

workers as contract income. This type of income is required to be annualized or prorated over the period it is intended to cover. We also feel that this suggestion is beyond the scope of this rulemaking and that an additional reference to the prohibition against income averaging for such households is unnecessary.

Another commenter asked that the final rule clarify that use of the income conversion factors in 7 CFR 273.10(c)(2) is not a form of income averaging. In the preamble to the proposed rule (61 FR at 66237), we discussed the difference between conversion and averaging but did not propose any change to 7 CFR 273.10(c)(2). However, we agree that some clarification in the regulations would be helpful. Therefore, we are adding a sentence to 7 CFR 273.10(c)(3) to specify that converting income to a monthly amount, as provided in paragraph (c)(2), does not constitute averaging for the purposes of paragraph (c)(3).

2. Reporting Requirement for Unearned Income—7 CFR 273.12(a)(1)(i)(A)

We wish to preface our discussion regarding the reporting requirements contained in this final rule by noting that on November 21, 2000, we published a final rule at 65 FR 70134, which included, among several other provisions, an amendment to 7 CFR 273.10(f) giving the State agencies more discretion with respect to the assignment of certification periods. This rule amended 7 CFR 273.12(a)(1) by adding a new paragraph (vii) that provided State agencies with the option of limiting reporting for households with earned income that are assigned certification period of at least six months to only changes in their gross monthly income that result in household gross income greater than 130 percent of the Federal poverty guideline. In States electing this option, households with earned income that are assigned certification periods greater than six months are required to submit reports of their households circumstances every six months. Section 4109 of the Farm Security and Rural Investment Act of 2002 (Public Law 107-171) expanded this option, limited to earned income households through regulation, to all households not statutorily exempt from periodic reporting. Although twenty States have currently adopted this option in some form and several other may do so in the future, to maximize State agency flexibility we have elected, subject to the modifications discussed below, to provide State agencies with most of the

options contained in the 1996 proposed rule.

We did not propose any change in the requirement that households report a change of more than \$25 in unearned income and we solicited comments on ways State agencies could use information from computer matches to update unearned income amounts rather than relying on household reports. As proposed, the regulation would have continued to require that households report changes of more than \$25 in unearned income. Change in earned income would be handled in accordance with one of the options specified by the State agency. Seven commenters recommended that the reporting threshold for earned and unearned income should be the same. Three commenters indicated that the unearned income threshold should be increased to \$50.

Although it would be administratively simpler and less confusing if the reporting threshold for earned and unearned income were the same, raising the threshold for unearned income to the same level as the earned income threshold could result in a greater increase in Program costs than only raising the threshold for earned income. According to the Fiscal Year (FY) 2000 "Characteristics of Food Stamp Households," 78.7 percent of food stamp households receive some unearned income, compared to the 27.2 percent of households that receive earned income. We believe some increase in the unearned income reporting threshold is justified, however, because of inflation since the \$25 figure was established in regulations in 1974. Therefore, we are adopting the \$50 threshold suggested by commenters. Changes in households' public assistance and jointly processed general assistance grants are still excluded from unearned income reporting since the State agency has prior knowledge of all changes in these grants.

Although we did not propose any changes in current procedures we solicited comments regarding the use of computer matching as an alternative to the reporting of changes in certain types of unearned income such as supplemental security income (SSI), Old Age, Survivors, and Disability Insurance (OASDI), and unemployment compensation. Five State agencies commented that information from computer matching with other agencies would not be received in time to make changes within the 10-day periods generally required by current regulations at 7 CFR 273.12(c). One State agency is pursuing the possibility

of developing an interface with the Social Security Administration (SSA) that will provide on-line access to benefit information. That would enable the State to identify and act on changes in benefits provided under Titles II and XVI of the Social Security Act within the current time frames. Other State agencies pointed out that information is received overnight from SSA only if requested; new information is not provided automatically. Also, households are required to report prospective changes in income; however, the data match may not show a discrepancy until the month in which the change actually occurred. At the time that the proposed rule was published the use of data obtained through matches would generally not have been feasible since changes based on matched data could not be made as quickly as changes reported by the household.

One State agency commented that households should not be required to report changes in unearned income if the State has an FNS-approved computer matching process that reports these changes at least monthly. Another State agency supported the ability of States to automatically use information received from sources such as SSA, but commented that States should not have to act on information more frequently than monthly. The State agency believes the payment information should be received once a month whether workers must take an action or the actions are automated. The State agency believes use of computer match information is difficult in a prospective budgeting system.

We are retaining the requirement that households are responsible for reporting changes in unearned income. Since the proposed rule was published, a number of States now have online access to data from the SSA. Although we are not eliminating the requirement that households report changes in SSI and OASDI, we will consider waiver requests to eliminate the requirement that households report of changes in those forms of income if the State agency making the request has online access to data from SSA and can implement changes within the timeframes specified under 7 CFR 273.12(c). We also wish to note that as the result of the November 21, 2000, final rule and the recently enacted legislation limiting reporting only to changes that result in household gross income in excess of 130 percent of the poverty level, a significant number of households are no longer subject to change reporting.