SBA rejected these suggestion, finding no reason why consultation with SBDC Directors or the Recognized Organization should be limited or restricted in any manner. Another comment proposed that Program guidelines not be developed outside of the regulations. SBA disagrees and has deleted the reference to Program guidelines from this final rule. SBA will continue to provide guidance and interpretive materials, consistent with these regulations, for use by SBDCs and SBA field offices.

Section 130.110 defines terms used in the regulation. Section 130.100(e) states that Cash Match must be non-Federal funds equal to no less than fifty percent of the Federal funds. Section 130.450(e)(4) (previously misnumbered as section 130.450(6)(iv)) provides that Matching Funds may not be from any other Federal source. With respect to both sections, a comment suggested that funds from other Federal sources be allowed as Cash Match if the source of the fund specifically authorized such use. SBA disagrees, since section 21(a)(4) of the Act clearly requires matching funds to be provided from sources other than the Federal government.

One comment warned that the proposed definitions of "Conflict" and "Dispute" created potential for misunderstanding. SBA has eliminated the definition of "Conflict", distinguishing in section 130.630 between financial and non-financial Disputes by the different procedures provided for resolution.

The same commenter viewed the definition of "Key SBDC Employee" in section 130.110(q) as vague and unnecessary. Agreeing with the comment, SBA has deleted the section.

SBA has not adopted another comment requesting that the definition of the Grants and Cooperative Agreement Appeals Committee in section 130.110(l) be revised so that the President of the Recognized Organization (or a designee) serve as an ex officio member of the Committee. The Committee can still obtain the benefit of the Recognized Organization's views and comments whenever required or appropriate.

Comments alerted SBA to several sections where language in the proposed rule referred only to States instead of "States, Territories or the District of Columbia". SBA has added a definition of "Area of Service" as section 130.110(c) and revised sections 130.310(a), 130.310(b) and 130.410(b) as required.

One comment suggested that section 130.360(a) require representation of

States or territories on State advisory boards. SBA notes that the statutory provision establishing a National SBDC Advisory Board designated the number and general composition of the board, while the provision establishing the State and regional boards was silent as to these matters. Accordingly, SBA has concluded that Congress intended that SBDCs have maximum flexibility in composing State boards.

Section 130.340(b) of the proposed rule prohibited SBDCs from making loans, servicing loans, making credit decisions regarding the award of loans, or making credit recommendations (unless authorized to do so by the Administrator). One commenter objected that SBDCs have not been making credit recommendations, since they are beyond the responsibility of an SBDC. SBA agreed and deleted the reference to credit recommendations.

Under section 130.410, an application for initial funding must include a letter from the Governor, or his or her designee, of the State or Territory in which the SBDC will operate. A comment suggested that such a letter be required to accompany each renewal application as well. Since such a requirement would impose a condition upon renewal beyond what is required by the statute, SBA rejected the suggested change.

Section 130.430, describing factors to be considered in reviewing applications, generated no comments. To implement section 404 of P.L. 103–403, amending section 21(k) of the Act, SBA has added two factors: the results of any examination conducted under § 130.810(b) and the pertinent results of any certification process conducted pursuant to any certification program developed by the Recognized Organization.

Section 130.450 delineates the requirements concerning Matching Funds. A comment objected that the phrase "any Cooperative Agreement" implied that there could be more than one between an SBDC and the SBA. The sentence was deleted in its entirety as part of the streamlining effort.

Section 130.460 lists the information to be included in the budget justification portion of a proposal. Under section 130.460(g) (formerly section 130.460(b)(2)(iii)(D)), unplanned out-of-State travel which exceeds the approved budgeted amount must be approved by the Project Officer. The proposed rule required a written budget revision and a written narrative explaining the need for such travel. A commenter objected to the paperwork, since approval still rests in the Project Officer's discretion. SBA agrees and has deleted the paperwork requirement.

Section 130.470 describes the activities and services for which an SBDC may charge a fee. The proposed rule allowed SBDCs to charge a fee to cover costs in connection with training activities or specialized services. A comment correctly pointed out that specialized services were not defined in the proposed rule and that SBDCs often pass through to clients the costs of services from third parties. SBA has revised the section to include costs of third parties passed through to clients and has added a definition of specialized services at § 130.110(cc). Proposed sections 130.630 and

130.640, respectively, set forth Dispute and Conflict resolution procedures (now consolidated as section 130.630). One comment objected that the proposed procedures did not offer neutral decision-making and separation of functions, suggesting that the Dispute resolution procedures include a hearing conducted pursuant to Section 554 of the Administrative Procedure Act. Since neither financial Disputes nor programmatic (non-financial) Disputes involve suspension, termination or failure to renew or extend, SBA considered the procedures to be consistent with the statutory provisions, reflecting reasonable exercise of administrative discretion without adding undue administrative complexity. Therefore, no changes were made to either section. Section 130.700 generally explains

Section 130.700 generally explains the grounds and procedures for suspending, terminating or failing to renew a recipient organization. SBA relocated proposed section 130.650 (dealing with procedures for not renewing an SBDC) as section 130.700(c) in the final rule. SBA also has deleted the reference in section 130.700(a) to former § 130.630 and § 130.640 (regarding Dispute and Conflict resolutions), finding it to be misleading because Disputes do not involve the suspension, termination or failure to renew a Cooperative Agreement

Agreement. Section 130.700(b) sets forth the causes which might lead to suspension, termination or failure to renew, including the failure to suspend or terminate an SBDC Director, subcenter Director or key SBDC employee promptly upon learning that such individual has a criminal conviction for a felony, a criminal conviction for a misdemeanor involving a variety of listed offenses, or a civil judgment which reflects adversely upon his or her business integrity. A comment objected that the provisions were so broad that