4. One commenter proposed that, in keeping with HUD's comprehensive approach to solving drug-related crime problems, HUD should include the provision of new community space as an eligible activity in § 261.10(b) of the rule. This commenter suggested that to be eligible for funding, the applicant would have to meet the following conditions: (1) Absence of space on-site; (2) Absence of alternative space off-site; (3) HUD concurs to either the creation of new space or taking a unit off-line for this purpose; (4) The space must be provided in turn-key condition within three months of the first drawdown of funds; and (5) The applicant must specify a social program, whether existing or fundable through the grant, to accompany the request for new space. This commenter noted that previous grants have been used to refurbish existing community space.

HUD Response: Given the costs of construction and the limited amount of funds available under this drug elimination program, HUD is not encouraging the construction of new buildings. Rental or leasing of space near the property, where activities such as classes and counseling sessions can take place, would be a preferred option. However, HUD has permitted the retrofitting of existing available space as an eligible physical improvement, provided no units are taken off-line. HUD also permitted the siting of a surplussed mobile classroom to provide the needed space, since this involved minimal cost.

5. One commenter raised two concerns about the selection process for the drug elimination grant proposals. First, the commenter asserted that proposals are not judged on the basis of need, but on the quantity of information provided by the applicant. Specifically, this commenter asserted that applications from areas of high drugrelated crime have lost points for "lack of crime statistics." The commenter stated that the lack of such data should not be a hindrance in determining eligibility for a grant, and that other support documentation should be considered if such data is not available.

Second, this commenter expressed concern about unintentional geographic bias in awarding grants under drug elimination programs. The commenter suggested that the panel reviewing the grant applications should consist of individuals from geographically diverse areas in order to avoid this bias.

HUD Response: In response to the first concern, there have been allegations in the past that HUD awarded drug grants to public housing projects with no evidence of drug-

related criminal activity. Therefore, obtaining specific statistics on the extent of this activity is necessary to assure that the problems to be addressed by this program do, in fact, exist.

In response to the second concern about geographical bias, local HUD offices will review and score applications for the Federal fiscal year (FY) 1995 drug elimination grants. The funding, based on scores received, will take place at geographically disbursed sites. This should reduce the possibility of bias in project funding selections.

6. Two commenters expressed concern with the way the rule would apply to an applicant seeking funding for a multi-year project. One commenter encouraged HUD to streamline the application process for applicants seeking funds for a continuing program activity. The rule provides that applicants for grants to continue current program activities may apply on the same basis as other applicants $(\S 261.10(b)(7))$. This commenter remarked that this process is burdensome, and that "HUD offices will effectively be discouraged from awarding continuation funds." In the alternative, this commenter suggested that HUD make funding for subsequent years conditional upon: (1) the property's first year score being sufficient to earn an award in the following year; and (2) confirmation from the HUD drug grant coordinator that the property is in compliance with the requirements of previously received grant funds.

The other commenter suggested changing the grant term provisions in § 261.26(b) to allow for initial one-year terms, with second- and third-year extensions. This would allow the grantee to undertake "ambitious plans without the additional concern of searching for additional funding" early in the program. This commenter further argued that a longer term would encourage outside funding, since the potential funder would have more of a performance record on which to base its determination.

HUD Response: HUD's Office of Housing has no assurance that it will receive funds for more than one year. Consequently, the program can only permit funding for one year. In addition, due to the limitation on the amount of funds available in any given year, HUD's goal is to spread the funds as far as possible and give all eligible applicants a fair chance of receiving funding. Therefore, each grant application must stand alone, without any assumption of additional funding, as both commenters suggested.

7. One commenter argued that the maximum grant amount would have to be increased. This commenter remarked that while security personnel are eligible for funding under this drug elimination program, the only effective approach would be to hire off-duty police. According to the commenter, an off-duty police patrol would cost approximately \$200,000 per year (two patrol officers at \$15 per hour; two 8-hour shifts per weekday, three 8-hour shifts on weekends), which may exceed the maximum grant amount.

HUD Response: HUD does not encourage hiring off-duty police; rather, it hopes to find other solutions to drugrelated criminal problems that are more cost-effective. As mentioned above, the limited amount of money available forces HUD and the applicants to seek maximum benefit from limited funds.

III. Other Matters

Environmental Impact

At the time of the development of the proposed rule, a Finding of No Significant Impact with respect to the environment was made in accordance with HUD's regulations at 24 CFR part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332). The Finding of No Significant Impact remains applicable to this final rule and is available for public inspection between 7:30 a.m. and 5:30 p.m. weekdays in the Office of the Rules Docket Clerk, Room 10276, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410.

Regulatory Flexibility Act

The Secretary, in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed this rule before publication and by approving it certifies that this rule does not have a significant economic impact on a substantial number of small entities. The rule provides grants to eliminate drugrelated crime in federally assisted lowincome housing. Although small entities in the form of owners of federally assisted low-income housing could participate in the program, the rule is not intended to and would not have a significant economic impact on them.

Family

The General Counsel, as the Designated Official under Executive Order 12606, *The Family*, has determined that this rule has the potential for a positive, although indirect, impact on family formation, maintenance, and general well-being.