

reporting option, 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 the \$100 earned income reporting option.

Another commenter indicated that the fifth check received in a five-payday month should not be counted for purposes of determining when a change should be reported. We believe the periodic problem of extra paychecks is addressed in the revised version of the option. Whether actual weekly or biweekly income is used, converted, and/or averaged, the amount last used to calculate the allotment is the figure from which a change should be measured. We believe it is the State agency's responsibility to inform households of this amount and are including this provision in 7 CFR 273.10(c)(3)(i).

We are aware that we did not propose any changes to the provisions of current 7 CFR 273.2(f)(8)(i) and (f)(8)(ii) regarding changes required to be verified at recertification and when reported during the certification period. These provisions prohibit the State agency from requiring verification of changes in income or certain expenses that have not changed by more than \$25. To reflect the new minimum reporting requirement for unearned income, we are amending 7 CFR 273.2(f)(8)(i) and (f)(8)(ii) to require verification of changes in income only if the amount of the change is greater than \$50 per month.

4. Quarterly Reporting—7 CFR 273.12(a)(4) and 7 CFR 273.12(b)(2)

Two States expressed disappointment that the rule did not include an option for quarterly reporting. During the period from 1993 through 1995, we granted a limited number of waivers allowing State agencies to operate quarterly reporting systems for a part of their caseloads. As the result of the favorable reaction to the original quarterly reporting waivers, we have expanded the quarterly reporting option through waivers, and are now granting waivers allowing State agencies to utilize quarterly reporting for all households not statutorily exempt from periodic reporting (specifically migrant or seasonal farmworker households or households consisting entirely of homeless persons).

Based on the comments and the positive response from State agencies that are currently operating under quarterly reporting waivers, we have elected to provide a comprehensive quarterly reporting option for all households, except for those statutorily

exempt from periodic reporting. The option is described in a new paragraph 7 CFR 273.12 (a)(4). Current paragraphs (a)(4) and (5) will be redesignated as paragraphs (5) and (6), respectively. We note that we have elected to continue to describe the current option for the quarterly reporting of the child support obligation separately in redesignated paragraph (a)(5). We have done so based in the belief that State agencies may elect to utilize the quarterly reporting option for the child support obligation while continuing to require change reporting of the other factors of eligibility.

The following conditions apply to quarterly reporting systems. First, a State agency may not include migrant or seasonal farmworker households or households in which all members are homeless individuals in its quarterly reporting system. These categories of households are exempt from any type of periodic reporting under Section 6(c)(1)(A) of the Food Stamp Act of 1977 (7 U.S.C. 2015(c)(1)(A)), including quarterly reporting. This final rule also specifies that households subject to the reporting requirements of 7 CFR 273.12(a)(1)(vii) may not be included in a quarterly reporting system since semi-annual reporting under 7 CFR 273.12(a)(1)(vii) and quarterly reporting are intended to be mutually exclusive options. The State agency would have the option of including all households, subject to the above exceptions, in its quarterly reporting system or may limit the system to certain categories of households. We anticipate that a number of State agencies may elect to exclude households with annualized self-employment income since that type of income would normally not change on a monthly or quarterly basis. The State agency must notify affected households of the quarterly reporting requirement, including the consequences that would result from the failure to file the report in a timely manner. Other conditions include the requirement that the State agency provide the household with a reminder notice if the household does not file the report by the due date, or files an incomplete report, and the requirement that the State agency send the household an adequate notice (which may be combined with the reminder notice) notifying the household that its benefits will be reduced or terminated if it fails to submit a complete report. This final rule also provides that the household not be terminated solely for failure to provide information regarding deductible expenses. The rule specifies that in cases in which a household fails

to provide sufficient information regarding a deductible expense or fails to provide the necessary verification of the expense, the household's eligibility and benefits would be determined without consideration of the deduction. This rule also specifies that the changes reported outside of the quarterly report are subject to the requirements of 7 CFR 273.12(c) and that the quarterly report form shall be the sole reporting requirement for any information which must be included in the form. This rule also provides that changes in the number of hours worked by individuals subject to the work requirement of 7 CFR 273.24 must be reported whenever their work hours fall below 20 hours per week, averaged monthly, pursuant to 7 CFR 273.12(a)(1)(viii), regardless of whether the State agency elects to include the household in a quarterly reporting system. We are also revising 7 CFR 273.12(b)(2) to reflect that the quarterly report form applies to quarterly reporting in general rather than the quarterly reporting of the child support obligation.

5. State Agency Action on Changes—7 CFR 273.12(c)

We proposed to amend 7 CFR 273.12(c) to provide that if a household reports a change in income, the State agency shall act on the change if the new circumstance is expected to continue for at least one month beyond the month in which the change is reported. We received two comments in support of this proposal. Therefore, we are adopting the addition to the regulations as proposed.

6. Technical Amendment to 7 CFR 273.21(f)(2)(v)

On October 17, 1996, the Department published a final rule at 61 FR 54303 entitled "Food Stamp Program: Simplification of Program Rules." The rule amended 7 CFR 273.10(c)(2)(iii) to require that income received on a recurring monthly or semimonthly basis be counted for the month which it is intended to cover rather than the month in which it is received. The amendment specified that the amount of monthly income attributed to the household should not be varied merely because of changes in mailing cycles or pay dates, or because weekends or holidays cause additional payments to be received in a month. It was our intent that this principle apply to both prospectively and retrospectively budgeted households. Because 7 CFR 273.10(c) applies primarily to prospectively budgeted households, and 7 CFR 273.21(f)(2)(v) in its current form addresses only monthly income rather