

increases with the increase in a union's income. In general, the proponents of higher thresholds contended that the \$5,000 figure results in burdensome reporting requirements and excessive detail.

The Department believes that \$5,000 is an appropriate threshold for reporting "other" receipts. The comments underscore the competing interests in setting a reasonable figure. Setting the threshold lower (or eliminating it entirely) increases the number of receipts that must be reported, which correspondingly increases the information available for inspection. A lower threshold, however, also would increase the burden, particularly for aggregated receipts from individual sources. Raising the threshold would reduce the reporting burden, but it also would reduce the financial information captured for review and thereby undermine the goal of transparency. While a strong argument could be made that all disbursements are significant and should be itemized, the Department concludes that some threshold must be used that accommodates both the purpose behind the disclosure of such information and the concerns about the burden of tracking and reporting the information. The \$5,000 threshold strikes a balance between the opposing viewpoints. Full-time workers who were union members had median usual weekly earnings of \$740 in 2002. See *Union Members in 2002*, Bureau of Labor Statistics News Release (USDL-03-88) (<http://www.bls.gov/news.release/union2.nr0.htm>). Thus, it is reasonable to assume that to union members, \$5,000 represents a significant amount of money. A receipt (or aggregated receipts from an individual source) in this amount may reasonably attract interest in the payment's source. The Department will continue to be mindful of the need for any future adjustment in the threshold for itemization in order to ensure that the information reported is meaningful.

The Department rejects the suggested use of percentage-based thresholds rather than defined dollar amounts. A percentage-based threshold will vary annually depending on the figure (e.g., annual receipts) from which it is derived. This figure cannot be determined until the close of the fiscal year. In any given year, moreover, the base figure itself may be controversial if the Department and the union disagree as to the monies that should be included in that figure. A percentage-based threshold is therefore unstable and more difficult to enforce. A defined dollar threshold provides an unequivocal and predictable standard by which each

union may determine whether a receipt must be reported as a major receipt, as well as one that members may use with ease and certainty in reviewing the Form LM-2. Some commenters recommended that the Department index the threshold annually for inflation. The Department disagrees for the same reason it rejects the use of a percentage-based threshold: adopting a figure that is subject to annual fluctuation creates an unpredictable standard. The Department believes all parties will benefit from a defined standard that applies to all unions. The Department also rejects the use of a graduated threshold linked to union income. This approach suffers from the same defects as percentage-based thresholds and thresholds indexed to inflation, discussed above. Furthermore, a single standard unrelated to union income promotes the purposes of the LMRDA. Although the economic significance to the union of \$5,000 may vary with the size of a union's income, the interest of the membership in having access to a broad array of information concerning the sources and uses of union finances, and in the detection and deterrence of fraud, remains constant.

The proposed Schedule 14 requires a union to report aggregated receipts from each individual source if the total amount received from the individual source is \$5,000 or more. Some comments opposed aggregation because tracking each receipt throughout the fiscal year to determine whether all receipts from a specific source ultimately reach the threshold is burdensome. The Department believes that aggregation of receipts is appropriate. In terms of its interest to a union member, there is no difference between a single \$5,000 (or more) receipt from one source and several receipts from one source totaling \$5,000 or more. Consequently, reporting aggregated receipts is equally important in terms of achieving transparency for a union's financial picture.

Despite the concerns expressed by numerous commenters, tracking multiple receipts from a specific source throughout the fiscal year will not impose unreasonable additional burden on a reporting union. The revised form alters the categories but not the underlying method of allocating these disbursements, and, indeed, reduces the number of disbursement categories. After allocating the disbursement to the proper category, the union officer need only make a brief entry on the "purpose" for each transaction in a memo field. These sorts of operations are routine within accounting systems. As demonstrated in the Paperwork

Reduction Act Analysis, in Section V, the cost of maintaining sufficient information to permit the aggregation of major receipts not reported elsewhere from, and disbursements to, a single entity over the course of the year, combined with all of the other changes as a result of this rule, were estimated in order to arrive at a realistic assessment of the overall cost of these reforms. Balancing this cost for reporting unions against the benefits for union members, and for unions themselves, resulting from increased transparency—including the enhancement of the ability of members to fully participate in the democratic governance of their unions and the deterrent value of disclosure in preventing mismanagement and misappropriation of union funds—the Department has concluded that itemization, to which only a portion of this cost is attributable, is not only a worthwhile, but an essential, element of this reform.

4. Itemization of Major Disbursements

The Department also proposed to require labor organizations to report "major" disbursements in specified categories. A "major" disbursement is either an individual disbursement meeting the threshold-reporting amount or a series of payments to an individual that, in the aggregate, reach the threshold, in a single category. The Department requested comments on the appropriate threshold for a "major" disbursement, proposing a \$2,000–\$5,000 range. The Department also requested comments on whether individual disbursements among different categories should be aggregated to reach the threshold.

The Department received numerous comments concerning the appropriate threshold for itemizing disbursements on the various Schedules. Several comments recommended setting the threshold in the \$200–\$500 range to increase the amount of information about disbursements that the unions must disclose; one comment suggested setting the threshold at zero for the same reason. Conversely, many comments criticized the proposed threshold as too low. Several comments expressed general opposition but did not provide a specific alternative. Commenters that did propose an alternative threshold typically recommended using a \$25,000 figure. A few comments suggested indexing the threshold to some other figure (e.g., total assets, disbursements or annual revenues) to establish a floating threshold linking it to the union's size or financial activity. As with itemization of "other" receipts, the