

enhances LMRDA enforcement by OLMS. The OLMS Internet Disclosure site is available for public use. The site contains a copy of each labor organization's annual financial report for reporting year 2000 and thereafter as well as an indexed computer database on the information for each report that is searchable through the Internet. The Department is developing an enhanced e.LORS system for the revised Form LM-2 and new Form T-1.

To ease the transition to electronic disclosure, OLMS includes e.LORS information in its outreach program, including compliance assistance information on the OLMS website, individual guidance provided through responses to e-mail, written, or telephone inquiries, and formal group sessions conducted for union officials regarding compliance. The current forms are provided on CD-ROM discs at no cost to labor organizations, can be downloaded from the OLMS website, and are available from OLMS field offices and from the OLMS National Office. OLMS has also implemented a system to permit union officers to submit forms electronically with digital signatures. Unions are currently required, however, to pay a minimal fee to obtain electronic signature capability for the two officers who sign the form. Information about this system can be obtained on the OLMS Web site at www.olms.dol.gov. Digital signatures ensure the authenticity of Form LM-2 reports without compromising efficiency. As discussed in the Regulatory Flexibility Analysis and the Preamble, additional compliance assistance will be provided in connection with the new reporting and filing requirements.

Filing labor organizations have several advantages with the current electronic filing system. With e.LORS, information from previously filed reports and officer or employee information can be directly imported to Form LM-2. Not only is entry of the information eased, the software also makes mathematical calculations and checks for errors or discrepancies. Ready acceptance of the benefits of electronic reporting is predictable based on experience with software that OLMS has developed and distributed to labor organizations for completing the current Forms LM-2, LM-3, and LM-4. Approximately 76% of unions that currently file Form LM-2, LM-3, and LM-4 take advantage of the ability to enter data electronically on a computerized form.

3. Overview of Changes to Form LM-2

The Department, among other revisions for the purpose of reducing the burden on small unions, adopted the alternative, identified in the NPRM, to raise the reporting threshold for the Form LM-2 from \$200,000 to \$250,000. The new rule adjusts upward the Form LM-2 filing threshold of \$200,000 set in 1994 to account for inflation. As a result of raising the Form LM-2 threshold to \$250,000 in the final rule, 501 unions that currently file a Form LM-2 will now be able to satisfy the requirements of the LMRDA by filing the simpler Form LM-3. It should also be noted that the final \$250,000 threshold is significantly higher than the earlier thresholds for filing the Form LM-2—1959 (\$20,000), 1962 (\$30,000), and 1981 (\$100,000).

In comparison to the current Form LM-2, the revised Form LM-2 includes: three fewer questions (21 instead of 24) that identify the labor organization and provide basic information (in the same general yes/no format); the same 11 financial items on assets and liabilities in Statement A; an updated Statement B that asks for information on fewer categories of receipts (13 instead of 16) and disbursements (17 instead of 19); and five additional supporting schedules (20 instead of 15). The updated Statement B (Receipts and Disbursements) also drops six old categories of disbursements and adds five new categories that will provide more useful information to union members on the amount of union funds spent on representational activities, strike benefits, union administration, general overhead, and political activities and lobbying.

Over half (8) of the 15 current supporting schedules are not changing. These include loans receivable, loans payable, other assets, other liabilities, fixed assets, sale of investments and fixed assets, purchase of investments and fixed assets, and benefits. The schedule for itemizing investments has only a minor modification involving information that is maintained in the normal course of business—the reporting threshold has changed from over \$1,000 and 20% of the total book value of the union's investments to over \$5,000 and 5% of the total. Two other supporting schedules (Office and Administrative Expense, and Other Disbursements) on the current form have been dropped from the revised form and the disbursements that were reported on those schedules will now be reported elsewhere on the revised Form LM-2 (such as the schedules for union administration or general overhead).

One change to Form LM-2 is the requirement that unions provide an estimate of the time expended by their officers and employees on each of the several categories prescribed generally for union receipts and disbursements including: representational activities; union administration; general overhead; political activities and lobbying; and contributions, gifts, and grants. However, the Department is not requiring unions to keep detailed time records, and it is left up to the labor organization to determine the least burdensome way to provide the information.

Another change to the Form LM-2 is the addition of two new schedules for accounts receivable and accounts payable. The new schedules require the reporting of (1) The name of any entity or individual with which the labor organization had an account payable valued at \$5,000 or more that was more than 90 days past due at the end of the reporting period or that was liquidated, reduced or written off during the reporting period, and (2) the name of any entity or individual with which the labor organization had an account receivable valued at \$5,000 or more that was more than 90 days past due at the end of the reporting period or that was liquidated, reduced or written off during the reporting period. However, as noted above, the Department is not requiring Form LM-2 filers to use accrual accounting. Although the LMRDA and the current Form LM-2 already require some accrual basis accounting information, under the final rule unions may choose the method by which to track their finances “on a cash basis, accrual basis, a hybrid of the two, or some other method of accounting” “so long as they can accurately report the information required by the Form LM-2.”

The revised Form LM-2 also includes a new schedule for reporting their number of members by membership category. Each labor organization, however, is permitted to name and report on its own membership categories (in the same manner as it keeps its membership records). It appears from the public comments received on the Department's proposal that each union maintains membership information in some manner; however, a union will not be required to manufacture or report information for membership categories it does not keep.

The Form LM-2 also has been revised to require unions to individually identify receipts and disbursements for two of the current supporting schedules (Other Receipts and Contributions, Gifts, and Grants) and four of the new