would call for reevaluation. Grantees are strongly encouraged, in developing their guidelines, to define what they will consider to be "significant changes", and to identify how they will reevaluate projects.

Issue. One commenter objected to the example provided at the end of the paragraph concerning a situation in which total project costs change. In this example, the Department suggested that if total project costs decreased, it would be appropriate to reduce the amount of CDBG assistance to the project. The commenter felt that this implies that any reduction in total project cost should automatically result in a comparable reduction in the amount of CDBG assistance, which may not be practical. The commenter recommended eliminating the example.

Response. The Department concurs with the basic point that it may not always be appropriate to reduce the amount of CDBG assistance in such cases. The example has been retained in the final rule, but has been modified to state that "it may be appropriate" to reduce the amount of CDBG assistance. The final regulation also notes that when a project is amended to receive additional CDBG assistance, the project as amended must still comply with the public benefit standards.

Modification to the Definition of Subrecipient Related to Microenterprise Assistance Activities

Issue. As noted earlier under the CBDO discussion regarding § 570.204 of the Entitlement regulations (Section 105(a)(15) of the Act), five commenters addressed the proposed revision to the definition of the term "subrecipient" at § 570.500(c) to expand that provision to include for-profit entities that are now specifically authorized by statute to carry out microenterprise assistance activities under the new eligibility provision implemented in this final rule by a new § 570.201(o) in the Entitlement regulations [Section 105(a)(23) of the Act]. Most of the commenters recommended that HUD not consider any entities carrying out activities under the new microenterprise category as "subrecipients" but rather as "end beneficiaries." These commenters also requested a similar change in classification for entities receiving CDBG assistance under § 570.204 of the Entitlement regulations [Section 105(a)(15) of the Act]. Other commenters asked only for a clarification of the proposed revision to § 570.500(c). (1 local government agency, 1 development organization, and 3 HUD Field staff persons)

Response. The new Section 105(a)(23) of the Act authorizes "the provision of assistance to public and private organizations, agencies, and other entities (including nonprofit and forprofit entities) to enable such entities to facilitate economic development" by providing various forms of assistance to owners of microenterprises and persons developing microenterprises. The Department interprets this provision to mean that any such entities beyond the grantee itself are to serve as intermediaries in the grant assistance chain rather than being considered beneficiaries in and of themselves. Thus, the Department considers such organizations to be subrecipients under the CDBG program. The existing definition of the term "subrecipient" at § 570.500(c) of the CDBG Entitlement regulations is being revised in this final rule only to include a specific reference to the for-profit entities now authorized to carry out microenterprise assistance activities. (Nonprofit entities carrying out such activities are already covered by the existing definition of a "subrecipient.") The language in the proposed change to § 570.500(c) has been revised, however, to clarify the Department's intent.

Other Issues Regarding Income Documentation

Issue. One commenter recommended that HUD take this opportunity to clarify what is meant by a "verifiable certification" as the term is used in § 570.506(b). The commenter asks whether this term implies that a sample of the certifications should be verified. (1 private citizen)

Response. HUD does not believe that this issue need be further specified in the text of the regulation itself.
However, as guidance for grantees, it should be noted that, over time, HUD does expect that some sample of such certifications would be verified by the grantee or subrecipient, as applicable. This verification is important to maintaining program accountability and integrity.

Issue. One commenter raised concerns about the burden of keeping family size and income data for job creation or retention activities. As another option, the commenter recommended that HUD only look at the wages of the individual employee and compare that figure against the income limits for one-person households. (1 development organization)

Response. HUD cannot accept this recommendation. First, the proposal is not consistent with the general statutory definition of a low- and moderate-income person as being a member of a

low- and moderate-income family. Secondly, the proposal's use of the wages of a created job as the basis for determining a person's income status runs counter to CDBG program requirements. To be counted toward compliance with low- and moderateincome national objective compliance, a person need only be low- and moderateincome at the time the CDBG assistance is provided, i.e., for a created job, at the time he or she is hired. The CDBG program does not and should not impose any requirement that the person would have to stay low- and moderateincome based on the wages of the created job. Finally, it should be noted that presumptions added by the 1992 Act for determining whether a person is considered low- and moderate-income for job creation or retention activities, as implemented in this final rule, should significantly reduce the burden described by the commenter.

Issue. One commenter stated that, in regard to the State CDBG program, it is good that HUD is consulting and negotiating with States on record keeping issue, but the commenter complained that the number of States being consulted was too small. The commenter argued that HUD should negotiate record keeping requirements with each and every State because since they represent such broad and varied regions. (1 state agency)

Response. It is not logistically possible for HUD to negotiate with each and every State before issuing record keeping regulations for the State CDBG program. HUD is still negotiating with a sample of States and is hoping to devise certain minimum record keeping standards for States that will be accepted on a consensus basis.

Other Issues Not Specifically Addressed in the Proposed Rule

A number of comments were received on issues not specifically addressed in the proposed regulations, but which were seen (by commenters) as having significant bearing on the use of CDBG funds for economic development activity.

Issue. Two commenters (both local governments) requested that the Department address the issue of using CDBG funds for economic development activities on military bases which are being closed.

Response. The Department does not see the reuse or redevelopment of closed military bases as an activity per se, but rather a goal which CDBG funds can be used to address. The Department believes the current regulations concerning eligibility and national objectives, along with these revised