DEPARTMENT OF JUSTICE

Office of the Attorney General

28 CFR Part 50

[Docket No. OAG 177; AG Order No. 5384–2022]

RIN 1105–AB62

Guidelines and Limitations for Settlement Agreements Involving Payments to Non-Governmental Third Parties

AGENCY: Department of Justice.

ACTION: Interim final rule; request for comments.

SUMMARY: This interim final rule (“rule”) revokes regulations of the Department of Justice (“Department”) that codified a prohibition, subject to limited exceptions, on the inclusion of provisions in settlement agreements directing or providing for a payment or loan, in cash or in kind, to any non-governmental person or entity that is not a party to the dispute. For further information on how the Department intends to approach such settlements going forward, interested parties should consult an Attorney General Memorandum that the Department is issuing on its website in conjunction with this rule. Comments are requested both as to this rule and as to that Memorandum.

DATES:

Effective date: This rule is effective May 10, 2022.

Applicability date: May 5, 2022.

Comments: Comments are due on or before July 11, 2022.

ADDRESSES: To ensure proper handling of comments, please reference Docket No. OAG 177 on all electronic and written correspondence. The Department encourages the electronic submission of all comments through https://www.regulations.gov using the electronic comment form provided on that site. For ease of reference, an electronic copy of this document is also available at that website. It is not necessary to submit paper comments that duplicate the electronic submission, as comments submitted to https://www.regulations.gov will be posted for public review and are part of the official docket record. However, should you wish to submit written comments through regular or express mail, they should be sent to Robert Hinchman, Senior Counsel, Office of Legal Policy, U.S. Department of Justice, Room 4252 RFK Building, 950 Pennsylvania Avenue NW, Washington, DC 20530. Comments received by mail will be considered timely if they are postmarked on or before July 11, 2022. The electronic Federal eRulemaking portal will accept comments until Midnight Eastern Time at the end of that day.

FOR FURTHER INFORMATION CONTACT: Robert Hinchman, Senior Counsel, Office of Legal Policy, U.S. Department of Justice, telephone (202) 514–8059 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

I. Posting of Public Comments

Please note that all comments received are considered part of the public record and made available for public inspection online at https://www.regulations.gov. Information made available for public inspection includes personal identifying information (such as your name, address, etc.) voluntarily submitted by the commenter.

You are not required to submit personal identifying information in order to comment on this rule. Nevertheless, if you want to submit personal identifying information (such as your name, address, etc.) as part of your comment, but do not want it to be posted online, you must include the phrase “PERSONAL IDENTIFYING INFORMATION” in the first paragraph of your comment. You must also locate all the personal identifying information that you do not want posted online in the first paragraph of your comment and identify what information you want the agency to redact. Personal identifying information identified and located as set forth above will be placed in the agency’s public docket file, but not posted online.

If you want to submit confidential business information as part of your comment but do not want it to be posted online, you must include the phrase “CONFIDENTIAL BUSINESS INFORMATION” in the first paragraph of your comment. You must also prominently identify the confidential business information to be redacted within the comment. If a comment has so much confidential business information that it cannot be effectively redacted, the agency may choose not to post that comment (or to post that comment only partially) on https://www.regulations.gov. Confidential business information identified and located as set forth above will not be placed in the public docket file, nor will it be posted online.

If you want to inspect the agency’s public docket file in person by appointment, please see the FOR FURTHER INFORMATION CONTACT section.

II. Discussion

A. Overview

This rule revokes the Department’s regulations at 28 CFR 50.28. Going forward, the Department’s approach to settlement agreements that direct or provide for a payment or loan, in cash or in kind, to a non-governmental person or entity that is not a party to the dispute will be governed by a new Attorney General Memorandum being issued on the Department’s website concurrently with this rule.

B. Background

For decades prior to 2017, Department components had entered into settlement agreements that involved payments to certain third parties as a means of addressing harms arising from violations of Federal law, particularly in the environmental context but in other contexts as well. In 2017, the Attorney General issued a memorandum prohibiting Department attorneys from “enter[ing] into any agreement on behalf of the United States in settlement of federal claims or charges, including agreements settling civil litigation, accepting plea agreements, or deferring or declining prosecution in a criminal
matter, that directs or provides for a payment or loan to any non-governmental person or entity that is not a party to the dispute,” subject only to certain specified exceptions.


In December 2020, the Department amended its regulations to add a new 28 CFR 50.28, reflecting the prohibition set forth in the 2017 Memorandum “with certain changes . . . to clarify the scope of the exceptions.” 85 FR 81409. The Department specified that the prohibition “applies to all civil and criminal cases litigated under the direction of the Attorney General and includes civil settlement agreements, consent agreements or provisions, plea agreements, non-prosecution agreements, and deferred prosecution agreements.” 85 FR 81410.

C. Revocation of 28 CFR 50.28

After having considered the views of the Department’s components and their experience with the regulations at 28 CFR 50.28, the Attorney General has concluded that the regulations at 28 CFR 50.28 are more restrictive and less tailored than necessary and should therefore be revoked.

When used appropriately, agreements providing for payments to third parties are lawful and allow the United States to more fully accomplish the primary goals of civil and criminal enforcement: Compensating victims, remedying harm, and punishing and deterring unlawful conduct.

For example, the harms caused by violations of Federal environmental statutes, including harms to communities affected by environmental crime, can be difficult to redress directly in particular cases. In such circumstances, the Environment and Natural Resources Division has previously relied upon supplemental environmental projects to help achieve an enforcement action’s goals. Such projects further the aims of Federal environmental laws the Justice Department is responsible for enforcing by remedying the harms to the communities most directly impacted by violations of those laws. For this reason, they are particularly powerful tools for advancing environmental justice.

Accordingly, in revoking 28 CFR 50.28, the Department is not departing from the principle that the goals of settlements include compensating victims, redressing harms, and punishing and deterring unlawful conduct. 85 FR 81409. But policies in service of this principle have traditionally been addressed through memoranda from Department leadership rather than through regulations. The Department is therefore revoking 28 CFR 50.28 in its entirety, and the Attorney General is concurrently issuing a new Memorandum setting forth the Department’s policy going forward. That Memorandum also directs that the current provisions of the Justice Manual at sections 1–17.000, 5–11.105, and 9–16.325 be revised to conform to the new policy.

Regulatory Certifications

A. Administrative Procedure Act

This rule relates to a matter of agency management or personnel and is a rule of agency organization, procedure, or practice. As such, this rule is exempt from the usual requirements of prior notice and comment and a 30-day delay in effective date. See 5 U.S.C. 553(a)(2), (b), and (d). The rule is effective upon signature. In its discretion, the Department is seeking post-promulgation public comment on this rulemaking.

B. Regulatory Flexibility Act

An analysis under the Regulatory Flexibility Act was not required for this rule because the Department was not required to publish a general notice of proposed rulemaking for this matter. See 5 U.S.C. 601(2), 604(a).

C. Executive Orders 12866 and 13563—Regulatory Review

This rule has been drafted and reviewed in accordance with section 1(b) of Executive Order 12866, “Regulatory Planning and Review,” and section 1(b) of Executive Order 13563, “Improving Regulation and Regulatory Review.”

This rule is “limited to agency organization, management, or personnel matters” and thus is not a “rule” for purposes of review by the Office of Management and Budget under section 3(d)(3) of Executive Order 12866. Accordingly, this rule has not been reviewed by the Office of Management and Budget.

D. Executive Order 12988—Civil Justice Reform

This regulation meets the applicable standards set forth in sections 3(a) and 3(b)(2) of Executive Order 12988, “Civil Justice Reform.”
I. Background on the Kentucky Program

Subject to OSMRE’s oversight, section 503(a) of the Act permits a State to assume primacy for the regulation of surface coal mining and reclamation operations on non-Federal and non-Indian lands within its borders by demonstrating that its program includes, among other things, State laws and regulations that govern surface coal mining and reclamation operations in accordance with the Act and consistent with the Federal regulations. See 30 U.S.C. 1253(a)(1) and (7). Based on these criteria, the Secretary of the Interior conditionally approved the Kentucky program effective May 18, 1982. You can find background information on the program, including the Secretary’s findings, the disposition of comments, and conditions of approval in the May 18, 1982, Federal Register (47 FR 21434). You can also find later actions concerning Kentucky’s program and program amendments at 30 CFR 917.11, 917.12, 917.13, 917.15, 917.16, and 917.17. The regulatory authority in Kentucky is Kentucky’s Energy and Environment Cabinet (herein referred to as the Cabinet).

II. Submission of the Amendment

By letter dated November 25, 2019 (Administrative Record No. KY 2003), the Cabinet submitted an amendment to its program under SMCRA (30 U.S.C. 1201 et seq.). The amendment revises chapter 10:015 of title 405 of the Kentucky Administrative Regulations (KAR), General bonding provisions. The regulatory provisions at Section 8(7), Bond Rate of Additional Areas, establish new requirements for the calculation of additional bond amounts necessary for the long-term treatment of unanticipated pollutational discharges (hereafter referred to as “discharges”). Other bond requirements of a non-substantive nature were also included. See 405 KAR 10. Bond and Insurance Requirements, subchapter 10:015. The submission is intended to address disapprovals we made in a 2018 decision regarding the Cabinet’s proposed regulations for the long-term treatment of discharges in a final rule designated KY–256–FOR (KY–256), see Federal Register (83 FR 3948), and the resultant action we required under the authority of 30 CFR 732.17(e) and (f). The required action is codified in the Kentucky program at 30 CFR 917.16(p), Required regulatory program amendments. The full text of the program submission is available at https://www.regulations.gov.

A. Background of Kentucky Program Amendment KY–256

In May 2012, in accord with 30 CFR 733.12(b), we notified the Cabinet that we had reason to believe it was not implementing, administering, enforcing, and maintaining the reclamation bond provisions of its approved program in a manner that assured “completion of the [applicable] reclamation plan,” as required by section 509(a) of SMCRA, 30 U.S.C. 1259(a), Performance bonds. The Cabinet responded to this section 733 notice with three submissions: One in September 2012, another in July 2013, and a third in December 2013. The first submission was announced in the Federal Register on February 20, 2013 (78 FR 11796). Subsequently, all three submissions were combined (and public comment solicited) in a single Federal Register document, 80 FR 15953 (March 26, 2015), in which the proposed rule was designated State program amendment KY–256. As the document explained, KY–256–FOR was intended to address the deficiencies identified in the section 733 notice.

B. Partial Approval of KY–256

We approved most of the provisions of KY–256–FOR in a final rule published in the Federal Register on January 29, 2018 (83 FR 3948). One of the provisions not approved, and now under consideration in revised form, was subsection 8(7) of 405 KAR 10:015, which consisted of three subsections (8(7)(a), –(b), and –(c)). If approved, subsection 8(7)(a) would have provided that, for permitted sites requiring long-term treatment of discharges, the Cabinet must calculate an additional bond amount based on the estimated annual treatment cost provided by the permittee and multiplied by twenty years. Focusing on this twenty-year multiplier, we disapproved the provision in our January 2018 final rule because the Cabinet had not demonstrated how this provision would assure that adequate bonding would be calculated for the long-term treatment of discharges. In doing so, we reaffirmed that abatement of unanticipated water pollution is an element of reclamation and noted that a permittee’s treatment obligation may extend in perpetuity. As a result, we found the provision less stringent than section 509 of SMCRA, 30 U.S.C. 1259, and less effective than the Federal regulations at 30 CFR part 800 and, on that basis, declined to approve it. We also declined to approve subsection 8(7)(b), which would have operated in conjunction with subsection 8(7)(a) by subjecting the estimate of annual treatment cost specified in subsection...