**§ 838. Substate grantees.** 1. Substate grantees shall be designated on a biennial basis through agreement between the governor, local elected officials and private industry councils pursuant to the act.

(a) preference for selection shall be given to those entities which have demonstrated fiscal and administrative capability to directly administer basic readjustment and retraining services and provide support services or have demonstrated the administrative capacity to contract out for such services.

(b) entities eligible for selection as substate grantees must demonstrate the capacity to administer the required services either directly or by contract continuously through the period covered by the substate plan, and include:

(i) private industry councils in the substate area;

(ii) service delivery area grant recipients or administrative entities;

(iii) private nonprofit organizations;

(iv) units of general local government in the substate area or agencies thereof;

(v) local offices of state agencies; and

(vi) other public agencies, such as community colleges and area vocational schools.

2. Substate grantees shall administer substate activities as defined in subdivision two of section eight hundred thirty-nine of this article.

3. The state shall establish procedures to review the designation of substate grantees on a biennial basis. Such procedures shall include the use of evaluation data defined in section eight hundred forty-nine of this article.