

2 filer (with receipts between \$500,000 and \$49.9 million).) However, to assess the "maximum" or "worst-case" impact on small unions, the Department considered the unlikely event that a small union with \$250,000 in annual receipts could incur the average compliance burden for unions with annual receipts of \$500,000 to \$49.9 million for the revised Form LM-2 and the new Form T-1. Under this unlikely scenario, the total additional cost of the final rule would be \$20,596 in the first year, or 8.2% of annual receipts, and \$11,206 in the second year, or 4.5% of annual receipts (see Table 1). For a small union with \$500,000 in annual receipts, the maximum additional cost of the final rule would be 4.1% of receipts in the first year and 2.2% in the second year.

As noted in section 3 above, the final rule will apply to 4,463 unions that meet the SBA standard for small entities, or just 18.0% of all unions with annual receipts of less than \$6 million that must file an annual financial report under the LMRDA (the other, even smaller, unions can file the less burdensome Form LM-3 or Form LM-4). Further, just 1,574 unions with annual receipts from \$250,000 to \$499,999, or 6.3% of all unions covered by the LMRDA, would be affected by the final rule. Even less (than 6.3% of the total) would incur the maximum additional costs of the final rule described above. Therefore, the Department has decided that the final rule does not have a significant impact on a substantial number of small entities. Moreover, raising the Form LM-2 filing threshold from \$200,000 to \$250,000 will enable 501 of the smallest LM-2 filers to use the less burdensome Form LM-3 and save them an average of \$5,104 per year compared to filing the current Form LM-2. Smaller unions that file Form LM-3 or LM-4 also will not have to file any Form T-1.

5. Steps Taken To Minimize the Impact on Small Entities

The Department has raised the reporting threshold for the final Form LM-2 and new Form T-1 to \$250,000 from the \$200,000 threshold in the proposed rule. The Department has also determined that the itemization threshold for disbursements should be set at the high end of the range proposed (\$2,000 to \$5,000) and that specific information be required only if the amount of an "other receipt" or disbursement is \$5,000 or more or, if such receipts from or disbursements to a single entity, aggregate to \$5,000 or more during the reporting year. This change will reduce the number of

disbursements that will have to be individually itemized and reported by smaller labor organizations. (OLMS experience in reviewing union records over the years in the course of audits and investigations suggests that smaller unions typically have fewer large disbursements). As noted above, the Department will continue to monitor all of the reporting thresholds in the Form LM-2 to attempt to ensure that both the level of reporting and the information reported remain relevant and meaningful in light of changes in the economy.

Raising the threshold for filing a Form LM-2 from \$200,000 to \$250,000 will enable 501 of the smallest unions that previously were required to file a Form LM-2 to now use the Form LM-3. The latter form requires significantly less recordkeeping and reporting requirements than Form LM-2, thus reducing the burden on unions with annual receipts between \$200,000 and \$249,999. The 501 unions affected will save an average of \$5,104 from the cost of filing the current Form LM-2, because they can file the less burdensome Form LM-3 rather than the current Form LM-2. In addition, each of these unions also will avoid an average \$19,640 per year in costs that they would incur if they had to file the new Form LM-2 and an average \$1,253 per year because they will not have to file a Form T-1. Thus, each of the 501 unions affected by raising the Form LM-2 threshold from \$200,000 to \$250,000 will avoid \$17,616 in potential costs increases (*i.e.*, \$19,640 + \$1,253 = \$3,277) by virtue of this change.

Burden hour differences between the smaller labor organizations that are large enough to be required to file Form LM-2 and the largest labor organizations are more likely to result from differences in the financial operations of the unions themselves. Only the largest filers, those that have annual receipts in the millions, are likely to have extensive financial transactions. Unions with receipts of between \$250,000 and \$1.0 million, which account for over 2,833 of the 4,778, or 59.3% of Form LM-2 filers, are likely to have less difficulty using the revised form. A survey of affiliated unions submitted by the AFL-CIO during the public comment process suggests that the median cost of the final rule will be just \$5,724 per year for unions with less than \$1.0 million in receipts compared to more than \$820,000 for unions with \$100.0 million to \$250.0 million in annual receipts. As explained more fully below, the predictive value of the AFL-CIO survey is open to question in some respects. The Department's own experience,

based on years of reviewing union records in audits and investigations, suggests that the AFL-CIO estimates of costs are more likely to be too high than too low.

Unions with total annual receipts of less than \$250,000 (81.0% of all LMRDA covered unions) can still elect to file a simplified report. Over 47.3% of all labor organizations may file a Form LM-3 that entails a lesser burden than the Form LM-2. The final rule makes no change to the Form LM-3 and the only changes to its instructions clarify the reporting obligation of intermediate bodies that have no private employee members, but are subordinate to national or international labor organizations that are covered by the LMRDA. The instructions state that such intermediate bodies must file an annual financial report. The very smallest unions, with total annual receipts of less than \$10,000 (33.7% of all LMRDA covered unions), can elect to file an abbreviated report, Form LM-4, which further reduces their recordkeeping and reporting burden.

The Department also has made several other changes to the proposed rule that will reduce the burden on small unions. Raising the reporting threshold for itemizing accounts receivable and accounts payable to \$5,000 will reduce the number of items that must be reported, particularly for small unions that have few accounts receivable and accounts payable. Removing the itemization requirement for the benefits schedule will reduce the reporting burden for all unions and protect the privacy of individual benefit recipients, including those receiving payments for medical procedures, insurance or pension claims, or burial benefits. Changing the reporting requirements on the membership schedule will enable union members to easily obtain useful information without requiring unions to manufacture or report information for membership categories it does not keep. Finally, the new audit alternative for Form T-1 is aimed at promoting disclosure while reducing the recordkeeping and reporting burdens for unions with trusts that are already subject to an independent audit.

Small entities will also benefit from OLMS's electronic labor organization reporting system (e.LORS), which utilizes technology to collect, maintain, and disclose the information it collects. The objectives of e.LORS are: (1) The electronic filing of Forms LM-2, LM-3, and LM-4 via the Internet; (2) LMRDA program enhancements to improve accuracy, completeness, and timeliness of Forms LM-2, LM-3, and LM-4; and (3) the public disclosure of reports with