

UNION FINANCIAL DISCLOSURE RULE ISSUED

The Office of Labor-Management Standards issues the final rule updating Form LM-2, the annual financial disclosure report that large unions are required to file. The rule updates Form LM-2, which must be filed by unions with annual receipts of at least \$250,000, to require additional disclosure of the compensation amounts received by labor organization officers and employees, further details about parties buying or selling union assets, and additional information regarding specified types of receipts. The rule also establishes a procedure for revoking the privilege of smaller unions, defined as labor organizations with receipts of less than \$250,000, to file a simplified Form LM-3 as their annual financial disclosure report. The rule will take effect 30 days after publication (January 21, *Federal Register*) and will apply prospectively to labor organizations whose fiscal years begin on or after July 1, 2009.

“The changes will ensure that relevant information on union finances is provided to rank-and-file union members to better ensure transparency and accountability as required by the Labor-Management Reporting and Disclosure Act. The final rule continues the administration’s commitment to transparency and accountability for corporations, pension funds, and labor unions,” according to the Department of Labor (DOL). “We are confident that the changes we are making will both discourage embezzlement of union members’ money and make such embezzlements harder to hide,” says Don Todd, Deputy Assistant Secretary for Labor-Management Standards.

The 325-page rule mandates more detailed disclosure of union officials’ travel expenses. The existing form reveals a union official’s travel expenses only if the union pays the expenses directly to the official, but the new rule will require disclosure of union officials’ travel expenses even if the union pays their cost directly to the hotel or transportation company. The rule also requires disclosure of benefits disbursements made to each union officer and employee. The DOL explains that “benefits received by officers for life insurance, health insurance, and pensions...make up an important part of the compensation package.” Instead of continuing to report fringe benefits for union employees in the aggregate, the union will now report the benefits by each individual union officer.

Currently, Form LM-2 filers report only the total amount received from dues and various other fees and revenues sources. For some unions, however, “these line items exceed \$20 million,” so the totals provide “little useful information,” the DOL says. The new rule requires unions to identify separately payments from any individual or entity that alone or in the aggregate total at least \$5,000. The proper reporting of union dues will depend on the collection method. If the employer collects the dues, the union must identify the employer, but if another entity such as a union local collects them, the union receiving the payments must identify the union local, and the union local must list the dues payments it received for transmittal.

The new rule provides that a union need not itemize a receipt or disbursement if it would expose the union’s organizing strategy or give a tactical advantage to a party with whom the union will negotiate a contract. The rule says that current “software and technology” will enable labor organizations to provide the additional details it requires without “an unwarranted burden” and that the DOL will make the software available without charge to Form LM-2 filers.

The DOL estimates that 6,571 labor organizations are required to file Form LM-2 reports.

The rule is available at <http://op.bna.com/dlrcases.nsf/r?Open=gcii-7ncs7v>.

(Source: BNA, *Daily Labor Report*, No. 11, January 21, 2009, pp. AA1-AA2.)