advised to consider their historical levels of economic development activity to ensure that the aggregate standards will be met. It should be noted that HUD's decision to lower the individual activity standard for job creation/retention from \$100,000 to \$50,000 should reduce the possibility that grantees will fail the aggregate standard because they funded very high cost-perjob projects early in the year.

Issue. One commenter argued that the \$35,000 per-job aggregate standard is too high to ensure reasonable public benefit; several alternative standards in the range of \$5,000–\$10,000 per job were

recommended instead.

Response. The Department has chosen not to accept this recommendation. This commenter also raised other objections to HUD's proposed method for assessing public benefit; taken together, their comments argue for a much more rigorous approach to economic development funding, which would reduce grantee flexibility.

Issue. One commenter argued in favor of either eliminating the \$350 per lowand moderate-income area resident standard, or at least raising it to \$500.

Response. The Department has decided to retain the proposed \$350 figure

Issue. One HUD staff person questioned how public benefit would be measured in the aggregate under the HUD-Administered Small Cities CDBG program, given that many grantees have revolving loan funds funded with program income from previous grants.

Response. The Department agrees that the proposed regulations do not adequately address this issue. In the final Entitlement regulations, § 570.209(b)(2) has been revised to address aggregate public benefit in the HUD-Administered Small Cities and Insular Areas CDBG programs.

Issue. Four comments were received on the list of "important national interest" activities. Two commenters felt that more than 75% of a grantee's funds should be used for such "important national interest" activities in order to meet the alternate aggregate standard. One commenter felt the criteria were so broadly written as to allow virtually all activities to qualify, and particularly objected to four of the proposed criteria [(E), (F), (H), (L)] as inappropriate. Another questioned why microenterprise assistance activities [(G)] were included on the list, when microenterprise assistance activities funded under § 105(a)(23) of the Act are not subject to the public benefit standards. One commenter favored keeping the percentage of funds requirement at 75%.

Response. In developing final regulations, the Department has substantially revised the concept that certain activities can be excluded from the \$35,000 per-job or \$350 per-arearesident aggregate standards. The 75% provision has been eliminated as an alternate to the aggregate dollar standards. Instead, grantees may, at their option, exclude individual "important national interest" activities from the aggregate standards. The list of "important national interest" activities which can be excluded from the aggregate standards has also been revised. Proposed criterion (G) has been eliminated, and proposed criteria (A) and (B) have been combined. Two new criteria [(L) and (M)] have been added to the Entitlement program final rule; these criteria provide additional flexibility in support of the new "economic revitalization strategy area" approach to demonstrating national objectives compliance. (This approach is discussed under "Low and Moderate Income Area Benefit Activities" above; as noted there, the approach is being implemented in the Entitlement program only at this time.) The remaining criteria are now more narrowly defined to better target assistance to certain population groups. One significant effect of these changes to the "important national interest" activities is worth noting. All activities which do not meet one of these "important national interest" criteria must be subject to the aggregate dollar standards.

Issue. Two commenters expressed concern about the relationship of the aggregate standards to the Section 108 Loan Guarantee Program. Concern is expressed that the \$35,000 per-job aggregate standard will hinder grantees' use of the Section 108 Loan Guarantee program; Section 108 projects are often big projects which could overwhelm the aggregate average. If an expenditure of CDBG funds is required several years down the line to cover a default, the grantee's aggregate level of public benefit would suddenly become skewed too late for a grantee to make adjustments.

Response. It is acknowledged that certain large Section 108 projects might have a high cost per job; however, the Department believes Section 108 projects should be treated consistently with other CDBG-funded projects. The Department has revised the requirements applying to the "important national interests" activities listed in the final rule; grantees may now, at their option, exclude activities meeting these criteria from the aggregate standards. The Department believes many Section

108 projects could meet one or more of these criteria. Grantees may also request a waiver of the regulations for individual activities which may not meet the public benefit requirements. Concerning an unexpected skewing of aggregate benefit resulting from a default, grantees should consider the possibility of a default when deciding whether to fund proposed projects.

Issue. One commenter suggested that economic development services activities funded under proposed § 570.203(c) of the Entitlement regulations be excluded from the public benefit standards, either categorically or at the grantee's option.

Response. The Department does not believe it possible to exempt this type of economic development activity from the public benefit standards, given the statutory language mandating the development of public benefit standards for activities qualifying under this authority.

The Department has added language to the discussion of public benefit which clarifies how to apply the individual and aggregate standards to activities which provide job training, job placement and other employment support services. Except for microenterprise assistance activities eligible under § 105(a)(23) of the Act, many such activities will be subject to the public benefit standards because they are undertaken pursuant to Sections 105(a)(14), (15) or (17) of the Act. For purposes of the individual and aggregate public benefit standards only, the jobs which such services involve are counted as jobs created or retained. (See also the preamble discussion of national objectives for further information on these activities.)

## Public Benefit Standards— Documentation of Benefit

Five commenters (two states and three national associations) offered comments on proposed paragraphs 570.209(d) and 570.482(e)(6). Comments fell into two groups: those concerned about what constitutes a substantial difference in actual versus projected benefits; and those concerned about what sanctions the Department might take where actual benefits were found to be substantially less than projected benefits. One of the comments expressed general support for the approach to allow adjustment to the projection process.

Issue. One commenter felt that if a grantee re-evaluates an amended project, it should be held accountable to its amended projections, not to its initial projections. The commenter recommended that the regulations