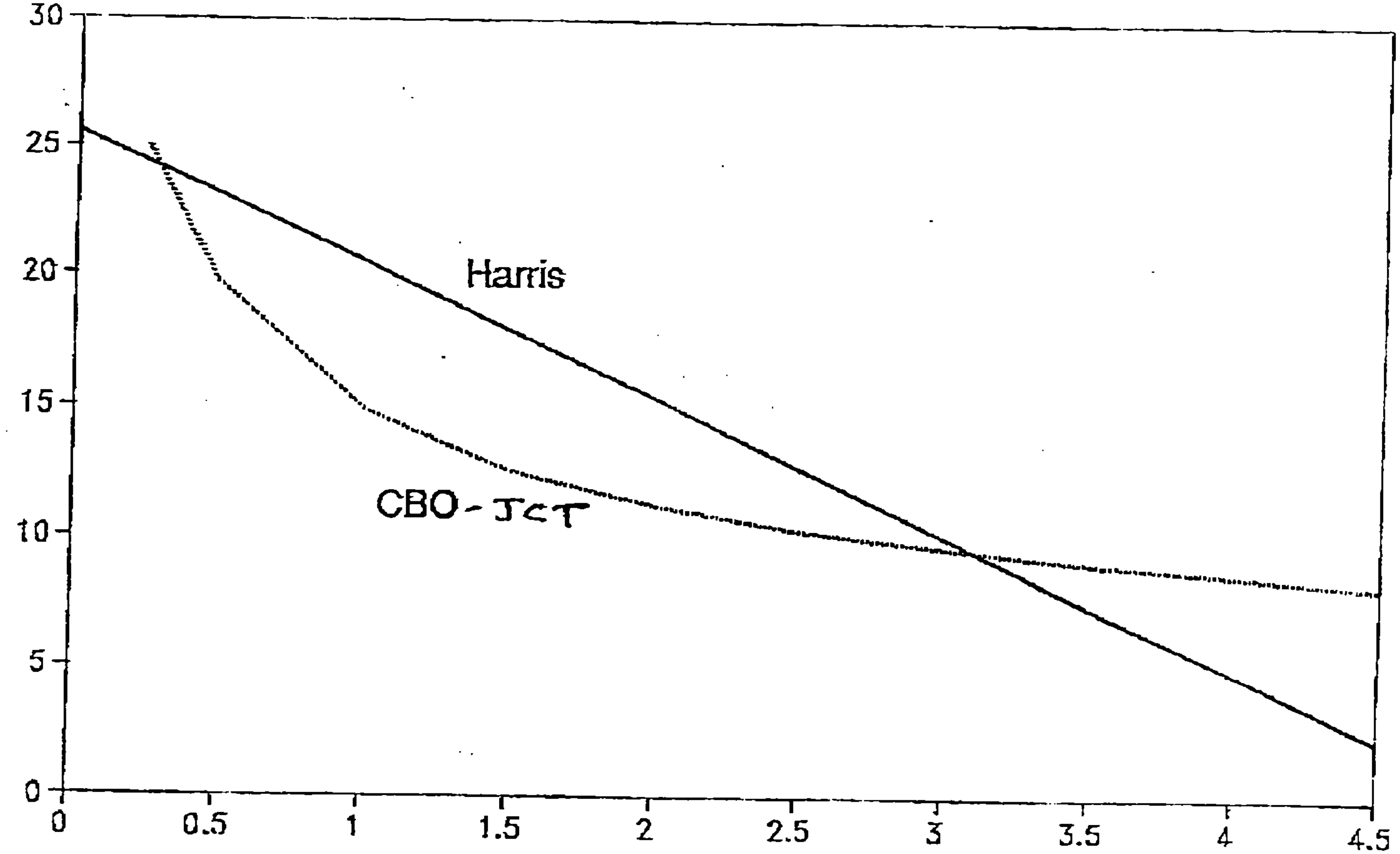
- 10 percent for FDA's tobacco control efforts
- 25 percent for USDA programs to assist tobacco farmers and rural communities
- 20 percent for CDC's tobacco control efforts and NIH
- 20 percent for Medicare preventive benefits and increased support for low income Medicare beneficiaries (QMBs and SLMBs)
- 20 percent for HHS' tobacco counter advertising
- 2 percent for USAID's efforts to decrease tobacco consumption overseas
- 2 percent for Tobacco prevention programs at the Office of National Drug Control Policy (Drug Czar)
- 1 percent for the VA to conduct tobacco education, intervention and outreach programs

Section 301 -- Federal Standards with Respect to Tobacco Products

Repeals Federal preemption of state tobacco laws and regulations.

Section 401 -- Sense of the Senate Regarding Comprehensive Tobacco Legislation

Cigarette Consumption
as a Function of the Tax Level



REV-36 INCREASE EXCISE TAXES ON TOBACCO AND ALCOHOLIC BEVERAGES

Addition to Current-Law Revenues	Annual Added Revenues (Billions of dollars) 1998	1999	2000	2001	2002	Five-Year Cumulative Total
Increase the Cigarette Tax to 48 Cents per Pack	2.6	3.4	3.5	3.5	3.5	16.5
Increase the Cigarette Tax to 99 Cents per Pack	6.4	8.4	8.5	8.6	8.7	40.6
Increase All Alcoholic Beverage Taxes to $16 per Proof Gallon	3.6	4.4	4.4	4.4	4.4	21.2
Index Cigarette and Alcohol Tax Rates for Inflation	0.2	0.5	0.7	1.1	1.3	3.8

SOURCE: Joint Committee on Taxation.

NOTE: Estimates are net of reduced income and payroll tax revenues.

Federal alcohol and tobacco taxes raised about $13 billion in 1996, including $7 billion from taxes on distilled spirits, beer, and wine and $6 billion from taxes on tobacco. Together they represented nearly one-quarter of revenues from all excise taxes and about 1 percent of total federal revenues.

Smoking and drinking can create costs to society that the prices of tobacco and alcoholic beverages do not reflect. Examples of those "external costs" include higher health insurance costs to cover the medical expenses linked to smoking and drinking, the effects of cigarette smoke on the health of nonsmokers, and the loss of lives and property in alcohol-related accidents.

By raising the price of tobacco and alcoholic beverages, excise taxes can result in consumers' paying the full cost for smoking and drinking. If excise taxes lead to reduced consumption of tobacco and alcoholic beverages, then increasing them would decrease the total external costs that smoking and drinking produce. If those external costs primarily come from heavy or abusive consumption, however, higher taxes on tobacco and alcoholic beverages could unduly penalize moderate and infrequent smokers and drinkers. Furthermore, some research suggests that, at least for tobacco, current taxes may more than adequately compensate for the external costs that smokers impose on society.

Increasing excise taxes to reduce consumption may be desirable regardless of the effect on external costs if consumers are either unaware of or underestimate the harm that their smoking and drinking does to them. If most consumers of cigarettes overestimate rather than underestimate the risks involved with smoking, as some studies have shown, then additional taxes would not be warranted. Teenagers, however, may not be prepared to evaluate the long-term effects of smoking and drinking. Evidence suggests that teenage smoking and drinking declines in response to higher prices for tobacco and alcoholic beverages. A number of national medical organizations have supported a substantial increase in the existing federal excise tax on tobacco in the interests of reducing teenage smoking.

Taxes on tobacco and alcoholic beverages are regressive when compared with annual family income; that is, such taxes are a greater percentage of income for low-income families than for middle- and upper-income families.

THE WHITE HOUSE

WASHINGTON

December 10, 1997

MEMORANDUM TO ALL EOP PASSHOLDERS

FROM: Melinda N. Bates
Special Assistant to the President and
Director, Visitors Office

RE: 1997 Christmas Candlelight Tours

The annual White House Christmas Candlelight Tours take place this year

from **5 to 7 p.m.** on: Friday, December 26

Saturday, December 27

Monday, December 29

As in the past, these tours are open to the public and to all passholders with photo hard passes.

There are no tickets nor group reservations.

The President and Mrs. Clinton asked the Visitors Office to extend passholder head-of-line privileges for these tours. Please note that these tours are identical to the Holiday Tours for Passholders on Sunday, December 14th, except **photos are not permitted** inside during the Candlelight Tours.

All visitors form a line at the Visitor Entrance on East Executive Avenue. The passholder line will run north on East Executive to Pennsylvania Avenue. Passholder hours are 5:30 until 7 p.m., each day. The wait may be long, and the weather will probably be cold, so **please encourage your guests to dress appropriately.**

We hope you and your guests enjoy this final holiday event.

Since I failed miserably at my previous attempt, I won't offer another try at a memo. But this might jog your memory if you want a one pager outline to work off in the meeting.

I. Current Legislative Status

A. Senate leadership apparent split with Hatch

* Hatch attempt at bipartsian bill with Kennedy rebuffed. No R's sign on. Bill is not perfect on FDA, costs $400 billion. Kennedy introduces bill with no legal protection for companies.

* Nickles sets deadline, McCain introduces version of settlement.

* Farm state Senators-- Ford, Lugar, Robb introduce farmer specific bills.

B. House waiting on Bliley

* House is less fragmented jurisdictionally than Senate, so a bill might appear more easily here.

* Bliley has not introduced bill, has made some independant gestures on documents, and seems willing to work with Waxman.

* Waxman doesn't have much incentive to get a workable bill soon unless it looks like the Senate D's are starting to compromise on immunity issues.

C. Major Issues

* Getting D's to give companies liability protections.
* Dividing up the money.
* Figuring out the penalties, price increases.

D. Recommendations/Next steps

Pear / Barnett

Send list

Andy Fox

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* Getting D's to give companies liability protections.
* Dividing up the money.
* Figuring out the penalties, price increases.

D. Recommendations/Next steps

(1) BASIC NEED IS MOMENTUM. Keep focus – avoid distractions

(3) House
a) Bliley only bill
b) Bliley/Waxman
c) Bliley/Dingell

(2) Senate – LoH
a) Republican bill
b) R bill vs. Conrad bill
c) R bill vs. Conrad vs. Kennedy

(4) Conference leverage

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Hse

on table

Senate

3/16

Good FDA
$400 bill

→ Daschle / Conrad

Stall

I. Momentum – keep focus back.

II. House – Bilirakis only bill
Bilirakis Waxman
b/Dingell

III. Senate – Republican bill
Republican vs. Conrad

IV. ~~[illegible]~~

FRANK R. LAUTENBERG
UNITED STATES SENATOR
NEW JERSEY

506 HART SENATE OFFICE BUILDING
WASHINGTON, D.C. 20510
(202) 224-4744
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United States Senate

WASHINGTON, D.C. 20510

Telecopier Sheet

TO: Tom Friedman

FROM: Dan Katz
voice: 224-1832
fax: 224-9707

DATE: November 3, 1997

PAGES: 6

Comments: Section by section and letters of support attached.

Tobacco-Legislation

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and in the House by Rep. James V. Hansen (R-UT) Bruce Williams

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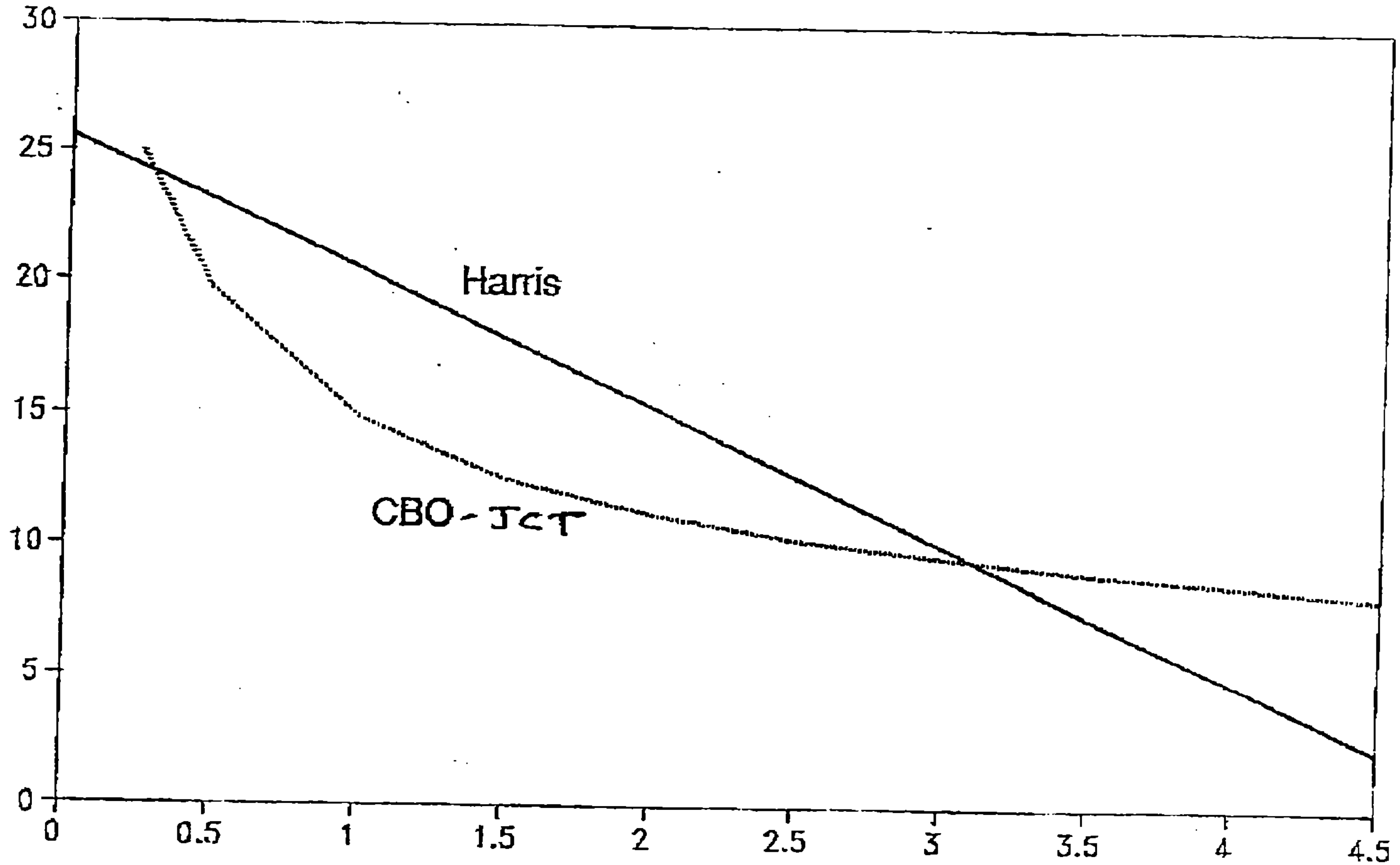

ER -

(36)

2

Congressional Meeting on Tobacco

22 11

Position	Senate	House
Leadership	Lott Daschle	Gingrich Gephardt
Key Committee Leadership	McCain/Hollings Hatch/Leahy Jeffords/Kennedy Lugar/Harkin	Bliley/Dingell Ag. → Smith, Stenholm Jud. → Hyde/Conyers
Tobacco Working Groups	~~Nickles~~ Conrad	Fazio
Tobacco Control Leaders	Lautenburg Durbin Wyden Bingaman Wellstone Mack Bennett	Waxman Meehan Hansen Castle
Tobacco Leaders	Ford McConnell Helms	Baesler Etheridge Clayton

Press

Bliley

① Peter Scheo

② tobacco

wanted to bring you all together

①

② fund

1. Lott
Congress

2. dates

3. them

→ bi-partisan

→

tobacco

ISSUES	McCAIN (S1414)	HATCH (S1530)	McINNIS (HR2740)	LAUTENBERG (S1343)	KENNEDY (S1492)

ATTORNEYS' FEES			**The bill would limit attorneys' fees to $150 per hour and reimbursement of out-of-pocket expenses. Before any lawyers could receive their payments, they would have to submit a detailed billing statement to Congress and the public to account for the time they worked.** **Rep. McInnis has stated that although tobacco companies are expected to pay as much as $368.5 billion to states for the Medicaid costs of treating individuals with smoking-related illnesses, nearly $111 billion of those funds likely will be used to cover the legal fees of hundreds of lawyers who worked on the deal.**		

CIGARETTE PRICE INCREASE				**Excise tax will be phases as follows:** **Year Increase Total tax** **1999 $0.50 $0.74** **2000 $0.50 $1.34** **(plus $0.10 from BBA)** **2001 $0.50 $1.84** **2002 $0.00 $1.89** **(plus $0.05 from BBA)** **2003 Tobacco tax annually indexed to CPI, Medical CPI, or 3 percent, whichever is greater.** **All taxes on other tobacco products are increased proportionally.** **Tobacco taxes will be annually indexed by the CPI, the Medical CPI or 3 percent, whichever is greater.**	**Increase tobacco tax by $1.50 per pack over three years (this is in addition to the currently enacted excise tax, including increases scheduled to take effect in 2000 and 2002) This will generate $650 billion over the next 25 years.**
YOUTH SMOKING					**Establish national goals for the reduction of teen smoking and for smokeless tobacco use to the extent that cigarette or smokeless tobacco manufacturers fail to meet tobacco reduction goals, a surcharge of $1.00 per pack will be imposed.** **There will be no ceiling on the total amount of the surcharges nor will any surcharges be rebated.**

DOCUMENT DISCLOSURE					**Tobacco companies must disclose all relevant documents, including those related to the health effects of its products, to scientific studies of tobacco components, to addictiveness, to the health impacts of proposed modifications, and to marketing and advertising strategies.** **An oversight board with subpoena power will be created to monitor industry compliance.**
FLOOR STOCKS TAXES				**All tobacco products that have been distributed by the manufacturer before the increase in taxes called for periodically in this bill shall be taxed at the new rate.**	
NO TAX DEDUCTIBILITY				**The increased taxes contained in this bill will be nondeductible for the tobacco companies.**	**Tobacco companies will be prohibited from deducting any of the payments required under this act from their corporate income taxes as ordinary and necessary business expenses.**

FDA AUTHORITY					Legislation affirms broad FDA authority. FDA will have authority to regulate tobacco as a drug and a drug delivery device. Scope of regulation will include manufacturing, marketing, advertising, and distribution of tobacco products. FDA will regulate nicotine content. Industry funds raised from the licensing fee will be used to support the cost of effective tobacco regulation.
REGULATION OF TOBACCO PRODUCTS					Legislation includes comparable increases for smokeless tobacco and other tobacco products. FDA will be able to regulate nicotine content and yield.

FUNDING FOR CHILDREN'S HEALTH PROGRAMS				**The Public Health and Education Resource Fund: The Secretary of HHS shall distribute 75% of the annual amounts collected in the Trust Fund to the States for:** **Tobacco education/ prevention in schools** **Smoking cessation** **Counter advertising** **State Children's Health Insurance Program** **WIC\Maternal Child Health Services Block Grant** **ASSIST programs** **State health block grant** **Each state grant level will be based on the % agreed upon by the Attorneys General in their Report by the Allocation Subcommittee on 9/16/97.** **States must maintain the same spending on current programs that they spent the year before.**	
FUNDING FOR STATES					**States will be compensated for that portion of their Medicaid expenditures attributable to treatment for tobacco induced illnesses and conditions.**

FUNDING FOR FEDERAL PROGRAMS				**25% of the Trust Fund will go to the following Federal programs: FDA tobacco control USDA programs to assist farmers CDC and NIH Medicare benefits HHS' advertising USAID's efforts to decrease tobacco consumption overseas. Tobacco prevention programs at the Office of National Drug Control Policy VA to conduct tobacco education, intervention, and outreach.**	
TOBACCO USE REDUCTION AND EDUCATION BLOCK GRANT					**National counter-advertising program to educate public states would receive funding for smoking cessation programs, reduction of tobacco use through counter-advertising, tobacco free public education programs, tobacco free community action programs, licensing of tobacco sellers and enforcement of youth deterrence. Tobacco victim's assistance fund will be created to provide financial help to persons with serious tobacco induced health problems.**

WARNING LABELS					**Legislation would mandate strong new rotating warnings on all tobacco product packages and cartons, and in all advertisements.** **Warnings will be those set forth in the settlement agreement between the Attorneys General and the tobacco industry. The warnings will include "cigarettes are addictive," "cigarettes cause cancer," and "smoking can kill you."**
INGREDIENT DISCLOSURE					**Tobacco companies will be required to disclose to the FDA the nature and amount of each ingredient, substance, and compound in each brand of cigarette or tobacco product, and the Agency will make such information available to the public unless it has determined it to be a trade secret.**

REDUCTION OF INVOLUNTARY EXPOSURE TO TOBACCO SMOKE					Restrict indoor smoking in public facilities to areas in which the air is vented directly to the outside. Prohibition of smoking in schools and child care facilities. Exempt adult only facilities such as bars, and designated hotel guest rooms. Federal rules establish a floor for protecting non-smokers from second-hand smoke. State and localities may enact more restrictive measures.

ASSISTANCE TO FARMERS					**Transition assistance for tobacco farmers and displaced tobacco industry workers. This program would provide compensation for tobacco farmers agreeing to retire their tobacco acreage, and to assist farmers and workers who wish to train for new careers.** **Economic development assistance to those communities most heavily impacted by changes in the tobacco industry.**
REGULATIONS NOT INTENDED TO PREEMPT				**Repeals Federal preemption of state tobacco laws and regulations.**	**The provisions of this statute are not intended to pre-empt state and local laws which place additional restrictions on tobacco products.**
ASSISTANCE TO TOBACCO WORKERS					

Leave (1) after HHS (2) or add sentence acknowledging HCFA

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Good morning, Chairman Bilirakis and Members of the Health and Environment Subcommittee. Thank you for the opportunity to testify today on behalf of the Health Care Financing Administration (HCFA), and to clarify the current statutory requirement that States reimburse the Federal Government's share of the settlements they obtain from tobacco companies for the costs of treating tobacco-related illnesses of Medicaid beneficiaries. We in the Administration applaud the States for what they have achieved in their litigation with the tobacco companies. These are historic events, not only for the health care community, but for the American people. It has been estimated that nationwide, tobacco-related illnesses claim close to half a million lives annually and incur health care costs in the billions of dollars.

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At the outset, Mr. Chairman, I would like to remind the Subcommittee that current law requires HCFA to work with the States to recover the Federal portion of reimbursements for Medicaid costs that may be part of recent State tobacco settlements. We have no alternative, since the law requires the States to act to recover these costs from liable third parties and consequently, HCFA is not authorized to sue. We hope and expect that Congress will address the allocation of funds in the broad legislation that the President has called for, and we look forward to working with Congress and with the States, who are our partners in Medicaid, to reach a fair resolution.

As Secretary Shalala explained to the House Commerce Committee in a hearing on November 13, Section 1903(d) of the Social Security Act mandates that States allocate from the amount of any Medicaid-related recovery the pro-rata share to which the Federal Government is entitled. Specifically, this law states:

> *"(2)(A) The Secretary shall then pay to the State, in such installments as he may determine, the amount so estimated, reduced or increased to the extent of any overpayment or underpayment which the Secretary determines was made under this section to such State for any prior quarter and with respect to which adjustment has not already been made under this subsection.*
>
> *(2)(B) Expenditures for which payments were made to the State under subsection (a) shall be treated as an overpayment to the extent that the State or local agency administering such plan has been reimbursed for such expenditures by a third party pursuant to the provisions of its plan in compliance with section 1902(a)(25)...."*
>
> *"(2)(3) The pro rata share to which the United States is equitably entitled, as determined by the Secretary, of the net amount recovered during any quarter by the State or any political subdivision thereof with respect to medical assistance furnished under the State plan shall be considered an overpayment to be adjusted under this subsection."*

FDA public health.

DRAFT

These statutory requirements have been in existence for 30 years. Furthermore, 42 U.S.C. §§ 1396a(a)(25)(A), which became effective March 31, 1968, establishes that it is the State's responsibility 'to ascertain the legal liability of third parties...to pay for care and services available under the [State's Medicaid] plan.'" Regulations set forth in 42 CFR 433.136 define 'third party' as "*any individual, entity or program that is or may be liable to pay all or part of the expenditures for medical assistance furnished under a State plan.*" Also, 42 CFR 433.140(c) describes the State's obligation clearly: "*If the State receives FFP [Federal financial participation] in Medicaid payments for which it receives third party reimbursement, the State must pay the Federal government a portion of the reimbursement determined in accordance with the FMAP [Federal medical assistance percentage] for the State.*" It is important to recognize that unlike the States, the Federal Government is not authorized by the Medicaid statute to sue third parties directly. This does not mean, however, that Congress intended to abdicate its claim to such recoveries. Rather, the Medicaid statute protects the Federal Government's interests by explicitly making the States responsible for both pursuing these recoveries, reporting them to HCFA, and ensuring that the Federal Government receives its share.

While I certainly would not suggest that Congress enacted this provision with the multi-billion dollar tobacco settlements in mind, there is no basis in the law to suppose that Congress intended the current situation to be an exception to the statute. We have consulted with the lawyers at the Departments of Health and Human Services and Justice, and they have indicated that the law, as currently written, applies to this situation and that HCFA is obligated to seek recovery from the States of the Federal share of any recoveries or settlements relating to Medicaid expenditures, including tobacco-related settlements.

It should be also noted that only Medicaid-related expenditure recoveries are subject to the Federal share requirement. To the extent that some non-Medicaid expenditures and/or recoveries were also included in the underlying lawsuits, HCFA will accept a justifiable allocation reflecting the Medicaid portion of the recovery, as long as the State provides necessary documentation to support a proposed allocation. Moreover, it should be emphasized that State administrative costs incurred in pursuit of Medicaid cost recoveries from tobacco firms qualify for the normal 50 percent FFP.

In June 1996, HCFA contacted each of the five States (Florida, Louisiana, Massachusetts, Mississippi, and West Virginia) that had initially settled with the Liggett corporation and reminded them of their statutory obligation to report Medicaid recoveries in their quarterly statements to HCFA. Each of the five States has received two annual payments from Liggett. Two States, Massachusetts and Louisiana, have credited the Federal government with its share of both payments; Florida, to date, has credited the Federal government with one payment.

Given the prospect of all 50 States seeking entry to a national agreement with the tobacco industry, last month HCFA sent a letter to all Governors, State Medicaid Directors, and related organizations to explain and clarify HCFA's obligations and the financial obligations of the States in relation to any potential settlements. We have encouraged a dialogue with the States on this issue, and we expect to work closely with them to determine the appropriate share of any recoveries that should be

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credited to the Federal Government.

As our letter to the States noted, we recognize that Congress will examine the issue of tobacco settlements as they relate to the Medicaid program in the context of any comprehensive tobacco legislation. We will look forward to working with the Members of this Committee at that time.

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By working together during the last 5 years, state and federal officials have profoundly changed the legal landscape faced by the tobacco industry. For decades, individuals injured by tobacco use had sued the tobacco industry and lost. In February 1994, the Food and Drug Administration announced its had begun an investigation of whether nicotinc-containing tobacco products were subject to FDA regulation. In the following months, FDA uncovered and placed on the public record a compelling volume of new evidence about the intent of the tobacco industry. We learned for the first time that tobacco companies viewed their own industry as "in the business of selling nicotine, an addictive drug." This powerful information enabled the Administration to put in place new rules designed to dramatically reduce youth smoking, and helped states unleash a torrent of new lawsuits against the tobacco industry.

(1) We're going to keep going ahead legally

(2)

45 - en banc

90 - cert. petition

next falls

Lautenberg

*** FULL REPORT -- DIGEST, LEGISLATIVE ACTION, COSPONSORS, SPEECHES ***

MEASURE:	S1343
SPONSOR:	Lautenberg (D-NJ)
BRIEF TITLE:	Public Health and Education Resource (PHAER) Act.
OFFICIAL TITLE:	A bill to amend the Internal Revenue Code of 1986 to increase the excise tax rate on tobacco products and deposit the resulting revenues into a Public Health and Education Resource Trust Fund, and for other purposes.
INTRODUCED:	10/29/97
COSPONSORS:	2 (Dems: 2 Reps: 0 Ind: 0)
COMMITTEES:	Senate Finance

RELATED BILLS: See HR2764

CRS SUBJECT INDEX TERMS:
Taxation
Advertising
Aged
Agriculture
Agriculture in foreign trade
Attorney-client privilege
Block grants
Budgets
Business
Business income tax
Business records
Children
Cigarettes
Communications
Congress
Consumers
Drug abuse
Drug abuse prevention
Drug abuse treatment
Drug therapy
Economic policy
Education
Elementary and secondary education
Executive departments
Exports
Federal aid to child health services
Federal aid to maternal health services
Federal aid to medical research
Federal aid to substance abuse programs
Federal preemption
Fines (Penalties)
Foreign policy
Foreign trade promotion
Government information
Government publicity
Government regulation
Government trust funds
Health education
Health policy
Health warnings
Imports
Income tax
Indexing (Economic policy)
International affairs
International cooperation
Labeling
Law
Legislation
Local laws
Marketing
Medical care

Medicare
Medicine
Packaging
Passive smoking
Public service advertising
Research centers--Department of Health and Human Services
Sales promotion
School health programs
Science policy
Smokeless tobacco
Smoking
Smoking and youth
State and local government
State laws
Tax deductions
Tax rates
Tobacco
Tobacco industry
Tobacco research
Tobacco tax
Trade
Veterans
Veterans' medical care
Women
World health
WIC program

LEGISLATIVE ACTION:

10/29/97 Referred to Committee on Finance (Text of bill appears on pgs. S11358-S11364 of the Oct. 29, 1997, Congressional Record.) (CR p. S11343)

10/29/97 *** Related measure (HR2764) introduced in House. ***

10/29/97 LAUTENBERG, D-N.J., Senate speech: Introduces the Public Health and Education Resource (PHAER) Act. (Text of bill) (CR p. S11358-S11364)

11/07/97 Cosponsor(s) added: 2
Durbin (D-IL) Kennedy, E. (D-MA)

There are no more items to display.

Results: 2 items in BILLTRACK
Search criteria used:
MEM:LAUTENBERG AND INTRO:SINCE 10/01/1997 AND MARK 1 OR 2
Results are: Sorted by bill number in ascending order

SEARCH/DISPLAY OPTIONS

1 NARROW your search
2 REFINE your search on prime topic
13 DETAIL action, amendments, speeches
14 ACTION detailed action (no speeches

> 1

 CQ's WASHINGTON ALERT 11/13/97

S1343 Lautenberg (D-NJ) 10/29/97 (753 lines)
Introduced in Senate

Public Health and Education Resource (PHAER) Act.

Special typefaces used in this bill version:
// \\ Italic
!! !! Bold roman
Item Key: 6912

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105TH CONGRESS
1ST SESSION

S. 1343

To amend the Internal Revenue Code of 1986 to increase the excise tax rate on tobacco products and deposit the resulting revenues into a Public Health and Education Resource Trust Fund, and for other purposes.

=======================

IN THE SENATE OF THE UNITED STATES

October 29, 1997

Mr. LAUTENBERG introduced the following bill; which was read twice and referred to the Committee on Finance

=======================

A BILL

To amend the Internal Revenue Code of 1986 to increase the excise tax rate on tobacco products and deposit the resulting revenues into a Public Health and Education Resource Trust Fund, and for other purposes.

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

!!SECTION 1. SHORT TITLE; TABLE OF CONTENTS.!!

(a) SHORT TITLE.--This Act may be cited as the "Public Health and Education Resource (PHAER) Act".

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

!!TITLE I--IMPOSITION OF INCREASED TAXES ON TOBACCO PRODUCTS!!

!!SEC. 101. INCREASE IN EXCISE TAX RATE ON TOBACCO PRODUCTS IN ADDITION TO SUCH INCREASE CONTAINED IN THE BALANCED BUDGET ACT OF 1997.!!

(a) CIGARETTES.--Subsection (b) of section 5701 of the Internal Revenue Code of 1986 is amended--

(1) by striking "$12 per thousand ($10 per thousand on cigarettes removed during 1991 or 1992);" in paragraph (1) and inserting "the applicable rate per thousand determined in accordance with the following table:

"In the case of cigarettes removed during:	The applicable rate is:
1998	$12.00
1999	$37.00
2000	$67.00
2001	$92.00
2002	$94.50.";

and

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

"(2) LARGE CIGARETTES.--

"(A) IN GENERAL.--Except as provided in subparagraph (B), on cigarettes, weighing more than 3 pounds per thousand, the applicable rate per thousand determined in accordance with the following table:

"In the case of cigarettes removed during:	The applicable rate is:
1998	$25.20
1999	$77.70
2000	$140.70
2001	$193.20
2002	$198.45.

"(B) EXCEPTION.--On cigarettes more than 6 1/2 inches in length, at the rate prescribed for cigarettes weighing not more than 3 pounds per thousand, counting each 2 3/4 inches, or fraction thereof, of the length of each as one cigarette."

(b) CIGARS.--Subsectwith the following table:

In the case

(1) by striking "$1.125 cents per thousand (93.75 cents per thousand on cigars removed during 1991 or 1992)," in paragraph (1) and inserting "the applicable rate per thousand determined in accordance with the following table:

"In the case of cigars removed during:	The applicable rate is:
1998	$1.125 cents
1999	$3.4687 cents
2000	$6.2822 cents
2001	$8.6264 cents
2002	$8.8588 cents.";

and

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

"(2) LARGE CIGARS.--On cigars, weighing more than 3 pounds per thousand, the applicable percentage of the price for which sold but not more that the applicable rate per thousand determined in accordance with the following table:

In the case of cigars removed during:	The applicable percentage is:	The applicable rate is:

1998	12.750%	$30.00
1999	39.312%	$92.50
2000	71.189%	$167.50
2001	97.753%	$230.00
2002	100.407%	$236.25."

(c) CIGARETTE PAPERS.--Subsection (c) of section 5701 of such Code is amended to read as follows:

"(c) CIGARETTE PAPERS.--

"(1) IN GENERAL.--Except as provided in paragraph (2), on each book or set of cigarette papers containing more than 25 papers, manufactured in or imported into the United States, there shall be imposed a tax of the applicable rate for each 50 papers or fractional part thereof as determined in accordance with the following table:

"In the case of cigarette papers removed during:	The applicable rate is:
1998	.75 cent
1999	2.31 cents
2000	4.18 cents
2001	5.74 cents
2002	5.91 cents.

"(2) EXCEPTION.--If cigarette papers measure more than 6 1/2 inches in length, such cigarette papers shall be taxable at the rate prescribed, counting each 2 3/4 inches, or fraction thereof, of the length of each as one cigarette paper."

(d) CIGARETTE TUBES.--Subsection (d) of section 5701 of such Code is amended to read as follows:

"(d) CIGARETTE TUBES.--

"(1) IN GENERAL.--Except as provided in paragraph (2), on cigarette tubes, manufactured in or imported into the United States, there shall be imposed a tax of the applicable rate for each 50 tubes or fractional part thereof as determined in accordance with the following table:

"In the case of cigarette tubes removed during:	The applicable rate is:
1998	1.50 cents
1999	4.62 cents
2000	8.39 cents
2001	11.53 cents
2002	11.82 cents.

"(2) EXCEPTION.--If cigarette tubes measure more than 6 1/2 inches in length, such cigarette tubes shall be taxable at the rate prescribed, counting each 2 3/4 inches, or fraction thereof, of the length of each as one cigarette tube."

(e) SMOKELESS TOBACCO.--Paragraphs (1) and (2) of subsection (e) of section 5701 of such Code are is amended to read as follows:

"(1) SNUFF.--On snuff, the applicable rate per pound determined in accordance with the following table (and a proportionate tax at the like rate on all fractional parts of a pound):

"In the case of snuff removed during:	The applicable rate is:
1998	36 cents
1999	$1.11
2000	$2.01
2001	$2.76
2002	$2.835 cents.

"(2) CHEWING TOBACCO.--On chewing tobacco, the applicable rate per pound determined in accordance with the following table (and a proportionate tax at the like rate on all fractional parts of a pound):

"In the case of chewing tobacco removed during:	The applicable rate is:
1998	12 cents
1999	37 cents
2000	67 cents
2001	92 cents
2002	94.5 cents."

(f) PIPE TOBACCO.--Subsection (f) of section 5701 of such Code is amended to read as follows:

"(f) PIPE TOBACCO.--On pipe tobacco, manufactured in or imported into the United States, there shall be imposed a tax of the applicable rate per pound determined in accordance with the following table (and a proportionate tax at the like rate on all fractional parts of a pound):

"In the case of pipe tobacco removed during:	The applicable rate is:
1998	67.5 cents
1999	$2.0812 cents
2000	$3.7705 cents
2001	$5.1774 cents
2002	$5.3157 cents."

(g) IMPOSITION OF EXCISE TAX ON MANUFACTURE OR IMPORTATION OF ROLL-YOUR-OWN TOBACCO.--

(1) IN GENERAL.--Sectiog to definitions) is amended by adding at the e the following new subsection:

"(p) ROLL-YOUR-OWN TOBACCO.--The term `roll-your-own tobacco' means any tobacco which, because of its appearance, type, packaging, or labeling, is suitable for manufactured in or imported into the United States there shall be imposed a tax of the applicable rate per pound determined in accordance with the following table (and a proportionate tax at the like rate on all fractional parts of a pound):

"In the case of roll-your-own tobacco removed during:	The applicable rate is:
1998	67.5 cents
1999	$2.0812 cents
2000	$3.7705 cents
2001	$5.1774 cents
2002	$5.3157 cents."

(2) ROLL-YOUR-OWN TOBACCO.--Section 5702 of such Code (relating to definitions) is amended by adding at the end the following new subsection:

"(p) ROLL-YOUR-OWN TOBACCO.--The term `roll-your-own tobacco' means any tobacco which, because of its appearance, type, packaging, or labeling, is suitable for use and likely to be offered to, or purchased by, consumers as tobacco for making cigarettes."

(3) TECHNICAL AMENDMENTS.--

(A) Subsection (c) of section 5702 of such Code is amended by striking "and pipe tobacco" and inserting "pipe tobacco, and roll-your-own tobacco".

(B) Subsection (d) of section 5702 of such Code is amended--

(i) in the material preceding paragraph (1), by striking "or pipe tobacco" and inserting "pipe tobacco, or roll-your-own tobacco", and

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

"(1) a person who produces cigars, cigarettes, smokeless tobacco, pipe tobacco, or roll-your-own tobacco solely for the person's own personal consumption or use, and".

(C) The chapter heading for chapter 52 of such Code is amended to read as follows:

!!"CHAPTER 52--TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES".!!

(D) The table of chapters for subtitle E of such Code is amended by striking the item relating to chapter 52 and inserting the following new item:

"CHAPTER 52. Tobacco products and cigarette papers and tubes."

(h) INFLATION ADJUSTMENT OF RATES AND FLOOR STOCKS TAXES.--Section 5701 described in subparagraph (A), or
"(Ced
by redesignating subsection (h) as subsection (j) and by inserting after subsection (g) the following:

"(h) INFLATION ADJUSTMENT.--In the case of a calendar year after 2002, the dollar amount contained in the table in each of the preceding subsections (and the percentage contained in the table contained in subsection (b)(2)) applicable to the preceding calendar year (after the application of this subsection) shall be increased by an amount equal to--

"(1) such dollar amount (or percentage), multiplied by

"(2) the greatest of--

"(A) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting `the second preceding calendar year' for `calendar year 1992' in subparagraph (B) thereof,

"(B) the medical consumer price index for such calendar year determined in the same manner as the adjustment described in subparagraph (A), or

"(C) 3 percent.

"(j) FLOOR STOCKS TAXES.--

"(1) IMPOSITION OF TAX.--On tobacco products and cigarette papers and tubes manufactured in or imported into the United States which are removed before any tax increase date, and held on such date for sale by any person, there is hereby imposed a tax in an amount equal to the excess of--

"(A) the tax which would be imposed under any preceding subsection of this sectionon the article if the article had been removed on such date, over

"(B) the prior tax (if any) imposed under such subsection on such article.

"(2) LIABILITY FOR TAX AND METHOD OF PAYMENT.--

"(A) LIABILITY FOR TAX.--A person holding cigarettes on any tax increase date, to which any tax imposed by paragraph (1) applies shall be liable for such tax.

"(B) METHOD OF PAYMENT.--The tax imposed by paragraph (1) shall be paid in such manner as the Secretary shall prescribe by regulations.

"(C) TIME FOR PAYMENT.--The tax imposed by paragraph (1) shall be paid on or before April 1 following any tax increase date.

"(3) ARTICLES IN FOREIGN TRADE ZONES.--Notwithstanding the Act of June 18, 1934 (48 Stat. 998, 19 U.S.C. 81a) and any other provision of law, any article which is located in a foreign trade zone on any tax increase date, shall be subject to the tax imposed by paragraph (1) if--

"(A) internal revenue taxes have been determined, or customs duties liquidated, with respect to such article before such date pursuant to a request made under the 1st

provisions may be
allowed or made."

(i) MODIFICATIONS OF CERTAIN TOBACCO TAX PROVISIONS.--
(1) EXEMPTION FOR EXPORTED TOBACCO PRODthe 2d proviso of such section 3(a).

"(4) TAX INCREASE DATE.--The term "tax increase date" means January 1.

"(5) CONTROLLED GROUPS.--Rules similar to the rules of section 5061(e)(3) shall apply for purposes of this subsection.

"(6) OTHER LAWS APPLICABLE.--All provisions of law, including penalties, applicable with respect to the taxes imposed by the preceding subsections of this section shall, insofar as applicable and not inconsistent with the provisions of this subsection, apply to the floor stocks taxes imposed by paragraph (1), to the same extent as if such taxes were imposed by such subsections. The Secretary may treat any person who bore the ultimate burden of the tax imposed by paragraph (1) as the person to whom a credit or refund under such provisions may be allowed or made."

(i) MODIFICATIONS OF CERTAIN TOBACCO TAX PROVISIONS.--

(1) EXEMPTION FOR EXPORTED TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES TO APPLY ONLY TO ARTICLES MARKED FOR EXPORT.--

(A) Subsection (b) of section 5704 of such Code is amended by adding at the end the following new sentence: "Tobacco products and cigarette papers and tubes may not be transferred or removed under this subsection unless such products or papers and tubes bear such marks, labels, or notices as the Secretary shall by regulations prescribe."

(B) Section 5761 of such Code is amended by redesignating subsections (c) and (d) as subsections (d) and (e), respectively, and by inserting after subsection (b) the following new subsection:

"(c) SALE OF TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES FOR EXPORT.--Except as provided in subsections (b) and (d) of section 5704--

"(1) every person who sells, relands, or receives within the jurisdiction of the United States any tobacco products or cigarette papers or tubes which have been labeled or shipped for exportation under this chapter,

"(2) every person who sells or receives such relanded tobacco products or cigarette papers or tubes, and

"(3) every person who aids or abets in such selling, relanding, or receiving,

shall, in addition to the tax and any other penalty provided in this title, be liable for a penalty equal to the greater of $1,000 or 5 times the amount of the tax imposed by this chapter. All tobacco products and cigarette papers and tubes relanded within the jurisdiction of the United States, and all vessels, vehicles, and aircraft used in such relanding or in removing such products, papers, and tubes from the place where relanded, shall be forfeited to the United States."

(C) Sueated as including a reference to shipment to the C amended by striking "subsection (b)" and inserting "subsection (b) or (c)".

(D) Subsection (d) of section 5761 of such Code, as redesignated by subparagraph (B), is amended by striking "The penalty imposed by subsection (b)" and inserting "The penalties imposed by subsections (b) and (c)".

(E)(i) Subpart F of chapter 52 of such Code is amended by adding at the end the following new section:

!!"SEC. 5754. RESTRICTION ON IMPORTATION OF PREVIOUSLY EXPORTED TOBACCO PRODUCTS.!!

"(a) IN GENERAL.--Tobacco products and cigarette papers and tubes previously exported from the United States may be imported or brought into the United States only as provided in section 5704(d). For purposes of this section, section 5704(d), section 5761, and such other provisions as the Secretary may specify by regulations, references to exportation shall be treated as including a reference to shipment to the Commonwealth of Puerto Rico.

"(b) CROSS REFERENCE.--

!!"For penalty for the sale of tobacco products and cigarette papers and tubes in the United States which are labeled for export, see section 5761(c)."!!

(ii) The table of sections for subpart F of chapter 52 of such Code is amended by adding at the end the following new item:

"Sec. 5754. Restriction on importation of previously exported tobacco products."

(2) IMPORTERS REQUIRED TO BE QUALIFIED.--

(A) Sections 5712, 5713(a), 5721, 5722, 5762(a)(1), and 5763 (b) and (c) of such Code are each amended by inserting "or importer" after "manufacturer".

(B) The heading of subsection (b) of section 5763 of such Code is amended by inserting "QUALIFIED IMPORTERS," after "MANUFACTURERS,".

(C) The heading for subchapter B of chapter 52 of such Code is amended by inserting "!!and Importers" after "Manufacturers".!!

(D) The item relating to subchapter B in the table of subchapters for chapter 52 of such Code is amended by inserting "and importers" after "manufacturers".

(3) BOOKS OF 25 OR FEWER CIGARETTE PAPERS SUBJECT TO TAX.--Subsection (c) of section 5701 of such Code is amended by striking "On each book or set of cigarette papers containing more than 25 papers," and inserting "On cigarette papers,".

(4) STORAGE OF TOBACCO PRODUCTS.--Subsection (k) of section 5702 of such Code is amended by inserting "under section 5704" after "internal revenue bond".

(5) AUTHORITY TO PRESCRIBE MINIMUM MANUFACTURING ACTIVITY REQUIREMENTS.--Section 5712 of such Code is amended by striking "or" at the end of paragraph (1), by redesignating paragraph (2) as paragraph (3), and by inserting after paragraph (1) the

following new paragraph:

"(2) the activity proposed to be carried out at such premises does not meet such minimum capacity or activity requirements as the Secretary may prescribe, or".

(j) REPEAL OF DUPLICATIVE PROVISIONS.--Section 9302 (other than subsection (i)(2)) of the Balanced Budget Act of 1997 is repealed.

(k) EFFECTIVE DATE.--The amendments and repeal made by this section shall apply to articles removed (as defined in section 5702(k) of the Internal Revenue Code of 1986, as amended by this section) after December 31, 1997.

!!SEC. 102. TAX TREATMENT FOR CERTAIN TOBACCO-RELATED EXPENSES.!!

(a) IN GENERAL.--Section 275(a) of the Internal Revenue Code of 1986 (relating to certain taxes) is amended by inserting after paragraph (6) the following:

"(7) Taxes imposed by chapter 52, but only in an amount determined at rates in excess of the rates of such taxes effective in 1998."

(b) EFFECTIVE DATE.--The amendment made by this section shall apply to taxable years beginning after December 31, 1998.

!!TITLE II--PHAER TRUST FUND!!

!!SEC. 201. PUBLIC HEALTH AND EDUCATION RESOURCE TRUST FUND.!!

(a) IN GENERAL.--Subchapter A of chapter 98 of the Internal Revenue Code of 1986 (relating to trust fund code) is amended by adding at the end the following new section:

!!"SEC. 9512. PUBLIC HEALTH AND EDUCATION RESOURCE TRUST FUND.!!

"(a) CREATION OF TRUST FUND.--There is established in the Treasury of the United States a trust fund to be known as the `Public Health and Education Resource Trust Fund' (hereafter referred to in this section as the `PHAER Trust Fund'), consisting of such amounts as may be appropriated or transferred to the Trust Fund as provided in this section or section 9602(b).

"(b) TRANSFERS TO TRUST FUND.--There is hereby appropriated to the Trust Fund an amount equivalent to the net increase in revenues received in the Treasury attributable to the amendments made by section 2 of the Public Health and Education Resource (PHAER) Act as estimated by the Secretary.

"(c) OBLIGATIONS FROM TRUST FUND.--

"(1) STATE PROGRAMS.--

"(A) IN GENERAL.--An applicable percentage of 75 percent of the amounts available in the Trust Fund in a fiscal year shall be distributed by the Secretary of Health and Human Services to each State meeting the requirements of subparagraphs (C) and (D) to be used by such State and by local government entities within such State in such fiscal year and the succeeding fiscal year in the following manner:

"(i) Not less than 10 nor more than 30 percent of such amounts to State and local school and community-based tobacco education, prevention, and treatment programs.

"(ii) Not less than 10 nor more than 30 percent of such amounts to State and local smoking cessation programs and services, including pharmacological therapies.

"(iii) Not less than 10 nor more than 30 percent of such amounts to State and local counter advertising programs.

"(iv) Not less than 10 nor more than 25 percent of such amounts to the State Children's Health Insurance Program under title XXI of the Social Security Act (42 U.S.C. 1397aa et seq.) to be in addition to the amount appropriated under section 2104 of such Act.

"(v) Not less than 5 nor more than 10 percent of such amounts to--

"(I) the Special Supplemental Food Program for Women, Infants, and Children under section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786) to be in addition to the amount appropriated under such section, or

"(II) the Maternal and Child Health Services Block Grant program under title V of the Social Security Act (42 U.S.C. 701 et seq.) to be in addition to the amount appropriated under such title, or

"(III) a combination of both programs as determined by the State.

"(vi) Not less than 1 nor more than 3 percent of such amounts to the American Stop Smoking Intervention Study for Cancer Prevention (ASSIST) program for suchState or other State or local community-based tobacco control programs.

"(vii) Not more than 5 percent of such amounts to a State general health care block grant program.

"(B) ALLOCATION RULES.--For purposes of subparagraph (A), the applicable percentage for any State is determined in accordance with the following table:

State	Applicable Percentage
Alabama	1.270390
Alaska	0.241356
Arizona	1.163883
Arkansas	0.751011
California	8.805641
Colorado	1.054018
Connecticut	1.596937
Delaware	0.227018
District of Columbia	0.534487

Florida	3.590667
Georgia	2.007112
Hawaii	0.642527
Idaho	0.257835
Illinois	4.272898
Indiana	1.714594
Iowa	0.758686
Kansas	0.762230
Kentucky	1.875439
Louisiana	1.916886
Maine	0.870740
Maryland	2.051849
Massachusetts	3.700447
Michigan	4.431824
Minnesota	2.474364
Mississippi	0.851450
Missouri	1.659116
Montana	0.335974
Nebraska	0.445356
Nevada	0.307294
New Hampshire	0.552048
New Jersey	3.494187
New Mexico	0.465816
New York	14.529380
North Carolina	2.097625
North Dakota	0.250758
Ohio	4.690156
Oklahoma	0.841972
Oregon	1.092920
Pennsylvania	5.233270
Rhode Island	0.821727
South Carolina	0.883628
South Dakota	0.234849
Tennessee	2.479873
Texas	4.451382
Utah	0.330016
Vermont	0.370244
Virginia	1.373860
Washington	1.794612
West Virginia	1.003660
Wisconsin	2.098696
Wyoming	0.122405
American Samoa	0.008681
N. Mariana Islands	0.001519
Guam	0.006506
U.S. Virgin Islands	0.004804
Puerto Rico	0.193175.

"(C) STATE PLANS FOR CERTAIN ALLOCATIONS.--Each State, working in collaboration with local government entities, shall submit a plan to the Secretary of Health and Human Services for approval for an allocation under the programs described in subparagraph (A), specifying the percentage share for each program. Each State plan shall provide for an equitable allocation of funds to local government entities, specifically in relation to local government tobacco-related health care needs and anti-tobacco education, prevention, and control activities. If a State fails to provide any component of a State plan with respect to any program allocation or if the Secretary of Hestration to be allocated at the Commissioner's discretion to conduct tobacco control activitiesuch program to 1 or more local governmen or private entities located in such State pursuant to plans submitted by such entities and approved by the Secretary.

"(D) PROHIBITION OF SUPPLANTATION OF STATE FUNDS.--Each State shall demonstrate to the satisfaction of the Secretary of Health and Human Services that an allocation to a State under a program described in subparagraph (A) in any fiscal year shall be used to supplement, not supplant, existing funding for such program.

"(2) FEDERAL PROGRAMS.--

"(A) IN GENERAL.--Twenty-five percent of the amounts available in the Trust Fund in a fiscal year shall be distributed in the following manner:

"(i) 10 percent of such amounts to the Office of the Commissioner of Food and Drug Administration to be allocated at the Commissioner's discretion to conduct tobacco control activities.

"(ii) 25 percent of such amounts to the Office of the Secretary of Agriculture to be allocated at the Secretary's discretion to protect the financial well-being of tobacco farmers, their families, and their communities.

"(iii) 20 percent of such amounts to be allocated at the discretion of the Secretary of Health and Human Services to--

"(I) the Office of the Director of the National Institutes of Health to be allocated at the Director's discretion to conduct disease research, and

"(II) the Office of the Director of the Centers for Disease Control and Prevention to be allocated at the Director's discretion to decrease smoking.

"(iv) 20 percent of such amounts to the Office of the Secretary of Health and Human Services to be allocated at the Secretary's discretion--

"(I) to conduct prevention programs resulting from the study undersection 4108 of the Balanced Budget Act of 1997, and

"(II) to increase the Federal payment for the coverage of qualified medicare beneficiaries under section 1902(a)(10)(E)(i) of the Social Security Act (42 U.S.C. 1396a(a)(10)(E)(i)) and specified low-income medicare beneficiaries under section 1902(a)(10)(E)(iii) of such Act (42 U.S.C. 1396a(a)(10)(E)(iii)).

"(v) 20 percent of such amounts to fund a national counter advertising program.

"(vi) 2 percent of such amounts to the Office of the Administr year of such grant or contract, and shall Development to be allocated at the Administrator's discretion to strengthen international efforts to control tobacco.

"(vii) 2 percent of such amounts to the Office of the Director of the Office of National Drug Control Policy to be allocated at the Director's discretion to conduct tobacco education and prevention programs.

"(viii) 1 percent of such amounts to the Office of the Secretary of Veterans Affairs to be allocated at the Secretary's discretion to conduct tobacco education, intervention, and outreach programs.

"(B) GRANTS AND CONTRACTS FULLY FUNDED IN FIRST YEAR.--With respect to any grant or contract funded by amounts distributed under paragraph (1), the full amount of the total obligation of such grant or contract shall be funded in the first year of such grant or contract, and shall remain available until expended."

(b) CONFORMING AMENDMENT.--The table of sections for such subchapter A is amended by adding at the end the following new item:

"Sec. 9512. Public Health and Education Resource Trust Fund."

!!TITLE III--FEDERAL STANDARDS WITH RESPECT TO TOBACCO PRODUCTS!!

!!SEC. 301. FEDERAL STANDARDS WITH RESPECT TO TOBACCO PRODUCTS.!!

(a) CIGARETTES.--Subsection (b) of section 5 of the Federal Cigarette Labeling And Advertising Act (15 U.S.C. 1334(b)) is repealed.

(b) SMOKELESS TOBACCO.--Subsection (b) of section 7 of the Comprehensive Smokeless Tobacco Health Education Act of 1986 (15 U.S.C. 4406(b)) is repealed.

!!TITLE IV--SENSE OF THE SENATE!!

!!SEC. 401. SENSE OF THE SENATE REGARDING COMPREHENSIVE TOBACCO LEGISLATION.!!

It is the sense of the Senate that any final comprehensive tobacco legislation funded by the PHAER Trust Fund under section 9512 of the Internal Revenue Code of 1986, as added by section 201 of this Act, must include, at the very least, the following additional elements:

(1) Stiff penalties that give the tobacco industry the strongest possible incentive to stop targeting children.

(2) Full authority for the Food and Drug Administration to regulate tobacco like any other drug or device with sufficient flexibility to meet changing circumstances.

(3) Codification of the Food and Drug Administration's initiative to prevent teen smoking and the imposition of stronger restrictions on youth access and advertising consistent

with the United States Constitution.

(4) Broad disclosure of tobacco industry documents, including documents that have been hidden under false claims of the attorney-client privilege.

(5) Efforts to ensure that the tobacco industry stops marketing and promoting tobacco to children, including comprehensive corporate compliance programs.

(6) Elimination of secondhand tobacco smoke in public and private buildings in which 10 or more people regularly enter.

(7) Disclosure of the ingredients and constituents of all tobacco products to the public and the imposition of more prominent health warning labels on packaging to send a strong and clear message to children about the dangers of tobacco use.

(8) A prohibition on the use of Federal Government resources to weaken nondiscriminatory public health laws or promote tobacco sales abroad.

There are no more items to read.

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 CQ's WASHINGTON ALERT 11/13/97

*** FULL REPORT -- DIGEST, LEGISLATIVE ACTION, COSPONSORS, SPEECHES ***

MEASURE: S1310

SPONSOR: Ford (D-KY)

BRIEF TITLE: Long-Term Economic Assistance for Farmers (LEAF) Act.

OFFICIAL TITLE: A bill to provide market transition assistance for tobacco producers, tobacco industry workers, and their communities.

QUICK REFERENCE: Provide assistance to tobacco farmers

INTRODUCED: 10/23/97

COSPONSORS: 8 (Dems: 2 Reps: 6 Ind: 0)

COMMITTEES: Senate Agriculture, Nutrition and Forestry

CQ BILLWATCH BRIEF:

By Pherabe Kolb, CQ Staff Writer

S1310 would provide several types of financial assistance to tobacco farmers in an effort to defray the economic fallout that increased restrictions on tobacco sales may have on tobacco-growing communities.

Wendell H. Ford, D-Ky., said he introduced the measure on behalf of the thousands of tobacco-farming families in his state and elsewhere that likely will see their way of life evaporate as a result of the global tobacco settlement.

"The proposed tobacco settlement would throw thousands of small farmers off their land and immediately into bankruptcy," added cosponsor Lauch Faircloth, R-N.C.

The settlement, reached in June 1996 between the attorneys general of several states and the tobacco industry, would require tobacco companies to pay $368.5 billion to the states to cover the Medicaid costs of caring for individuals with smoking-related illnesses. If approved by Congress, the plan also would place new limits on the sale and marketing of tobacco products in an effort to reduce teen smoking.

Lawmakers from tobacco-producing states have complained that the plight of growers was not considered in the settlement. They believe that Congress should take steps to soften the economic blow the changes would have on tobacco farmers, factory workers and their families.

Ford's legislation would establish the Tobacco Community Revitalization Trust Fund, funded with $28.5 billion from the settlement, to pay for quota compensation, education loans and development assistance.

Because the settlement could cause tobacco consumption to drop dramatically, Ford said, the bill would reimburse tobacco-quota holders for their revenue losses.

Quota holders would receive $4 per pound, per year for every pound their output drops below the base quota.

The fund would pay all administrative costs at the Agriculture Department to administer the program. Ford said the provision would "put an end to the false claims that tobacco growers receive subsidies from the federal government."

Under the measure, tobacco farmers and their dependents would be eligible for higher education grants of up to $1,700 per year to be used toward the cost of a university, vocational or community-college education. Funding for up to 25,000 grants would be authorized.

"We need to do everything we can to preserve a farm family's ability to provide their children with access to higher education opportunities," Ford said.

The measure also would include $500 million to pay for benefits and job training for displaced tobacco-manufacturing workers.

To try to diversify the economies of tobacco communities, the bill would authorize $8.3 billion over 25 years in economic development block grants to be used for rural business projects, farm loans and infrastructure improvements.

A related bill (S1313) was introduced.

CQ BILLWATCH INSIGHT:
No action has been scheduled on S1310, which was referred to the Senate

Agriculture, Nutrition and Forestry Committee.

SHORT TITLE AS INTRODUCED:
LEAF Act
Long-Term Economic Assistance for Farmers Act

CRS DIGEST:
TABLE OF CONTENTS:

Title I: Tobacco Community Revitalization Trust Fund

Title II: Agricultural Market Transition Assistance

Title III: Farmer and Worker Transition Assistance

Title IV: Immunity

Digest will follow.

CRS SUBJECT INDEX TERMS:
Agriculture
Acreage allotments
Agricultural diversification
Agricultural subsidies
Agriculture in foreign trade
Budgets
Business

Congress
Dislocated workers
Economic policy
Education
Farm production quotas
Federal aid to community development
Federal aid to higher education
Government trust funds
Higher education
Job training
Labor
Law
Legislation
Liability (Law)
Medical care
Medicine
Occupational retraining
Rural affairs
Rural economic development
Scholarships
Tobacco
Tobacco industry
Tobacco settlement
Trade

LEGISLATIVE ACTION:

10/23/97 Referred to Committee on Agriculture, Nutrition and Forestry (CR p. S11034)

10/23/97 FORD, D-Ky., Senate speech: Introduces the Long-Term Economic Assistance for Farmers Act. (Colloquy with several senators) (CR p. S11034-S11037)

10/23/97 Original cosponsor(s): 6

Cleland (D-GA)	Helms (R-NC)	McConnell (R-KY)
Faircloth (R-NC)	Hollings (D-SC)	Thurmond, S. (R-SC)

10/30/97 Cosponsor(s) added: 1
Coverdell (R-GA)

11/09/97 Cosponsor(s) added: 1
Frist (R-TN)

There are no more items to display.

Results: 1 items in BILLTRACK
Search criteria used:
RESEARCH BILL:S1310
Results are: Bill number as entered

SEARCH/DISPLAY OPTIONS

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S1310   Ford W.H. (D-KY)   10/23/97   (1159 lines)
Introduced in Senate

To provide market transition assistance for tobacco producers, tobacco industry workers, and their communities.

Special typefaces used in this bill version:
// \\ Italic
!! !! Bold roman
Item Key: 6814

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105TH CONGRESS
1ST SESSION

S. 1310

To provide market transition assistance for tobacco producers, tobacco industry workers, and their communities.

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IN THE SENATE OF THE UNITED STATES

October 23, 1997

Mr. FORD (for himself, Mr. HELMS, Mr. FAIRCLOTH, Mr. MCCONNELL, Mr. CLELAND, Mr. HOLLINGS, and Mr. THURMOND) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To provide market transition assistance for tobacco producers, tobacco industry workers, and their communities.

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

!!SECTION 1. SHORT TITLE; TABLE OF CONTENTS.!!

(a) SHORT TITLE.--This Act may be cited as the "Long-Term Economic Assistance for Farmers Act" or the "LEAF Act".

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

!!SEC. 2. DEFINITIONS.!!

In this Act:

(1) ACTIVE TOBACCO PRODUCER.--The term "active tobacco producer" means a quota holder, quota lessee, or quota tenant.

(2) QUOTA HOLDER.--The term "quota holder" means a producer that owns a farm for which a tobacco farm marketing quota or farm acreage allotment was established under the Agricultural Adjustment Act of 1938 (7 U.S.C. 1281 et seq.) for any of the 1994, 1995, or 1996 crop years.

(3) QUOTA LESSEE.--The term "quota lessee" means--

(A) a producer that owns a farm that produced tobacco pursuant to a lease and transfer to that farm of all or part of a tobacco farm marketing quota or farm acreage allotment established under the Agricultural Adjustment Act of 1938 (7 U.S.C. 1281 et seq.) for any of the 1994, 1995, or 1996 crop years; or

(B) a producer that rented land from a farm operator to produce tobacco under a tobacco farm marketing quota or farm acreage allotment established under the Agricultural Adjustment Act of 1938 (7 U.S.C. 1281 et seq.) for any of the 1994, 1995, or 1996 crop years.

(4) QUOTA TENANT.--The term "quota tenant" means a producer who--

(A) is the principal producer, as determined by the Secretary, of tobacco on a farm where tobacco is produced pursuant to a tobacco farm marketing quota or farm acreage allotment established under the Agricultural Adjustment Act of 1938 (7 U.S.C. 1281 et seq.) for any of the 1994, 1995, or 1996 crop years; and

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

(5) SECRETARY.--The term "Secretary" means--

(A) in titles I and II, the Secretary of Agriculture; and

(B) in section 301, the Secretary of Labor.

(6) TOBACCO PRODUCT IMPORTER.--The term "tobacco product importer" has the meaning given the term "importer" in section 5702 of the Internal Revenue Code of 1986.

(7) TOBACCO PRODUCT MANUFACTURER.--

(A) IN GENERAL.--The term "tobacco product manufacturer" has the meaning given the term "manufacturer of tobacco products" in section 5702 of the Internal Revenue Code of 1986.

(B) EXCLUSION.--The term "tobacco product manufacturer" does not include a person that manufactures cigars or pipe tobacco.

(8) TRUST FUND.--The term "Trust Fund" means the Tobacco Community Revitalization Trust Fund established under section 101.

!!TITLE I--TOBACCO COMMUNITY REVITALIZATION TRUST FUND!!

!!SEC. 101. ESTABLISHMENT OF TRUST FUND.!!

(a) IN GENERAL.--There is established in the Treasury of the United States a trust fund to be known as the "Tobacco Community Revitalization Trust Fund", consisting of such amounts as may be appropriated or credited to the Trust Fund. The Trust Fund shall be administered by the Secretary.

(b) TRANSFERS TO TRUST FUND.--There are appropriated and transferred to the Trust Fund for each fiscal year--

(1) amounts contributed by tobacco product manufacturers and tobacco product importers under section 102; and

(2) amounts made available to the Trust Fund out of funds allocated through national tobacco settlement legislation.

(c) REPAYABLE ADVANCES.--

(1) AUTHORIZATION.--There are authorized to be appropriated to the Trust Fund, as repayable advances, such sums as may from time to time be necessary to make expenditures under subsection (d).

(2) REPAYMENT WITH INTEREST.--Repayable advances made to

the Trust Fund shall be repaid, and interest on the advances shall be paid, to the general fund of the Treasury when the Secretary of the Treasury determines that moneys are available in the Trust Fund to make the payments.

(3) RATE OF INTEREST.--Interest on an advance made under this subsection shall be at a rate determined by the Secretary of Treasury (as of the close of the calendar month preceding the month in which the advance is made) that is equal to the current average market yield on outstanding marketable obligations of the United States with remaining period to maturity comparable to the anticipated period during which the advance will be outstanding.

(d) EXPENDITURES FROM TRUST FUND.--Amounts in the Trust Fund shall be available for making expenditures after October 1, 1998, to meet those necessary obligations of the Federal Government that are authorized to be paid under--

(1) section 201 for payments for lost tobacco quota for each of fiscal years 1999 through 2023, but not to exceed $1,600,000,000 for any fiscal year except to the extent the payments are made in accordance with section 201(j);

(2) section 202 for industry payments for all costs of the Department of Agriculture associated with the production of tobacco;

(3) section 203 for tobacco community economic development grants, but not to exceed--

(A) $400,000,000 for each of fiscal years 1999 through 2008, less any amount required to be paid under section 202 for the fiscal year; and

(B) $450,000,000 for each of fiscal year 2009 through 2023, less any amount required to be paid under section 202 during the fiscal year;

(4) section 301 for assistance provided under the tobacco worker transition program, but not to exceed $50,000,000 for any fiscal year; and

(5) subpart 9 of part A of title IV of the Higher Education Act of 1965 for farmer opportunity grants, but not to exceed--

(A) $42,500,000 for each of the academic years 1999092000 through 2003092004;

(B) $50,000,000 for each of the academic years 2004092005 through 2008092009;

(C) $57,500,000 for each of the academic years 2009092010 through 2013092014;

(D) $65,000,000 for each of the academic years 2014092015 through 2018092019; and

(E) $72,500,000 for each of the academic years 2019092020 through 2023092024.

(e) BUDGETARY TREATMENT.--This section constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide payments to States and eligible persons in accordance with this Act.

!!SEC. 102. CONTRIBUTIONS BY TOBACCO PRODUCT MANUFACTURERS AND IMPORTERS.!!

(a) DEFINITION OF MARKET SHARE.--In this section, the term "market share" means the ratio of--

(1) the tax liability of a tobacco product manufacturer or tobacco product importer (as defined in section 2) for a calendar year under section 5703 of the Internal Revenue Code of 1986; to

(2) the tax liability of all tobacco product manufacturers or tobacco product importers (as defined in section 2) for the calendar year under section 5703 of the Internal Revenue Code of 1986.

(b) DETERMINATIONS.--Not later than September 30 of each fiscal year, the Secretary of the Treasury shall--

(1) determine--

(A) the market share of each tobacco product manufacturer or tobacco product importer during the most recent calendar year;

(B) the total amount of assessments payable for the subsequent fiscal year under subsection (c); and

(C) the amount of an assessment payable by the tobacco product manufacturer or tobacco product importer for the fiscal year under subsection (d); and

(2) notify each tobacco product manufacturer and tobacco product importer of the determinations made under paragraph (1) with respect to the manufacturer or importer.

(c) TOTAL AMOUNT OF ASSESSMENTS.--

(1) IN GENERAL.--The total amount of assessments payable by all tobacco product manufacturers and tobacco product importers into the Trust Fund for a fiscal year shall be equal to--

(A) the amount of the contribution to the Trust Fund for the fiscal year required under paragraph (2); less

(B) any amount made available during the preceding fiscal year to the Trust Fund out of funds allocated through national tobacco settlement legislation.

(2) TRUST FUND CONTRIBUTIONS.--The amount of the contribution to the Trust Fund shall be--

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

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

(C) for fiscal year 2024 and each subsequent fiscal year, the amount payable under section 202.

(d) INDIVIDUAL AMOUNT OF ASSESSMENTS.--The amount of an assessment payable by each tobacco product manufacturer and tobacco product importer into the Trust Fund for a fiscal year shall be equal to the product obtained by multiplying--

(1) the total amount of assessments payable by all tobacco product manufacturers and tobacco product importers for the fiscal year under subsection (c); by

(2) the market share of the tobacco product manufacturer or tobacco product importer during the most recent calendar year determined under subsection (b)(1)(A).

!!TITLE II--AGRICULTURAL MARKET TRANSITION ASSISTANCE!!

!!SEC. 201. PAYMENTS FOR LOST TOBACCO QUOTA.!!

(a) IN GENERAL.--Beginning with the 1999 marketing year, the Secretary shall make payments for lost tobacco quota to eligible quota holders, quota lessees, and quota tenants as reimbursement for lost tobacco quota as a result of a decrease in demand for domestically produced tobacco.

(b) ELIGIBILITY.--To be eligible to receive payments under this section, a quota holder, quota lessee, or quota tenant shall--

(1) prepare and submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require, including information sufficient to make the demonstration required under paragraph (2); and

(2) demonstrate to the satisfaction of the Secretary that, with respect to the 1996 marketing year--

(A) the producer was a quota holder and realized income from the production of tobacco through--

(i) the active production of tobacco;

(ii) the lease and transfer of tobacco quota to another farm;

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

(iv) the hiring of a quota tenant to produce tobacco;

(B) the producer was a quota lessee; or

(C) the producer was a quota tenant.

(c) BASE QUOTA LEVEL.--

(1) IN GENERAL.--The Secretary shall determine, for each quota holder, quota lessee, and quota tenant, the base quota level for the 1994 through 1996 marketing years.

(2) QUOTA HOLDERS.--The base quota level for a quota holder shall be equal to the average tobacco farm marketing quota established for the farm owned by the quota holder for the 1994 through 1996 marketing years.

(3) QUOTA LESSEES.--The base quota level for a quota lessee shall be equal to--

(A) 50 percent of the average number of pounds of tobacco quota established for a farm for the 1994 through 1996 marketing years--

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

(ii) for which the rights to produce the tobacco were rented to the quota lessee; less

(B) 25 percent of the average number of pounds of tobacco quota described in paragraph (A) for which a quota tenant was the principal producer of the tobacco quota.

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

(A) 50 percent of the average number of pounds of tobacco quota established for a farm for the 1994 through 1996 marketing years--

(i) that was owned by a quota holder; and

(ii) for which the quota tenant was the principal producer of the tobacco on the farm; and

(B) 25 percent of the average number of pounds of tobacco quota for the 1994 through 1996 marketing years--

(i)(I) that was leased and transferred to a farm owned by the quota lessee; or

(II) for which the rights to produce the tobacco were rented to the quota lessee; and

(ii) for which the quota tenant was the principal producer of the tobacco on the farm.

(5) MARKETING QUOTAS OTHER THAN POUNDAGE QUOTAS.--For each kind of tobacco for which there is a marketing quota or allotment (on an acreage basis), the base quota level for each quota holder, quota lessee, or quota tenant shall be determined in accordance with this subsection (based on a poundage conversion) in an amount equal to the product obtained by multiplying--

(A) the average tobacco farm marketing quota or allotment for the 1994 through 1996 marketing years; by

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

(d) PAYMENTS.--Except as otherwise provided in this section, during any marketing year in which the national marketing quota for a kind of tobacco is less than the average national marketing quota level for the kind of tobacco for the 1994 through 1996 marketing years, the Secretary shall make payments for lost tobacco quota to each quota holder, quota lessee, and quota tenant that is eligible under subsection (b) in an amount that is equal to the product obtained by multiplying--

(1) the percentage by which the national marketing quota for the kind of tobacco is less than the average national marketing quota level for the kind of tobacco for the 1994 through 1996 marketing years; by

(2) the base quota level for the quota holder, quota lessee, or quota tenant; by

(3) $4 per pound.

(e) LIFETIME LIMITATION ON PAYMENTS.--Except as otherwise provided in this section, the total amount of payments made under this section to a quota holder, quota lessee, or quota tenant during the lifetime of the holder, lessee, or tenant shall not exceed the product obtained by multiplying--

(1) the base quota level for the quota holder, quota lessee, or quota tenant; by

(2) $8 per pound.

(f) LIMITATIONS ON AGGREGATE ANNUAL PAYMENTS.--

(1) IN GENERAL.--Except as otherwise provided in this subsection, the total amount payable under this section for any marketing year shall not exceed $1,600,000,000.

(2) ACCELERATED PAYMENTS.--Paragraph (1) shall not apply if accelerated payments for lost tobacco quota are made in accordance with subsection (j).

(3) REDUCTIONS.--If the amount determined under subsection (d) for a marketing year exceeds the amount described in paragraph (1), the Secretary shall make a pro rata reduction in the amounts payable to quota holders, quota lessees, and quota tenants under this section to ensure that the total amount of the payments for lost tobacco quota does not exceed the limitation established under paragraph (1).

(4) ROLLOVER OF PAYMENTS FOR LOST TOBACCO QUOTA.--Subject to paragraph (1), if the Secretary makes a reduction in accordance with paragraph (3), the amount of the reduction shall be applied to the next marketing year and added to the payments for lost tobacco for the marketing year.

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

(1) the person who sold and transferred the quota shall have--

(A) the base quota level attributable to the person reduced by the base quota level attributable to the quota that is sold and transferred; and

(B) the lifetime limitation on payments established under subsection (e) attributable to the person reduced by the product obtained by multiplying--

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

(ii) $8 per pound; and

(2) the person who acquired the quota shall have--

(A) the base quota level attributable to the person increased by the base quota level attributable to the quota that was sold and transferred; and

(B) the lifetime limitation on payments established under subsection (e) attributable to the person--

(i) increased by the product obtained by multiplying--

(I) the base quota level attributable to the quota; by

(II) $8 per pound; but

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

(h) SALE OR TRANSFER OF FARM.--On the sale or transfer of ownership of a farm that is owned by a quota holder, the base quota level established under subsection (c), the right to payments under subsection (d), and the lifetime limitation on payments established under subsection (e) shall transfer to the new owner of the farm to the same extent and in the same manner as those subsections applied to the previous quota holder.

(i) DEATH OF QUOTA LESSEE OR QUOTA TENANT.--If a quota lessee or quota tenant who is entitled to payments under this section dies and is survived by a spouse or 1 or more dependents, the right to receive the payments shall transfer to the surviving spouse or, if there is no surviving spouse, to the surviving dependents in equal shares.

(j) ACCELERATION OF PAYMENTS.--

(1) IN GENERAL.--On the occurrence of any of the events described in paragraph (2), the Secretary shall make an accelerated lump sum payment for lost tobacco quota to each quota holder, quota lessee, and quota tenant for any affected kind of tobacco in accordance with paragraph (3).

(2) TRIGGERING EVENTS.--The Secretary shall make accelerated payments under paragraph (1) if after the date of enactment of this Act--

(A) for 3 consecutive marketing years, the national marketing quota for a kind of tobacco is less than 50 percent of the national marketing quota for the kind of tobacco for the 1996 marketing year; or

(B) Congress repeals or makes ineffective, directly or indirectly, any provision of--

(i) section 316(g) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1314b(g));

(ii) section 319(g) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1314e(g));

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

(iv) section 106A of the Agricultural Act of 1949 (7 U.S.C. 1445091); or

(v) section 106B of the Agricultural Act of 1949 (7 U.S.C. 1445092).

(3) AMOUNT.--The amount of the accelerated payments made to each quota holder, quota lessee, and quota tenant under this subsection shall be equal to--

(A) the amount of the lifetime limitation established for the quota holder, quota lessee, or quota tenant under subsection (e); less

(B) any payments for lost tobacco quota received by the quota holder, quota lessee, or quota tenant before the occurrence of any of the events described in paragraph (2).

!!SEC. 202. INDUSTRY PAYMENTS FOR ALL DEPARTMENT COSTS ASSOCIATED WITH TOBACCO PRODUCTION.!!

(a) IN GENERAL.--The Secretary shall use such amounts as are necessary from the Trust Fund at the end of each fiscal year to reimburse the Secretary for--

(1) costs associated with the administration of programs established under this Act and amendments made by this Act;

(2) costs associated with the administration of the tobacco quota and price support programs administered by the Secretary;

(3) costs to the Federal Government of carrying out crop insurance programs for tobacco;

(4) costs associated with all agricultural research, extension, or education activities associated with tobacco;

(5) costs associated with the administration of loan association and cooperative programs for tobacco producers, as approved by the Secretary; and

(6) any other costs incurred by the Department of Agriculture associated with the production of tobacco.

(b) LIMITATIONS.--Amounts made available under subsection (a) may not be used--

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

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

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

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

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

!!SEC. 203. TOBACCO COMMUNITY ECONOMIC DEVELOPMENT GRANTS.!!

(a) AUTHORITY.--The Secretary shall make grants to tobacco-growing States in accordance with this section to enable the States to carry out economic development initiatives in tobacco-growing communities.

(b) APPLICATION.--To be eligible to receive payments under this section, a State shall prepare and submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require, including--

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

(2) a designation of an appropriate State agency to administer amounts received under the grant; and

(3) a description of the steps to be taken to ensure that the funds are distributed in accordance with subsection (e).

(c) AMOUNT OF GRANT.--

(1) IN GENERAL.--From the amounts available to carry out this section for a fiscal year, the Secretary shall allot to each State an amount that bears the same ratio to the amounts available as the total income of the State derived from the production of tobacco during the 1994 through 1996 marketing years (as determined under paragraph (2)) bears to the total income of all States derived from the production of tobacco during the 1994 through 1996 marketing years.

(2) TOBACCO INCOME.--For the 1994 through 1996 marketing years, the Secretary shall determine the amount of income derived from the production of tobacco in each State and in all States.

(d) PAYMENTS.--

(1) IN GENERAL.--A State that has an application approved

by the Secretary under subsection (b) shall be entitled to a payment under this section in an amount that is equal to its allotment under subsection (c).

(2) FORM OF PAYMENTS.--The Secretary may make payments under this section to a State in installments, and in advance or by way of reimbursement, with necessary adjustments on account of overpayments or underpayments, as the Secretary may determine.

(3) REALLOTMENTS.--Any portion of the allotment of a State under subsection (c) that the Secretary determines will not be used to carry out this section in accordance with an approved State application required under subsection (b), shall be reallotted by the Secretary to other States in proportion to the original allotments to the other States.

(e) USE AND DISTRIBUTION OF FUNDS.--

(1) IN GENERAL.--Amounts received by a State under this section shall be used to carry out economic development activities, including--

(A) rural business enterprise activities described in subsections (c) and (e) of section 310B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932);

(B) down payment loan assistance programs that are similar to the program described in section 310E of the Consolidated Farm and Rural Development Act (7 U.S.C. 1935);

(C) activities designed to help create productive farm or off-farm employment in rural areas to provide a more viable economic base and enhance opportunities for improved incomes, living standards, and contributions by rural individuals to the economic and social development of tobacco communities;

(D) activities that expand existing infrastructure, facilities, and services to capitalize on opportunities to diversify economies in tobacco communities and that support the development of new industries or commercial ventures;

(E) activities by agricultural organizations that provide assistance directly to active tobacco producers to assist in developing other agricultural activities that supplement tobacco-producing activities;

(F) initiatives designed to create or expand locally owned value-added processing and marketing operations in tobacco communities; and

(G) technical assistance activities by persons to support farmer-owned enterprises, or agriculture-based rural development enterprises, of the type described in section 252 or 253 of the Trade Act of 1974 (19 U.S.C. 2342, 2343).

(2) TOBACCO-GROWING COUNTIES.--Assistance may be provided by a State under this section only to assist a county in the State that has been determined by the Secretary to have in excess of $100,000 in income derived from the production of tobacco during 1 or more of the 1994 through 1996 marketing years.

(3) DISTRIBUTION.--

(A) ECONOMIC DEVELOPMENT ACTIVITIES.--Not less than 20 percent of the amounts received by a State under this