

qualifying the reporting requirement regarding changes in employment to specify that a household is required to report a change in employment only if that change is accompanied by a change in the household's income.

In response to the above comments, we are revising the first earned income reporting option at 7 CFR 273.12(a)(1)(i)(C)(1) to read as follows: "a change in the wage rate or salary or a change in full-time or part-time employment status (as determined by the employer or as defined in the State's PA program),".

Seven State agencies commented on the requirement in 7 CFR 273.12(a)(2) that changes be reported within 10 days of the date the change becomes known to the household. These State agencies recommended that the date a change becomes known to the household should be the date of receipt of the first payment. In response to those comments and as result of our experience with waivers, we are amending 7 CFR 273.12(a)(2) to allow State agencies to use a range to define the date that the change must be reported. Under the amendment, the State could define the date that the change must be reported as early as the date that the change becomes known to the household or as late as the date that the household receives its first payment as a result of the change. To maximize State agency flexibility, in addition to income from new employment, the amendment to 7 CFR 273.12(a)(2) would also allow State agencies to use the same criteria for the reporting of other changes of income, such as changes in the amount of income (both earned and unearned) or a change resulting from a new source of unearned income. We are also amending 7 CFR 273.12(a)(2) to clarify that households subject to the semi-annual reporting requirement at 7 CFR 273.12(a)(1)(vii) must report changes no later than 10 days from the end of the calendar month in which the change occurred, provided that the household has a minimum of 10 days within which to report the change. To reflect the elimination of the requirement that FNS approve State agency forms provided under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, we are making a technical correction to the second sentence of 7 CFR 273.12(a)(2) by removing the words, "FNS-approved" prior to the reference to joint reporting forms.

b. Changes in Wage Rate and/or Hours Worked—7 CFR 273.12(a)(1)(i)(C)(2)

The second proposed earned income reporting option would allow State

agencies to require households to report a change in wage rate and a change in hours worked of more than 5 hours a week that is expected to continue for more than a month. We received 11 comments on this option. Five commenters supported the proposal, and six found it confusing or suggested modifications. Currently, only three State agencies are utilizing the 5-hour reporting option (through approved waivers). Of the three States, one State limits 5-hour reporting to households in which earned income is received in the form of hourly wages while another State appears likely to replace the 5-hour reporting requirement with the 6-month reporting option. Because of the very small number of States utilizing this option and the possible confusion resulting from the difficulty of determining whether a change in the hours worked will continue for more than one month we decided not to include this option in the final rule.

As indicated above, the primary concern among the commenters was that households might not know how long a change would last, especially if the work environment involves work hours that fluctuate from month to month. Therefore, it might not be reasonable to expect a household to know for how long a change in hours is expected to continue and the proposed requirement would be error-prone. One of these commenters suggested the option would be more effective and less error-prone if it simply required a household to report a change of more than 5 hours per week without having to decide how long this change might last. While this alternative would be less confusing we elected not to adopt it since it could result in the reporting of temporary changes in earned income.

Another commenter asked whether "a month" would be a calendar month or 30 days and if quality control would cite an error if the client did not report an increase in hours on the expectation that the increase would not continue, but in fact the individual is required to continue working more hours. This commenter thought that clients would become confused about the 5 hours, what a month means, and whether the change is anticipated to be longer than a month. Another commenter asked if the 5-hour threshold should be applied each week or averaged over the month. In view of the potential for confusion on the part of clients and the difficulty of determining whether a change is expected to continue we decided not to provide the 5-hour earned income reporting option in the final rule, although we will continue to consider waivers regarding this option.

c. \$100 Earned Income Reporting Threshold—7 CFR 273.12(a)(1)(i)(C)(3)

The third proposed earned income reporting option would allow State agencies to require households to report a change in the amount of earned income of more than \$80. Commenters were evenly divided on this option with six supporting it and six opposing it. Three commenters suggested that the amount should be increased to \$100, and one thought \$80 was too high. We have considered these comments and examined possible alternatives. We believe the earned income reporting requirement should be realistic in terms of current wages and a reasonable expectation of future increases. \$100 per month is slightly less than 5 hours of additional work per week at the current minimum wage rate of \$5.15 an hour. Therefore, we are increasing the \$80 threshold to \$100.

Three State agencies suggested that the phrase "and is expected to continue for more than one month" should be added. We are not accepting the commenters' suggestion. We believe that any change of more than \$100 a month should be reported. The eligibility worker can then determine whether the change is expected to continue, in accordance with the addition to 7 CFR 273.12(c) as discussed below, and document the case file accordingly.

Several commenters indicated that raising the \$25 threshold to \$80 does not address the problems with the requirement for fluctuating income and that it will still be too difficult for a household to know when a change occurs. It is true that many problems associated with having a dollar threshold will remain, even if the threshold is raised considerably. One problem with a fixed dollar threshold is that when income is averaged or converted, households may not know the base figure from which to measure a change. Therefore, we are revising the proposed option to provide at 7 CFR 273.12(a)(1)(i)(C)(2) that the base amount is the amount used by the eligibility worker the last time the allotment was calculated. Since changes in earned income of less than \$100 would not be implemented until the household's next recertification, we are including in 7 CFR 273.12(a)(1)(i)(C)(2) a provision that households subject to this reporting option be assigned certification periods of no more than six months. Consistent with the reasons noted previously for the status reporting option, the final rule establishes a 6-month limit on the length of certification periods provided under this option. Consistent with the status