

certification period limit, this change could exist for several months before it came to the attention of the State agency at recertification.

One State agency commented that households with a reliable wage history merit a certification period up to 12 months. Households with new employment or a less stable work history would be assigned a shorter certification period. This would allow the agency to tailor a certification period to the household's circumstances rather than arbitrarily assigning a certification period based on the type of income the household receives.

The State agency was also concerned about the administrative impact of the requirement for a 3-month certification period and indicated that households certified for longer than 2 months would receive a notice of expiration in the calendar month before the month their certification ends. Generally, the recertification interview is also conducted at the end of the month before the month the certification ends. In that State, a household certified for 3 months could have a recertification appointment in the same month it receives the approval notice, which would be administratively burdensome and confusing. The State agency also believes that certifying households with earned income for no more than 3 months could create a barrier to participation. While the State agency can offer flexible appointment times to accommodate work hours, other arrangements such as transportation or child care availability may pose a challenge for these households. They may be unable to cope with the requirement to appear for an interview.

Another commenter indicated that the State would assign 3-month certification periods to households with able-bodied adults without dependents to ensure they do not exceed the limit of 3 months of participation in 36 months. Adding another population to the 3-month certifications would unnecessarily burden clients and local offices with added paperwork and office visits and have an adverse impact on Program integrity and client services. This commenter believes that shorter certification periods do not guarantee that clients will report changes correctly.

Other commenters opposed the 3-month certification period limit because it would hamper efforts to make reporting and certification requirements consistent across assistance programs, it is not necessary for households with stable earned income, and it is not consistent with Program simplification and the changing role of the caseworker,

which requires frequent contact with clients during the certification period. Several commenters indicated that State agencies with waivers that allow status reporting without a limited certification period have not reported problems with the waivers and that State agencies should be allowed to use their discretion in setting certification period length.

As pointed out by several commenters, the requirement to be recertified every 3 months could place a substantial burden on low-income working households, as well as on State agencies. We considered offering the status reporting option for only those households with fluctuating income because it was unnecessary to certify households with stable earned income every 3 months. However, although the term "fluctuating income" is often used and understood, it is difficult to define for purposes of regulation. Consequently, to avoid complicating the status reporting option, we proposed to apply it to all earned income.

We have considered all of the commenters' objections to the 3-month certification period limit and agree that certifying earned income households no more than 3 months can create problems for both State agencies and households. We understand the need for State agencies to have uniform requirements across programs and to simplify procedures as much as possible. Nevertheless, we cannot support assigning 12-month certification periods for earned income households who are required to report changes in their work status rather than changes in the amount of their income. As provided in the option for semi-annual reporting set forth in the November 21, 2000, final rule and as evidenced in the recent amendments to the Food Stamp Act (section 4109 of the Farm Security and Rural Investment Act of 2002), the Department believes that State agencies should have some contact with households with earnings at 6-month intervals. The contact may be a recertification or a periodic report. Therefore, paragraph 273.12(a)(1)(i)(C)(1) of this final rule, provides that households subject to status reporting shall be certified for no more than 6 months. This gives State agencies flexibility to set certification periods appropriate for the stability of the household's circumstances while maintaining program integrity and limiting costs. The Department is also amending the implementation provision of the proposed rule to give States until January 1, 2004 to implement the 6-month certification limit for households subject to status reporting.

One commenter assumed incorrectly that under the proposal, households certified for more than 3 months would be subject to the \$25 reporting requirement. The intent of the proposed revision was to eliminate the \$25 reporting requirement for earned income. If a State agency selects the status reporting option only, all households with earned income will be subject to it regardless of the length of the certification period actually assigned. Quality control will consider the certification period assigned to status reporting households and review cases certified for more than 12 months under the procedures for households with expired certification periods.

The proposed rule did not specifically allow State agencies to select more than one of the earned income reporting options. After the rule was published, several State agencies requested and were granted waivers to use a combination of reporting requirements. For example, State agencies have obtained waivers to use status reporting for households with fluctuating income that are certified for up to 3 months and the \$80 option for households certified for more than 3 months, such as households with stable income or self-employment income that has not been annualized. We believe it is appropriate to tailor reporting requirements to households with different types of earned income. Consequently, in 7 CFR 273.12 of this final rule, paragraph (a)(1)(i)(C) specifies that State agencies may use one or more of the options for categories of households with different types of earned income. However, only one option would apply to an individual household.

In response to 7 CFR 273.12 of the proposed rule, several commenters indicated that the word "and" in paragraph (a)(1)(i)(C)(1) should be "or" so that the option would read: "A change in wage rate of earned income or a change in part-time or full-time employment status." The word "and" was used in the proposed rule to indicate that both of these changes are components of this option. A State agency cannot choose to implement one component or the other. We intended that a household would be required to report if a member had either a change in wage rate or a change in part-time or full-time employment, not that both events had to occur to trigger a report. To clarify our intent, we are changing "and" to "or" in the final rule. We are also adding the words "or salary" after wage rate because not all recipients are paid by the hour. To reduce the burden on both State agencies and affected households, in the final rule we are