vfortuno@lsc.gov



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# RULEMAKING OPTIONS PAPER

TO:

**Operations & Regulations Committee** 

**Board of Directors** 

FROM:

Victor M. Fortuno

Vice President & General Counsel

DATE:

October 11, 2007

SUBJ:

Rulemaking to Develop "Lesser Sanctions"

#### Introduction

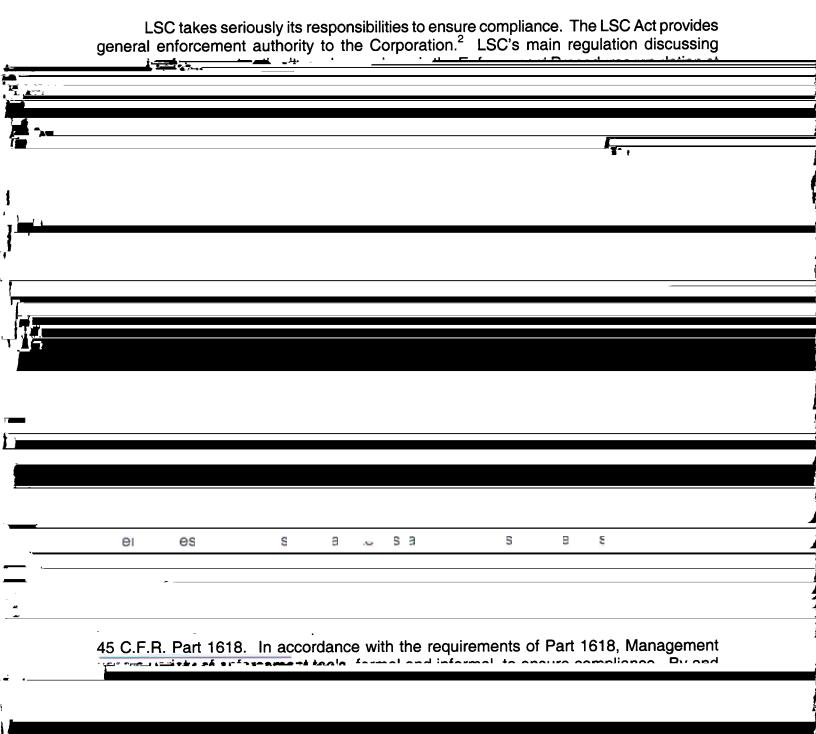


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further recommends that such rulemaking be undertaken through Notice and Comment Rulemaking, with the convening of a limited scope Rulemaking Workshop to address the process for imposing limited reductions in funding.

#### Background

LSC's Enforcement Authority & Tools



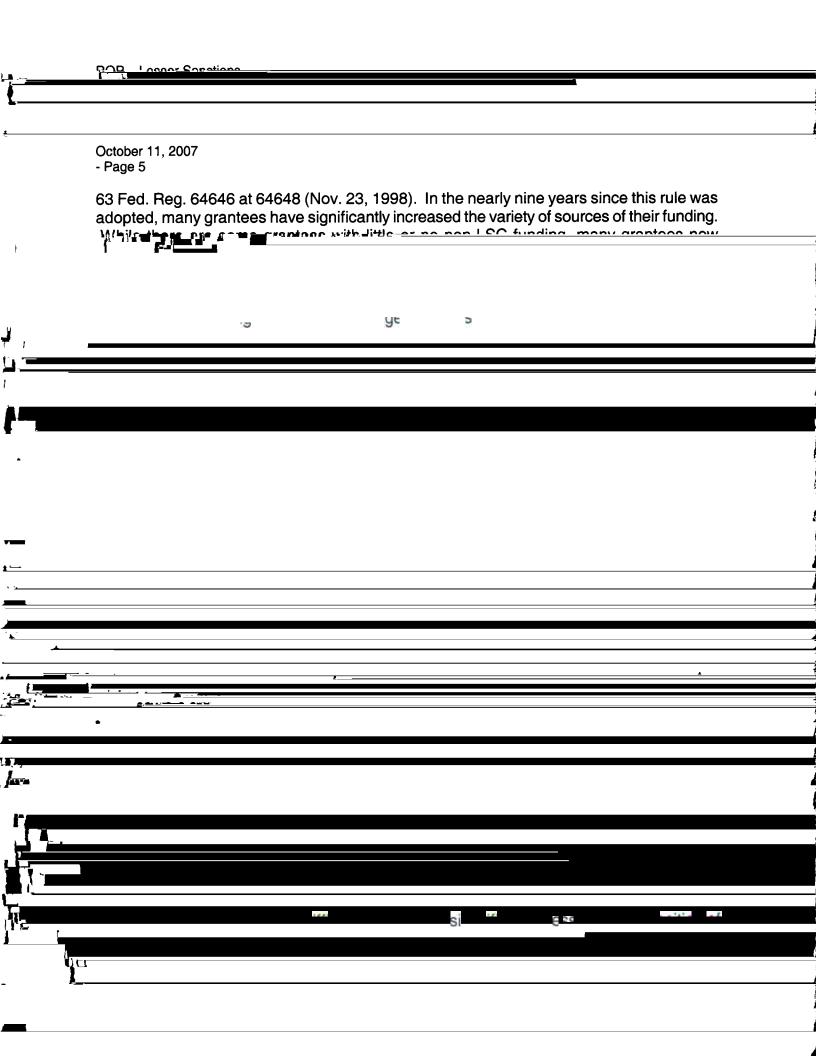
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establishing such standards and procedures.

	<u> Tha jigetangge in whi</u> ch LSC encounters a grantee that is not diligently working
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	toward compliance are few and far between. However, the proposed tools may well have a
	deterrent effect and increase LSC's flexibility in addressing compliance issues.
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## Scope of Potential Rulemaking

	The folinging anguing addresses two entions involving the imposition of monetany
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si e n M p m	ased penalties. Although Management believes that monetary-based enforcement tools hould be enforcement tools of last resort, they can be useful options for their deterrent ffect and as a meaningful sanction in the infrequent instances in which they would be eeded. Although either of these tools could be adopted individually without the other, lanagement believes that pursuing both would be preferable. Such an approach would rovide LSC with a more complete set of enforcement tools, enabling LSC to choose the nost effective and appropriate sanction in any given situation.
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limited reductions in funding, but is of the opinion that such a process can be developed

### Rulemaking Process - Options

Under the LSC Rulemaking Protocol, LSC may pursue rulemaking by Notice and Comment Rulemaking only, or through the use of Negotiated Rulemaking (followed by a brief potice and Comment process). If I SC pursues a Notice and Comment rulemaking.

only, LSC has the option of conducting a public Regulatory Workshop to engage in a discussion with interested parties about the subject of the rulemaking prior to the development of a Notice of Proposed Rulemaking.

With respect to the proposed rulemaking on the extension of the maximum

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extension of the maximum suspension period would not represent an effective or efficient use of resources. Rather, Notice and Comment Rulemaking by itself would provide sufficient opportunity for all interested parties to comment on LSC's proposed course of action. However, Management recommends the convening a limited scope Regulatory Workshop on the development of a process for the imposition of limited reductions in funding.

Approved:

President