

software be subject to a separate review and comment process after it is issued.

The Department continues to believe that an earlier or immediate effective date would not be appropriate for a proposed rule of this magnitude. Some interim period will be needed for unions to adapt their recordkeeping practices to the new requirements. Similarly, there will be a later need for the Department and labor organizations to test and implement the reporting software that will be provided by the Department. The aim of the Department is to balance some reasonable amount of time that unions will need to adapt to the new reporting requirements and the members' immediate interest in knowing how their dues money is spent. This member interest is reflected in the numerous comments from members indicating general support for the proposed changes and emphasizing the members' right to have information concerning their union.

In addressing unions' concerns, it is appropriate to sketch the tasks to be undertaken by unions to meet the requirements of the new reporting regime. The tasks involve two phases of preparation. First, filers will need to study and understand the new requirements, make adjustments to the union's recordkeeping system, and train staff. Second, filers that choose to take advantage of the electronic importation features of the Department's reporting software will need to create reports within their accounting systems that will be used to export their data to populate the reporting forms. As discussed in greater detail below, the first phase likely can be completed within a few weeks of the rule's publication and certainly by the effective date of the rule, whereas the second phase need not be completed until the form is filed, at the earliest, nearly 18 months after publication of this rule (and then only for unions that have fiscal years beginning on January 1, 2004).

The grace period of about three months is relevant to the first phase discussed above, which begins immediately upon publication of the final rule. The preamble, instructions and forms will be the authoritative source of information regarding the new reporting requirements. Union officials will use these documents to understand what is required of them. Additionally, the Department will provide substantial compliance assistance that will include an overview of the requirements, a comparison to the old requirements, guidance to assist unions to configure off-the-shelf software to best capture the information needed to provide the data

required for submitting the LM-2 and T-1 reports, a tentative schedule of seminars for international, national, intermediate and local unions hosted throughout the country, an email list-serve to provide periodic updates to interested parties, web-based materials that include frequently asked questions, a description of the Form T-1 registration process, and other topics of interest to filers.

Once union officials understand the new reporting requirements it will be necessary to make some adjustments to their recordkeeping systems. Most changes will be very minor. The most crucial change involves the tracking of disbursements to ensure that each disbursement is allocated to the proper disbursement category with a descriptive purpose. Each union will track new disbursements according to the account classifications created by that union and classify them according to the disbursement categories of the revised Form LM-2. Some commenters asserted that this is a dramatic policy shift tantamount to imposing a new recordkeeping system, which would cause a significant burden, but this ignores the fact that unions have always been required to allocate each disbursement to one or more disbursement categories on the Form LM-2. For example, unions have always been required to allocate credit card payments to multiple categories of the Form LM-2 based upon the purposes of each charge. A single credit card charge to a travel agent may include expenses that must be allocated to three or more different places on the Form LM-2. The Department has changed the categories but not the underlying method of allocating these disbursements. In fact, there actually fewer disbursement categories on the new form and the five new categories are thoroughly defined in the instructions to the form. After allocating the disbursement, they will enter a brief purpose for each transaction in a memo field. These sorts of operations should be easy to perform since such changes to the classification of transactions and the creation or modification of accounts are made on a week-to-week or day-to-day basis in the normal course of business. It may require some retraining to understand the new categories and the use of the memo field, but this is guidance that bookkeepers are accustomed to receiving. Nothing during this phase is particularly time consuming, difficult, or outside the common routine of individuals engaged in bookkeeping and accounting. In sum, the Department believes that Form LM-2 filers will be

able to make any needed adjustments to their bookkeeping and data processing practices to capture and allocate transactions in the categories prescribed by the Form LM-2 and to later transmit such data without incurring an undue burden.

Addressing unions' additional concerns, it is the Department's position that neither the time spent by the SEC in the development of its Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system nor the time required for the Department to implement its e.LORS system provide appropriate paradigms for determining the time necessary to implement mandatory electronic filing of the Form LM-2. First, the phase-in of the mandatory electronic filing on the SEC's EDGAR system was completed on May 6, 1996, over seven years ago. See 61 FR 13544; <http://www.sec.gov/info/edgar/regoverview.htm>. Since then, technology has continued to develop, building, in part, on experience gained from using systems like EDGAR, and computerized recordkeeping and communication have become more accessible and better understood. As the SEC itself commented, in implementing recent improvements:

Recent technological advances, most notably the rapidly expanding use of the Internet, have led to unprecedented changes in the means available to corporations, government agencies, and the investing public to obtain and disseminate information. Today many companies, regardless of size, make information available to the public through Internet web sites. On those sites and through links from one web site to others, individuals may obtain a vast amount of information in a matter of seconds. Advanced data presentation methods using audio, video, and graphic and image material are now available through even the most inexpensive personal computers or laptops.

65 FR 24788-89.

Moreover, the EDGAR system is far more complex and multi-faceted than the filing of the one or two forms contemplated by this rule. In fact, EDGAR accommodates the filing of over 75 separate forms by a variety of different types of entities. See <http://www.sec.gov/info/edgar/forms.htm#common>. The fact that such a massive system could be implemented with a three-year phase-in period over seven years ago lends support to the Department's assertion that the far simpler architecture required to permit similar organizations to file two forms, at most, can be implemented in much less time. In addition, the Department will be able to utilize both the architecture developed for e.LORS, as well as experience gained in developing