

**SEC. 374. [7 U.S.C. 2008i] SHORT FORM CERTIFICATION OF FARM PROGRAM BORROWER COMPLIANCE.**

The Secretary shall develop and utilize a consolidated short form for farm program borrowers to use in certifying compliance with any applicable provision of law (including a regulation) that serves as an eligibility prerequisite for a loan made under this title.

**SEC. 375. [7 U.S.C. 2008j] NATIONAL SHEEP INDUSTRY IMPROVEMENT CENTER.**

(a) **DEFINITIONS.**—In this section:

(1) **BOARD.**—The term “Board” means the Board of Directors established under subsection (f).

(2) **CENTER.**—The term “Center” means the National Sheep Industry Improvement Center established under subsection (b).

(3) **ELIGIBLE ENTITY.**—The term “eligible entity” means an entity that promotes the betterment of the United States sheep or goat industries and that is—

(A) a public, private, or cooperative organization;

(B) an association, including a corporation not operated for profit;

(C) a federally recognized Indian Tribe; or

(D) a public or quasi-public agency.

(4) **FUND.**—The term “Fund” means the National Sheep Industry Improvement Center Revolving Fund established under subsection (e).

(5) **INTERMEDIARY.**—The term “intermediary” means a financial institution receiving Center funds for establishing a revolving fund and relending to an eligible entity.

(b) **ESTABLISHMENT OF CENTER.**—The Secretary shall establish a National Sheep Industry Improvement Center.

(c) **PURPOSES.**—The purposes of the Center shall be to—

(1) promote strategic development activities and collaborative efforts by private and State entities to maximize the impact of Federal assistance to strengthen and enhance production and marketing of sheep or goat products in the United States;

(2) optimize the use of available human capital and resources within the sheep or goat industries;

(3) provide assistance to meet the needs of the sheep or goat industry for infrastructure development, business development, production, resource development, and market and environmental research;

(4) advance activities that empower and build the capacity of the United States sheep or goat industry to design unique responses to the special needs of the sheep or goat industries on both a regional and national basis; and

(5) adopt flexible and innovative approaches to solving the long-term needs of the United States sheep or goat industry.

(d) **STRATEGIC PLAN.**—

(1) **IN GENERAL.**—The Center shall submit to the Secretary an annual strategic plan for the delivery of financial assistance provided by the Center.

(2) **REQUIREMENTS.**—A strategic plan shall identify—

(A) goals, methods, and a benchmark for measuring the success of carrying out the plan and how the plan relates to the national and regional goals of the Center;

(B) the amount and sources of Federal and non-Federal funds that are available for carrying out the plan;

(C) funding priorities;

(D) selection criteria for funding; and

(E) a method of distributing funding.

(e) REVOLVING FUND.—

(1) ESTABLISHMENT.—There is established in the Treasury the National Sheep Industry Improvement Center Revolving Fund. The Fund shall be available to the Center, without fiscal year limitation, to carry out the authorized programs and activities of the Center under this section.

(2) CONTENTS OF FUND.—There shall be deposited in the Fund—

(A) such amounts as may be appropriated, transferred, or otherwise made available to support programs and activities of the Center;

(B) payments received from any source for products, services, or property furnished in connection with the activities of the Center;

(C) fees and royalties collected by the Center from licensing or other arrangements relating to commercialization of products developed through projects funded, in whole or part, by grants, contracts, or cooperative agreements executed by the Center;

(D) proceeds from the sale of assets, loans, and equity interests made in furtherance of the purposes of the Center;

(E) donations or contributions accepted by the Center to support authorized programs and activities; and

(F) any other funds acquired by the Center.

(3) USE OF FUND.—

(A) IN GENERAL.—The Center may use amounts in the Fund to make direct loans, loan guarantees, cooperative agreements, equity interests, investments, repayable grants, and grants to eligible entities, either directly or through an intermediary, in accordance with a strategic plan submitted under subsection (d).

(B) CONTINUED EXISTENCE.—The Center shall manage the Fund in a manner that ensures that sufficient amounts are available in the Fund to carry out subsection (c). The Fund is intended to furnish the initial capital for a revolving fund that will eventually be privatized for the purposes of assisting the United States sheep and goat industries.

(C) DIVERSE AREA.—The Center shall, to the maximum extent practicable, use the Fund to serve broad geographic areas and regions of diverse production.

(D) ADMINISTRATION.—The Center may not use more than 3 percent of the amounts in the portfolio of the Center for each fiscal year for the administration of the Cen-

ter. The portfolio shall be calculated at the beginning of each fiscal year and shall include a total of—

- (i) all outstanding loan balances;
- (ii) the Fund balance;
- (iii) the outstanding balance to intermediaries;

and

- (iv) the amount the Center paid for all equity interests.

(E) INFLUENCING LEGISLATION.—None of the amounts in the Fund may be used to influence legislation.

(F) ACCOUNTING.—To be eligible to receive amounts from the Fund, an entity must agree to account for the amounts using generally accepted accounting principles.

(G) USES OF FUND.—The Center may use amounts in the Fund to—

- (i) participate with Federal and State agencies in financing activities that are in accordance with a strategic plan submitted under subsection (d), including participation with several States in a regional effort;

- (ii) participate with other public and private funding sources in financing activities that are in accordance with the strategic plan, including participation in a regional effort;

- (iii) provide security for, or make principal or interest payments on, revenue or general obligation bonds issued by a State, if the proceeds from the sale of the bonds are deposited in the Fund;

- (iv) accrue interest;

- (v) guarantee or purchase insurance for local obligations to improve credit market access or reduce interest rates for a project that is in accordance with the strategic plan;

- (vi) sell assets, loans, and equity interests acquired in connection with the financing of projects funded by the Center; or

- (vii) purchase equity interests.

(4) LOANS.—

(A) RATE.—A loan from the Fund may be made at an interest rate that is below the market rate or may be interest free.

(B) TERM.—The term of a loan may not exceed the shorter of—

- (i) the useful life of the activity financed; or

- (ii) 40 years.

(C) SOURCE OF REPAYMENT.—The Center may not make a loan from the Fund unless the recipient establishes an assured source of repayment.

(D) PROCEEDS.—All payments of principal and interest on a loan made from the Fund shall be deposited into the Fund.

(5) MAINTENANCE OF EFFORT.—The Center shall use the Fund only to supplement and not to supplant Federal, State, and private funds expended for rural development.

(6) FUNDING.—

(A) DEPOSIT OF FUNDS.—All Federal and non-Federal amounts received by the Center to carry out this section shall be deposited in the Fund.

(B) MANDATORY FUNDS.—Out of any moneys in the Treasury not otherwise appropriated, the Secretary of the Treasury shall provide to the Center not to exceed \$27,998,000 to carry out this section.

(C) ADDITIONAL FUNDS.—In addition to any funds provided under subparagraph (B), there is authorized to be appropriated \$30,000,000 to carry out this section.

(f) BOARD OF DIRECTORS.—

(1) IN GENERAL.—The management of the Center shall be vested in a Board of Directors.

(2) POWERS.—The Board shall—

(A) be responsible for the general supervision of the Center;

(B) review any contract, direct loan, loan guarantee, cooperative agreement, equity interest, investment, repayable grant, and grant to be made or entered into by the Center and any financial assistance provided to the Center;

(C) make the final decision, by majority vote, on whether and how to provide assistance to an applicant; and

(D) develop and establish a budget plan and a long-term operating plan to carry out the goals of the Center.

(3) COMPOSITION.—The Board shall be composed of—

(A) 7 voting members, of whom—

(i) 4 members shall be active producers of sheep or goats in the United States;

(ii) 2 members shall have expertise in finance and management; and

(iii) 1 member shall have expertise in lamb, wool, goat, or goat product marketing; and

(B) 2 nonvoting members, of whom—

(i) 1 member shall be the Under Secretary of Agriculture for Rural Development; and

(ii) 1 member shall be the Under Secretary of Agriculture for Research, Education, and Economics.

(4) NOMINATION.—

(A) NOMINATING BODY.—The Secretary shall appoint the voting members of the Board from nominations submitted by organizations described in subparagraph (B).

(B) NATIONAL ORGANIZATIONS.—A national organization is described in this subparagraph if the organization—

(i) consists primarily of active sheep or goat producers in the United States; and

(ii) has as the primary interest of the organization the production of sheep or goats in the United States.

(5) TERM OF OFFICE.—

(A) IN GENERAL.—Subject to subparagraph (B), the term of office of a voting member of the Board shall be 3 years.

(B) STAGGERED INITIAL TERMS.—The initial voting members of the Board (other than the chairperson of the initially established Board) shall serve for staggered terms of 1, 2, and 3 years, as determined by the Secretary.

(C) REAPPOINTMENT.—A voting member may be reappointed for not more than one additional term.

(6) VACANCY.—

(A) IN GENERAL.—A vacancy on the Board shall be filled in the same manner as the original Board.

(B) REAPPOINTMENT.—A voting member appointed to fill a vacancy for an unexpired term may be reappointed for one full term.

(7) CHAIRPERSON.—

(A) IN GENERAL.—The Board shall select a chairperson from among the voting members of the Board.

(B) TERM.—The term of office of the chairperson shall be 2 years.

(8) ANNUAL MEETING.—

(A) IN GENERAL.—The Board shall meet not less than once each fiscal year at the call of the chairperson or at the request of the executive director appointed under subsection (g)(1).

(B) LOCATION.—The location of a meeting of the Board shall be established by the Board.

(9) VOTING.—

(A) QUORUM.—A quorum of the Board shall consist of a majority of the voting members.

(B) MAJORITY VOTE.—A decision of the Board shall be made by a majority of the voting members of the Board.

(10) CONFLICTS OF INTEREST.—

(A) IN GENERAL.—Except as provided in subparagraph (D), a member of the Board shall not vote on any matter respecting any application, contract, claim, or other particular matter pending before the Board in which, to the knowledge of the member, an interest is held by—

(i) the member;

(ii) any spouse of the member;

(iii) any child of the member;

(iv) any partner of the member;

(v) any organization in which the member is serving as an officer, director, trustee, partner, or employee; or

(vi) any person with whom the member is negotiating or has any arrangement concerning prospective employment or with whom the member has a financial interest.

(B) REMOVAL.—Any action by a member of the Board that violates subparagraph (A) shall be cause for removal from the Board.

(C) VALIDITY OF ACTION.—An action by a member of the Board that violates subparagraph (A) shall not impair or otherwise affect the validity of any otherwise lawful action by the Board.

(D) DISCLOSURE.—

(i) **IN GENERAL.**—If a member of the Board makes a full disclosure of an interest and, prior to any participation by the member, the Board determines, by majority vote, that the interest is too remote or too inconsequential to affect the integrity of any participation by the member, the member may participate in the matter relating to the interest, except as provided in subparagraph (E)(iii).

(ii) **VOTE.**—A member that discloses an interest under clause (i) shall not vote on a determination of whether the member may participate in the matter relating to the interest.

(E) **REMANDS.**—

(i) **IN GENERAL.**—The Secretary may vacate and remand to the Board for reconsideration any decision made pursuant to subsection (e)(3)(H) if the Secretary determines that there has been a violation of this paragraph or any conflict of interest provision of the bylaws of the Board with respect to the decision.

(ii) **REASONS.**—In the case of any violation and remand of a funding decision to the Board under clause (i), the Secretary shall inform the Board of the reasons for the remand.

(iii) **CONFLICTED MEMBERS NOT TO VOTE ON REMANDED DECISIONS.**—If a decision with respect to a matter is remanded to the Board by reason of a conflict of interest faced by a Board member, the member may not participate in any subsequent decision with respect to the matter.

(11) **COMPENSATION.**—

(A) **IN GENERAL.**—A member of the Board shall not receive any compensation by reason of service on the Board.

(B) **EXPENSES.**—A member of the Board shall be reimbursed for travel, subsistence, and other necessary expenses incurred by the member in the performance of a duty of the member.

(12) **BYLAWS.**—The Board shall adopt, and may from time to time amend, any bylaw that is necessary for the proper management and functioning of the Center.

(13) **PUBLIC HEARINGS.**—Not later than 1 year after the date of enactment of this section, the Board shall hold public hearings on policy objectives of the program established under this section.

(14) **ORGANIZATIONAL SYSTEM.**—The Board shall provide a system of organization to fix responsibility and promote efficiency in carrying out the functions of the Board.

(15) **USE OF DEPARTMENT OF AGRICULTURE.**—The Board may, with the consent of the Secretary, utilize the facilities of and the services of employees of the Department of Agriculture, without cost to the Center.

(g) **OFFICERS AND EMPLOYEES.**—

(1) **EXECUTIVE DIRECTOR.**—

(A) **IN GENERAL.**—The Board shall appoint an executive director to be the chief executive officer of the Center.

(B) TENURE.—The executive director shall serve at the pleasure of the Board.

(C) COMPENSATION.—Compensation for the executive director shall be established by the Board.

(2) OTHER OFFICERS AND EMPLOYEES.—The Board may select and appoint officers, attorneys, employees, and agents who shall be vested with such powers and duties as the Board may determine.

(3) DELEGATION.—The Board may, by resolution, delegate to the chairperson, the executive director, or any other officer or employee any function, power, or duty of the Board other than voting on a grant, loan, contract, agreement, budget, or annual strategic plan.

(h) CONSULTATION.—To carry out this section, the Board may consult with—

- (1) State departments of agriculture;
- (2) Federal departments and agencies;
- (3) nonprofit development corporations;
- (4) colleges and universities;
- (5) banking and other credit-related agencies;
- (6) agriculture and agribusiness organizations; and
- (7) regional planning and development organizations.

(i) OVERSIGHT.—

(1) IN GENERAL.—The Secretary shall review and monitor compliance by the Board and the Center with this section.

(2) SANCTIONS.—If, following notice and opportunity for a hearing, the Secretary finds that the Board or the Center is not in compliance with this section, the Secretary may—

- (A) cease making deposits to the Fund;
- (B) suspend the authority of the Center to withdraw funds from the Fund; or

(C) impose other appropriate sanctions, including recoupment of money improperly expended for purposes prohibited or not authorized by this Act and disqualification from receipt of financial assistance under this section.

(3) RESCISSION OF SANCTIONS.—The Secretary shall rescind sanctions imposed under paragraph (2) on a finding by the Secretary that there is no longer any failure by the Board or the Center to comply with this section or that the noncompliance will be promptly corrected.

(j) PRIVATIZATION.—

(1) IN GENERAL.—Privatization of a revolving fund for the purposes of assisting the United States sheep and goat industries shall occur on the earlier of—

- (A) September 30, 2006; or
- (B) the date as of which a total of \$30,000,000 has been appropriated for the Center under subsection (e)(6)(C).

(2) PRIVATIZATION PROPOSAL.—On privatization of a revolving fund in accordance with paragraph (1), the Board shall submit to the Secretary, for approval, a privatization proposal that—

- (A) delineates a private successor entity to the Center; and

- (B) establishes a transition plan.
- (3) PRIVATE SUCCESSOR ENTITY.—The private successor entity shall—
- (A) have the purposes described in subsection (c);
  - (B) be organized under the laws of one of the States; and
  - (C) be able to continue the activities of the Center.
- (4) TRANSITION PLAN.—The transition plan shall—
- (A) identify any continuing role of the Federal Government with respect to the Center;
  - (B) provide for the transfer of all Center assets and liabilities to the private successor entity; and
  - (C) delineate the status of the Board and employees of the Center.
- (5) IMPLEMENTATION.—
- (A) IN GENERAL.—On approval by the Secretary of the private successor entity and the transition plan, the Center shall create the private successor entity and implement the transition plan.
  - (B) AUTHORITY.—The Secretary shall have all necessary authority to implement the transition plan.
- (6) TRANSFER OF FUNDS.—On creation of the private successor entity, all funds held by the Department of the Treasury pursuant to this section shall be transferred to the private successor entity.
- (7) REPEAL.—On the date the Secretary publishes notice in the Federal Register that the transition plan is complete, this section is repealed.

**SEC. 376. [7 U.S.C. 2008k] MAKING AND SERVICING OF LOANS BY PERSONNEL OF STATE, COUNTY, OR AREA COMMITTEES.**

The Secretary shall use personnel of a State, county or area committee established under section 8(b)(5) of the Soil Conservation and Domestic Allotment Act (16 U.S.C 590h(b)(5)) to make and service loans under this title to the extent the personnel have been trained to do so.

**SEC. 377. [7 U.S.C. 2008l] ELIGIBILITY OF EMPLOYEES OF STATE, COUNTY, OR AREA COMMITTEE FOR LOANS AND LOAN GUARANTEES.**

(a) IN GENERAL.—The Secretary shall not prohibit an employee of a State, county or area committee established under section 8(b)(5) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)(5)) or an employee of the Department of Agriculture from obtaining a loan or loan guarantee under subtitle A, B or C of this title.

(b) APPROVALS.—

(1) COUNTY OR AREA OFFICE.—In the case of a loan application from an employee in a county or area office, the Farm Service Agency State office shall be responsible for reviewing and approving the application.

(2) STATE OFFICE.—In the case of a loan application from an employee of a State office, the Farm Service Agency national office shall be responsible for reviewing and approving the application.