in the arbitration system. The specific Departmental proposals for meeting the deadlines mandated by the Leland Act are contained in paragraphs entitled *Validation of State Agency Error Rates—§ 275.3(c), Arbitration—§ 275.3(c)(4),* and *Quality control review reports—§ 275.21.*

Validation of State Agency Error Rates—§ 275.3(c)

Current regulations at 7 CFR 275.3(c)(1)(iii), published February 17, 1984 (49 FR 6292), specify that FCS Regional Offices shall assist State agencies in completing case reviews that State agencies were unable to complete due to refusal on the part of a household to cooperate with the State agency QC reviewer. It was determined that FCS Regional Offices should assist State agencies in completing these difficult cases because of the importance that accepted statistical practices place on completion of the maximum possible percentage of sampled cases. Regulations require a State agency to complete 100 per cent of the cases sampled for QC review. Failure to complete 100 per cent of the sampled cases results in FCS adjusting a State agency's regressed error rate (see regulations at 7 CFR 275.23(e)(7)(iii)). Actual experience since the implementation of these regulations has shown that FCS Regional Offices are rarely able to gain the cooperation of a household which has refused to cooperate with the State agency, so that the results of this effort fail to justify the staff time and resources dedicated to it. These efforts have also had a negative impact on the efficiency of the State agency review process in some instances. Occasionally a household will misinform the FCS Regional Office that it is willing to cooperate with a State agency QC reviewer. When the State agency reviewer attempts to contact the household and complete the review the household again refuses to cooperate. The case must remain incomplete, and additional State agency staff time and resources have been expended in the process.

Section 13951 of the Leland Act amends the Food Stamp Act by specifying that ''not later than 180 days after the end of the fiscal year, the case review and all arbitrations of State-Federal difference cases shall be completed.'' The Department has concluded that this mandated deadline cannot be achieved without maximizing the efficiency of the QC process at both the State agency and Federal review levels. Because efforts on the part of FCS Regional Offices to assist State agencies in completing refusal-to-cooperate cases have proven to be ineffective the Department is proposing to amend regulations so that an FCS Regional Office will only assist a State agency in attempting to complete refusal-to-cooperate cases at the specific request of the State agency. This will allow the State agency, which is in the best position to evaluate the probability of success, to determine whether or not additional efforts should be made to complete reviews in which the household has refused to cooperate.

Arbitration—§ 275.3(c)(4)

Current regulations at 7 CFR 275.3(c)(4), published January 21, 1988 (53 FR 1603), and June 5, 1989 (54 FR 23950) contain the QC procedures for arbitrating differences in review findings between State agencies and FCS. Under current procedures a State agency which disagrees with the FCS review findings for an individual case has a maximum of 28 calendar days after receipt of the Federal findings to request reevaluation of the Federal findings by a Regional arbitrator. The Regional arbitrator has 30 days from the date of such a request to determine the correctness of the Federal findings or to notify the State agency of the status of the arbitration case. A State agency which disagrees with a Regional arbitrator's review findings for an individual case has a maximum of 28 calendar days after receipt of the Regional arbitrator's decision to request a reevaluation of the Regional arbitrator's decision by a National arbitrator. The National arbitrator has no established time limit for rendering decisions on the correctness of the Regional arbitrator's findings. As these timeframes would indicate, arbitration is a process which can routinely take as many as 86 days to reach the level of national arbitration. This estimate does not include possible delays when a Regional arbitrator requests additional information from a State agency. Nor does this figure contain any time estimate for the completion of the National arbitrator's evaluation, which can vary greatly depending on priorities, the workload of the National arbitrator, and the complexity of the case under review. Section 13951 of the Leland Act amends the Food Stamp Act by specifying that ''not later than 180 days after the end of the fiscal year [March 29th, or March 28th in leap years], the case review and all arbitrations of State-Federal difference cases shall be completed.'' Granting that the current arbitration process (not including the National arbitrator's evaluation) can routinely take 86 calendar days, it would be necessary for the arbitration process to begin earlier than January 2nd following the end of the fiscal year in order to insure meeting the March 29th deadline. Current regulations at 7 CFR 275.21(b)(2) provide State agencies with 95 days from the end of a sample month to complete all case reviews. This means that for the last sample month of the review period (September) the State agencies final deadline for disposing of all cases for the fiscal year is January 5th. The Department has concluded that the deadlines mandated by the Leland Act for the completion of arbitration for a fiscal year cannot be achieved without a restructuring of the current arbitration system.

The Department proposes to replace the current two-tier arbitration process with a one-tier arbitration system. State agencies would submit requests for arbitration to their appropriate FCS Regional offices within 10 days of receipt of the Federal QC findings for a case. The Department considers 10 days to be sufficient for a State agency to submit requests for arbitration because the State agency has already completed its review of households' circumstances before the Federal review was conducted. In preparing its cases for arbitration the State agency is simply identifying the specific case issue(s) in dispute between the State agency and FCS, and then ensuring that all verification, documentation, or other material supporting its findings are included in its submittal(s). The FCS Regional office QC staff may also submit to the arbitrator(s) a response to the State agency's request either agreeing with the State agency or explaining why the State agency's position is incorrect. The arbitrator(s) would be allowed a maximum of 35 calendar days from the date a request is received to render a decision regarding the accuracy of the Federal QC findings and disposition in a case. Prudence dictates that with the modification of the arbitration system to a single level of review, the reviewing official should be allowed the longest possible timeframe to render decisions.

The Department is proposing a number of other changes to the arbitration process to maximize the efficiency and accuracy of the system. The proposed regulations would limit requests for arbitration to those cases where the State agency's findings or disposition, as transmitted to the National Computer Center's (NCC) Integrated Quality Control System (IQCS), differ from the Federal findings or disposition transmitted to NCC. These cases are commonly referred to as ''disagree cases''. Under the proposed system State agencies will not be permitted to arbitrate cases where the