should refer to "initial or amended projections".

Response. The Department concurs with this point; the final regulations discuss benefits in terms of benefits "anticipated when the CDBG assistance was obligated." This is intended to include situations in which projections are revised because of changes in a project which a grantee agrees to allow.

Issue. One commenter recommended that grantees' records concerning the amount of public benefit derived from projects be made available to the public at no cost. This commenter also recommended that Entitlement grantees' Grantee Performance Reports should contain information on differences between projected and actual public benefits from projects.

Response. Existing requirement concerning the availability of documents to the public (such as the CDBG citizen participation requirements) already cover the commenter's first concern. The Department will take under advisement the suggestion concerning reporting of benefits, at such time in the future that reporting requirements are revised.

Issue. One commenter expressed the opinion that if a grantee shows a pattern of substantial differences between projected and actual benefits, over perhaps a two year period, HUD should impose a two-year moratorium on the offending activity for that grantee.

Response. The Department does not accept this recommendation, as it is inconsistent with existing CDBG regulations concerning sanctions for noncompliance. The Department opposes the concept of developing different, prescribed sanctions for different categories of noncompliance.

Issue. One commenter expressed concern over the proposal that the Department might hold a grantee to more stringent public benefit standards in the future when the Department found a grantee to have failed the public benefit standards. The commenter recommended that the Department not take such action unless a grantee failed the standards for two consecutive years, so as not to punish a grantee which might do only one project in a year and have that one project prove unsuccessful.

Response. While the Department agrees that low-volume economic development programs should not be unduly penalized for the failure of one project, the Department considers it inappropriate to identify a specific time period over which to measure success or failure. The final regulations have been revised to discuss situations in which "a pattern of substantial variation" occurs.

Issue. Two states expressed concern about proposed language requiring a state to "take all actions reasonably within its control" to improve a unit of local government's public benefit projections, when actual results vary substantially from initial projections. This language was seen as imprecise, and calls into question just what actions are within a state's (versus the local government's) control to rectify the problem. One state expressed concern that HUD might sanction a state even after the state took all actions available to it to correct a problem. The other state, while recognizing HUD's oversight role, felt it inappropriate for HUD to second-guess a state's actions, as only the state can impose on itself those actions necessary to resolve the problem at the local level.

Response. These comments, as well as those discussed previously, clearly indicate concern by grantees over what sanctions the Department might take against a grantee, and over what locallevel actions are "enough" to address a problem. The Department concurs up to a point with the states' comments. The intended meaning of this paragraph was that if local governments' results disclose a pattern of inaccurately projecting pubic benefits, then the state should take actions to insure that localities improve projection accuracy; if a state were to do little or nothing to correct the problems, then HUD could impose stricter standards upon a state. Similarly, if an Entitlement grantee demonstrates that its projection process is inaccurate, it should take steps to improve the accuracy of its projections; if local efforts to resolve the problem were ineffective or nonexistent, then HUD could impose stricter public benefit standards upon the grantee. HUD does not intend that problems by one state recipient should be cause for sanctions against an entire state's program.

HUD does not consider it useful to attempt to define what actions are "reasonably within the grantee's control", as every situation would involve a judgement call as to what could or should be done. The concept of deferring entirely to a state's judgement about what actions could or should be taken (against a state grant recipient) is impractical, given HUD's statutory mandate to determine grantees' compliance.

The paragraphs on documentation have been revised to respond to all the above comments, and to provide greater clarity of meaning. In addition, § 570.482(f)(6) of the final State regulations clarifies HUD's expectations upon states concerning local governments' performance.

Amendments to Projects After Determinations

Four commenters (three local governments and one national association) commented on the paragraphs concerning amendments to projects after a funding decision has been reached.

Issue. Three commenters questioned as imprecise HUD's use of the term "material change" in referring to situations in which a grantee should reevaluate a project (after committing funding to it) because of changes in the project. One commenter felt the proposed wording implied that reanalysis would be required for any change, which would in their opinion be overkill. Another commenter suggested use of the term "substantial change", which is used in the existing Entitlement regulations to describe situations in which the Final Statement must be amended.

Response. It is not the Department's intent that any change in a project should necessitate its complete reevaluation. Minor changes, such as the shifting of small dollar amounts among budget categories, or a onemonth extension to the construction period, probably would not affect the underlying assumptions upon which a grantee decided to assist the project. However, if the project changes to the extent that the revised project would be very different in its scope, public benefit, total cost or CDBG cost (compared to the project as initially approved by the grantee), the Department believes that the project should be reexamined under the public benefit and underwriting guidelines. A grantee should confirm whether it still wishes to participate in the project, whether the costs and benefits of the project are still reasonable, and whether the amount of public benefit is still reasonable given the amount of assistance being provided.

In the final regulations, these paragraphs have been rewritten to state that a project should be reevaluated if the project changes to the extent that "a significant amendment to the contract (with the business) is appropriate." The use of the term "substantial" was avoided, as some might attempt to apply the same concept of "substantial" as used concerning Final Statement amendments—a borrowing of concepts which the Department feels is not appropriate or relevant. The Department has chosen not to define what constitutes a "significant amendment", nor to define the types of changes which