

disbursements during the reporting period in this category.

The Department received only a few comments specific to this category. The AFL-CIO opposed the collection of benefits to employees and members in a single category. In its view, "employee benefits" is a "natural expense classification," and the inclusion of "member benefits" cannot be justified on the grounds that the schedule has been amended to convey more information about union program activities or supporting services. One labor policy group recommended that "benefits" should be removed as a category and, instead, reported as "other disbursements." The same group stated that unions should have to specifically identify other disbursements in order to minimize embezzlement. Several comments related to the issue of itemization, however, noted that a requirement to disclose specific information about benefit payments could result in unwarranted invasions of the privacy of individuals.

In light of the comments received, the Department is persuaded that the privacy of individual benefit recipients, including those receiving payments for medical procedures, insurance or pension claims, or burial benefits, should be protected. Accordingly, the Department has decided to retain the current schedule for reporting these types of disbursements, rather than using an itemized schedule, and all payments to individuals for such purposes should be reported only on this schedule. A reporting labor organization, thus, will be required to report an aggregate amount of any direct benefit disbursements, which are those made to officers, employees, members, and their beneficiaries from the union's funds, and need only identify the recipients of such disbursements by a general description, for example, "union members." Indirect disbursements—those made to a separate and independent entity, such as an insurance company that pays benefits to covered individuals—will also be reported in the aggregate and the entity to which the payment is made will be identified by a general descriptive term. These changes also address the comments made by labor organizations concerning the reporting burden.

The Department is not persuaded, however, that this schedule should be modified in any other respect. As discussed in Section II(D) and Section III(C)(I), accounting principles do not restrict a regulatory agency from combining "natural expense" and program functions in a report. Moreover, a union's aggregated

disbursement of benefits provides information that may be of interest to members as a measure of the union's "fixed expenses," allowing them to evaluate the cost-benefit of the policies providing for the benefit payments.

#### 6. Schedules 19 (Union Administration) and 18 (General Overhead)

The Department proposed a Schedule for general overhead, which would include disbursements for overhead that do not support a specific function, such as support personnel at the union's headquarters, and that, therefore, cannot be reasonably allocated to the other disbursement schedules. Several labor organizations noted that the categories proposed by the Department would force a large portion of the union's important and recurring activities into overhead or other expenses. The SEIU estimates that this latter category will contain 90% of all its disbursements. Several labor organizations expressed the fear that reporting disbursements in the manner proposed by the Department will provide misleading information that will be used by those antagonistic to unions to suggest that the union is diverting its funds to interests unconnected with the union's core representational function. Several labor organizations sought clarification concerning particular activities. In the AFL-CIO's view, for example, the Department seems to indicate that certain governance expenses, like meetings and conventions, are to be reported as "general overhead expenses," even though accounting principles counsel in favor of including such expenses as "general management expenses." In this regard, the AFL-CIO states that under *Beck* standards union governance activities are treated as entirely chargeable whereas those same standards provide that union overhead costs generally should be allocated between chargeable and non-chargeable categories. Several commenters expressed the view that the categories prescribed by the Department's proposal fail to account for many basic, recurring union activities.

In response to these comments about the large number of disbursements relating to union administration, the Department has added a new Schedule 19 (Union Administration) to capture this information. In this schedule, labor organizations will report disbursements relating to the nomination and election of union officers, the union's regular membership meetings, intermediate, national, and international meetings, union disciplinary proceedings, the administration of trusteeships, and the administration of apprenticeship and

member education programs (other than political education, as discussed above). By adding this category, labor organizations will be able to accurately characterize the disbursements made for the many activities they undertake because of the requirements of the LMRDA or other activities associated with union administration.

With the creation of this new category, there no longer is a need for a category designated simply as "Other Disbursements," and the Department will eliminate this category from the Form LM-2. The "General Overhead" category will be retained. This schedule includes disbursements that do not support a specific function—for example, disbursements to support personnel, such as maintenance and security staff at the union's headquarters—and that, therefore, cannot be reasonably allocated to the other disbursement schedules. Wherever possible, however, the salary paid to support staff and other disbursements for overhead that the union tracks in relation to specific programs or functions should be allocated to the relevant category. For example, if a union has an organizing department and a political affairs department and currently apportions telephone and utilities payments to both functional schedules, those disbursements should be allocated to the corresponding schedule. Similarly, the salary paid to other support staff should be allocated at the same ratio as the program staff they support. For example, if the union's secretary-treasurer employs a staff of ten employees and the secretary-treasurer reports 60% of his time on activities relating to union administration, 10% on political or lobbying activities, and 20% on representational activities, the staff salaries should be allocated to the corresponding schedules using these percentages rather than reporting the salaries as "general overhead." If the labor organization does not currently apportion disbursements for utilities or similar expenses according to program or function, it will not be required to do so on the Form LM-2, but may choose to do so to provide greater clarity for its members. In any event, the labor organization should accurately describe the purpose of the disbursement, whether it is reported in a specific functional category or as "General Overhead."

#### 7. Schedule 17 (Contributions, Gifts and Grants)

The existing Form LM-2 requires reports of all disbursements for contributions, gifts and grants during