



**NORTH CAROLINA
TOBACCO TRUST FUND COMMISSION**

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GRANT GUIDELINES

State Fiscal Year 2008-2009

IMPORTANT INFORMATION – PLEASE READ

1. The Commission is not prepared to make direct payments to individuals to compensate for losses due to the MSA. The Commission encourages individuals who may be eligible for direct payments to apply as a group for assistance in training, diversification or a related program purpose so that benefit will be to the community and local economy and not directly to an individual.
2. The Tobacco Trust Fund Commission will give priority to projects based on size of area and number of people impacted.
3. The Tobacco Trust Fund Commission has established the following funding priorities.
 - Community Economic Development
 - Development of Natural Resources
 - Diversification Initiatives
 - Increasing Farm Profitability
 - Skill and Resource Development
4. Completed applications must be postmarked or hand-delivered by 5:00 PM on February 16, 2009 to be considered during this granting cycle.

Introduction

The North Carolina Tobacco Trust Fund Commission (Commission) was created by the North Carolina General Assembly to receive and disburse funds from the Master Settlement Agreement (MSA) between the state and various cigarette manufacturers. The Commission recognizes that North Carolina's prosperity has been historically supported by agriculture, specifically the tobacco-related segment of agriculture. Through its programs, the Commission seeks to mitigate the general decline in the tobacco-related segment of our economy. Funds are available for the public purpose of alleviating or avoiding unemployment and quantifiable adverse fiscal impacts, stabilizing local tobacco-dependent communities and tax bases and to provide for the optimal use of natural resources.

Program Statement

The Commission will provide funding under two program categories, the *Compensatory Program* and the *Qualified Agricultural Program (QAP)*. The Compensatory Program authorizes the Commission to indirectly compensate or indemnify tobacco producers, former allotment holders, individuals displaced from tobacco-related employment and persons engaged in tobacco-related businesses for economic losses resulting from lost quota and declining market conditions caused by the MSA as determined by the Commission according to these rules. (02 NCAC 57.0201) These indirect grants will be made to entities that are able to serve groups of individuals who qualify for compensation. The Qualified Agricultural Program (QAP), by statute, authorizes the Commission to support and foster the vitality and solvency of the tobacco-related segment of the agricultural economy with emphasis on the segment adversely impacted by the MSA. (02 NCAC 57.0301)

Funding Priorities

Funds will be available on a statewide basis and projects will be funded based on how effectively the project meets the stated grant criteria. Projects must benefit a population that is tobacco-dependent at the manufacturing level and/or at the farm level and is experiencing economic distress.

Eligible Recipients

Entities eligible to receive Indirect Compensatory and QAP Grants include and are limited to the following: Agencies and departments of the State of North Carolina, local government units, agencies and departments of the United States Government, and members of the private sector, including non-profit organizations. Grantees must deliver an appropriate service to members of the targeted populations as described under the statute G.S. 143-715.

Types of Projects

Indirect Compensatory Program

Indirect Compensatory Grants are made available under the statute to fund projects that indirectly compensate identified groups for economic losses resulting from lost quota or declining market conditions caused by the MSA. If the potential recipient(s) are either current or former tobacco farmers and/or quota holders, and has received Phase II payments, then you will have to describe how the administrator will quantify actual losses due to the Master Settlement Agreement that are not compensated by payments from the National Tobacco Grower Settlement Trust ("Phase II Trust"). (Limit to one-half page narrative attachment - clearly cite and describe any information -- published reports, published statistics, etc. -- that will be used to quantify losses not already compensated by Phase II payments.) Losses must be documented to have occurred in calendar year 1998 and after. Grants will be made for no more than one year at a time.

The indirect nature of the grant will require that an organization or group apply to provide a needed service or program for individuals that have been adversely affected by the MSA. Such projects might include educational grant assistance or worker training and retraining.

Indirect Compensatory projects may indirectly benefit any of the following: persons engaged in tobacco-related business (except tobacco product wholesaling and retailing), persons displaced from tobacco-related employment in North Carolina (except persons employed in the sale of tobacco products at wholesale or retail), and tobacco product component businesses that are adversely impacted by the MSA and which need financial assistance to retool machinery or equipment or to retrain workers, in order to convert to the production of new products or non-tobacco use of existing products.

Examples of possible projects include, but are not limited to:

- ❑ Education/training program;
- ❑ Purchase of tools or equipment for new occupation or retool existing business space;
- ❑ Costs to retrain workers;
- ❑ Supportive services for workers receiving education such as childcare, transportation, etc.; and
- ❑ Low-interest loan/grant for new business.

Qualified Agricultural Program (QAP)

The majority of the TTFC applicants fall under this category. QAP grants are agriculturally based and made available under the statute to fund projects that support and foster the vitality and solvency of the tobacco-related segment of the agricultural economy with emphasis on the segment adversely impacted by the MSA. (02 NCAC 57.0301) Projects will address one or more of the following goals:

- ❑ Alleviating and avoiding unemployment in the tobacco-related sector of the state's agricultural economy;
- ❑ Preserving and increasing the local tax base in agricultural areas;
- ❑ Encouraging the economic stability of participants in the state's agricultural economy;
- ❑ Optimally using natural resources in the tobacco-related segment of the state's agricultural economy; or
- ❑ Supporting and fostering the vitality and solvency of a tobacco-related sector.

Examples of possible projects include, but are not limited to:

- ❑ Incentives to finance diversification due to loss of the quota system;
- ❑ Programs to finance the modernization of farming equipment or conversion of existing equipment to conform to environmental and other regulatory requirements;
- ❑ Programs to finance the conversion or replacement of equipment in order to cultivate crops that are more profitable than those currently being cultivated;
- ❑ Conservation easements to allow reduced tobacco production on the individual farm and/or maintain land in agricultural uses;
- ❑ Marketing incentives such as promotions or export programs;
- ❑ Incentives to grow alternative crops;
- ❑ Development of alternative fuel sources; and
- ❑ Development of value-added facilities and/or resources.

Review Requirements

The Commission will base funding decisions on information supplied by the applicant. Applicants are expected to respond to requests for clarification or additional information in a timely fashion. Any application that does not contain information sufficient to permit review after the request for additional information has been made will be disqualified from further consideration. An application may be withdrawn by request of the applicant.

Audit

All funds awarded to the recipient under these programs are proceeds from the Master Settlement Agreement for North Carolina. Accordingly, the recipients will be subject to a financial and compliance audit for the project at the Commission's request. Recipients also must comply with the State Auditor's request for audit pursuant to G.S. 143C-6-22 and G.S. 143C-6-23. In addition to the audit requirement, the recipient agrees to comply with any requests made by the Commission for other financial and organizational materials to permit the Commission to comply with its fiscal monitoring responsibilities.

Record Retention

Recipients will keep financial and other records on the project for a period of **five years** following completion of the project. Such records will be made available at the request of the Commission.

Public Documents

All applications, attachments to applications and written materials received by the Commission are public records, unless determined otherwise by court order or other applicable law.

Additional Funding Sources Specifications

Projects are generally expected to be under contract within six months of award. The Commission shall retain the right to de-obligate any funds awarded in connection with a project that is not under contract by this time.

When a proposed grant is to be joined with other funding sources to complete the project, financial information provided by the applicant should be in sufficient detail to show the maximum level of federal, state, and local and private resources committed to the project. Project expenditures must be listed by line item. Commission funds are intended to be used for the project described in the application. **Grants will be finalized based on availability of funds to the Commission.**

Disbursement Policy

The Commission will award grants contingent on the availability of sufficient funds to do so. Funds will be conveyed to grantees through contracts with the Commission. Of the total funds awarded for each project, the grantee may draw a percentage in advance of project expenditures, contingent upon an approved scope of work and payment schedule and upon submission of a payment request on an approved form. Payments may be paid to successful applicants as reimbursement upon receipt of expenditure reports or invoices at mutually agreed upon periodic intervals as outlined in the contract.

The grant agreement will also provide that the grantee shall put grant money in an interest bearing account and that any interest earned on the grant money shall be returned to the Commission at the conclusion of the grant. If the Commission determines that grant funds are not being used for the purpose for which they were awarded, the Commission may cease making payments under the grant schedule until the problem has been resolved or may demand immediate return of any unspent money and interest from the grant, with which request the grantee must comply. Grantees must pay back to the Commission any funds that the Commission determines have not been spent for the purpose for which they were granted as well as the statutory interest rate on those funds. Grantees must return any grant money, which remains unspent at the conclusion of the grant project, along with any interest earned on grant money.

Reporting Policy

Successful applicants will submit written progress reports quarterly and a final report upon completion of the project. These written reports will describe the status of the project, progress toward achievement of project objectives, notable occurrences during the period and any significant problems encountered and the steps taken to overcome those problems. Also, grantees may be sent periodic surveys to request specific progress indicators. Upon completion of the project, a Final Report will be delivered to the Commission. This Final Report will include an evaluation of the project. The project evaluation must show progress towards the goals as measured by performance standards contained in the application. The final report will evaluate the project's impact on assisting the Commission to achieve the Commission's statutory goals. Failure to submit a required report by the scheduled submission date may result in the withholding of any subsequent grant payment until the Commission is in receipt of the delinquent report.