

As revised in response to comments, 7 CFR 273.12(a)(1)(i)(A) provides that change reporting households are required to report a change greater than \$50 in the amount of unearned income, except changes in public assistance (PA) or jointly processed general assistance (GA). 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.

*3. Reporting Requirement for Changes in Earned Income—7 CFR 273.12(a)(1)(i)(C)*

The proposed rule offered State agencies three reporting options for earned income. Under these options, a household with earned income would be required to report one of the following, as determined by the State agency:

- A change in wage rate and a change in part-time or full-time status, provided the household is certified for no more than 3 months;
- A change in wage rate and a change of more than 5 hours a week in the number of hours worked that is expected to continue for more than a month; or
- A change in the amount earned of more than \$80 a month.

State agencies commenting on the proposed rule were generally in favor of the increased flexibility offered by the options. There was, however, some concern expressed that different reporting requirements for earned and unearned income may result in confusion.

We believe that the revised requirements will reduce the number of small (\$25) or temporary changes households have to report, minimizing any possible burden of the different reporting requirements. Also, very few households would be affected because, according to data derived from the FY 2000 "Characteristics of Food Stamp Households," less than 20 percent of households had both earned and unearned income.

One State agency expressed concern that the proposed changes might give change reporting States an advantage over monthly reporting States and suggested that certification errors should not be cited in monthly reporting States for amounts not required to be reported in States without monthly reporting. State agencies have the flexibility under 7 CFR 273.21 to determine what information should be reported on the monthly report form, to limit monthly reporting to certain categories of households, and to

discontinue requiring monthly reports. We believe it is to the advantage of all State agencies to increase the number of available reporting options.

A commenter feared that recipients that move to a different State would be confused if the State had different reporting requirements. It is true that increasing State agency flexibility decreases the consistency offered by national Program requirements. However, reporting requirements have varied from State to State since monthly reporting was made optional in 1988. Administrative waivers and welfare reform demonstration projects have also resulted in a variety of reporting requirements. We expect that State agencies will explain reporting procedures to all households so that the requirements will be understood.

The same commenter believes households will report more changes than necessary and there will be no reduction in the work of the food stamp office. State agencies that have a waiver similar to the first earned income reporting option indicate that the revised reporting requirement reduces the number of changes that are reported and require action by the caseworker. We believe this rule contains reporting requirements that are easier for households to understand and apply.

The commenter also pointed out that current rules at 7 CFR 273.10(f)(4)(ii) require one or two-month certification periods if income cannot be reasonably predicted. Although State agencies always have the option of certifying households with extremely unstable circumstances (such as some homeless households or migrants) for one or two months, we believe it would be an unnecessary burden on both State agencies and households to certify all households with fluctuating earned income for such a short period. We also wish to note that the previously referenced November 21, 2000 rule included an amendment to 7 CFR 273.10(f) giving the State agencies more discretion with respect to the assignment of certification periods. One of the changes in that rule was the elimination of mandatory one and two month certification periods.

One commenter noted that the proposed rule is not clear as to whether the same reporting system has to be used in all parts of the State or if different options can be used in different locations. The commenter supported an option for States to use different methods in different parts of the State. Since some State agencies delegate a significant amount of autonomy to political subdivisions (counties and/or cities) with respect to

the operation of their food stamp programs, and since conditions may vary significantly within a State, in the interest of maximizing State flexibility we are adopting the option suggested by the commenter.

The same commenter indicated that the proposed rule does not allow State agencies to update information at random times outside of the change reporting time frames. For example, according to the commenter, a household cannot be required to return a mailer updating case information during a certification period. The mailer can be sent, but if it is not returned, the case cannot be closed. To find out why the household did not return the report, the State agency is required to call the household in for a formal recertification. The commenter believes the regulations should allow States to do regular reviews of case circumstances without requiring excessive formal administrative procedures. The same commenter also suggested shortening the certification period if the household fails to return the form. We feel that the issue of shortening certification periods in response to a household's failure to return a form requesting information on changes is not within the scope of this rule and, therefore, we are not addressing it here.

*a. Status Reporting—7 CFR 273.12(a)(1)(i)(C)(1)*

In addition to current change reporting procedures and the six-month reporting option contained in the November 21, 2000 final rule, this rule provides State agencies with three reporting options with respect to earned income. Under the first reporting option, households that are required to report only a change in source, wage-rate, and part-time or full-time employment status (status reporting households) would be assigned certification periods of no more than 3 months. Twenty-one commenters (all State or local agencies) opposed limiting this option to households certified for 3 months; one commenter supported the proposal. Four commenters suggested a 6-month limit and one suggested 4-month certification periods.

We proposed that status reporting households be certified for no more than 3 months to limit any potential cost to the FSP of removing the \$25 reporting requirement. Under the status reporting proposal, some households certified on the basis of a small number of hours of part-time work could be required to work progressively more hours from week-to-week and experience a substantial increase in income without having to report the change. Without a