

reporting categories on the Form LM-2: (1) Contract negotiation and administration, (2) organizing, (3) political activities, (4) lobbying, (5) contributions/gifts/grants, (6) general overhead, (7) benefits, and (8) other disbursements. Almost all the national and international unions that submitted comments addressed this issue, as did most of the trade associations and public interest organizations. A number of local union officials and members submitted comments, as did many "agency fee payers" (and other individuals who did not indicate whether they worked in units represented by unions).

The Department received several comments from trade associations, public interest organizations, union members and others in support of the proposal. They asserted that the proposed changes in reporting requirements are necessary to allow members and potential members to better understand the operation of particular unions and to make informed choices about whether to join, or retain their membership in, these unions. They stated that the proposed Form LM-2 would permit a member to determine the union's priorities and whether they accord with the member's own priorities and those of the general membership. The same information would inform individuals who may be considering voting for or joining a particular union. Several commenters also expressed the view that functional reporting would better enable members, the Department, and the public to uncover any improper use of union funds and deter union officials or employees from embezzling or otherwise making improper use of such funds.

Although some commenters stated that the proposed changes would impose some burdens on unions, these costs, in their opinion, are outweighed by the gain in transparency. Today's electronic recordkeeping systems, in one commenter's opinion, make it possible for labor unions to provide a wealth of financial information with minimal burden. The commenter also stated that the burden would decrease once unions learn of the need to code transactions in ways that fit the reporting categories.

A number of labor organizations stated that the proposed system, if adopted, would entail very substantial burdens and costs to the union without significant gain, if any, in informing union members about the operation of their union. A few commenters indicated that there would be severe practical problems posed by the need to "code," by function, virtually all the

union's financial transactions, which they characterized as a burdensome and time-consuming undertaking. Union commenters asserted that they lack the present capability to maintain their records in a way that would allow them to meet the proposal's requirements. The Department finds these contentions unpersuasive. Unions have always been required to allocate each disbursement to a category on the Form LM-2. The revised form alters and reduces the number of categories, but not the allocation process. Accounting software will need to be adjusted to reflect the revised categories, but these sorts of operations are routine within accounting systems and do not present an unreasonable burden. One union commenter noted that long distance charges and utility payments, under the revised rule, must be allocated across multiple functional schedules and that such a process would pose a significant burden. This commenter has failed to note, however, that these telephone and utility payments would have to be coded to a category under the existing form, and further classified by general groupings or bookkeeping categories.

Several labor organizations acknowledged that they already categorize their activities, including disbursements, by functional category. Some explained that they do so in order to comply with Beck, but others explained that functional reporting is a useful financial management tool. Still others said that they categorize for the functions reported on the current form. At the same time, however, some commenters explained that even with sophisticated functional accounting systems in place, it would be difficult for unions to program their systems to meet the Department's proposed requirements. As demonstrated in the Section V, in the Paperwork Reduction Act analysis, the Department has considered these burdens and determined that the burden is reasonable.

The AFL-CIO stated that the Department's proposal would force each union to conform its operations to the manner in which the Department assumes all unions operate or should operate. In this connection, some of the unions state that the Department's proposal misapprehends the way in which unions conduct their affairs. Many unions argued that the Department's proposal represents the first time that unions have been required to collect and report information by functional categories.

Several commenters expressed concern that the proposal, in spite of the burden and expense it would impose on

unions, would fail to achieve its goal of better informing members about union finances and operations. As put by one commenter, the proposal creates artificial and misleading categories of disbursements that will overwhelm a member with a deluge of detail, not enlighten him. These comments rest on the erroneous premise that an individual seeking information must sort through a paper submission to review the Form LM-2. Electronic reporting permits a union member to focus his or her review using a search engine to guide the inquiry; on-screen (or paper) review of each entry is unnecessary. Further, the current Form LM-2 informs the member only of the aggregate disbursements (or receipts); the member must go through the trouble of obtaining more detailed information from the union concerning the individual transactions in order to find any meaningful information regarding specific receipts and disbursements. Itemized reporting provides the detailed information in a searchable format as an initial matter. Finally, Statement B of the Form LM-2 provides aggregate figures for each disbursement Schedule. A member reviewing the revised Form LM-2, therefore, has access to both the aggregate and the individual disbursements for each category. Resort to the more detailed information remains at the member's discretion.

Instead of putting unions to the burden and expense of creating the detail required by the Department's proposal, one union expressed the view that the Department should rely on a union member's ability to vote out officials who are pursuing an unpopular agenda, not by imposing additional paperwork requirements. Another commenter suggested that the Department could achieve its goal by permitting unions to allocate their expenditures, based on the estimates of its officers and staff, and thus dispensing with the need to exhaustively "account for every sheet of paper, every pen and pencil, etc." The Department has considered these proposals and has determined that they would not effectively provide an adequate amount of reliable information to union members concerning the union's financial operations and conditions. The revised reporting requirements will enhance union democracy, by providing members with information needed to cast an informed vote. In addition, the suggestion that unions should be allowed to allocate disbursements by estimate would necessarily produce reports of questionable accuracy.