LRI Consulting Services, Inc. writes to express our strong opposition to the Department of Labor's proposed increases in the reporting thresholds for Forms LM-2, LM-3, and LM-4. These proposed changes would undermine transparency and significantly limit stakeholders' ability to track and hold labor organizations accountable for their financial practices.

LRI Consulting Services, Inc. is one of the nation's foremost authorities on labor union financial reporting and transparency. Our CEO, Phillip B. Wilson, is a recognized expert in union financial accountability. He has testified before Congress multiple times as an expert witness on union corruption and financial reporting, authored multiple publications on union finances, and is regularly cited in major media outlets as a trusted voice in labor relations. Our research, client guidance, and thought leadership are frequently referenced by practitioners, policymakers, and the press. We are deeply familiar with the LM reporting structure, its intended purpose, and the real-world impacts of changing financial disclosure standards.

The Department of Labor and the Office of Labor-Management Standards (OLMS) has proposed revisions to the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). *See* Filing Thresholds for Forms LM-2, LM-3, and LM-4 Labor Organization Annual Reports, LMSO 2025-0034, RIN 1245-AA15. The department proposes these changes:

- The LM-2 filing threshold would be raised from the current $250,000 to $450,000 in total annual receipts.
- The LM-3 filing threshold would be raised from the current $10,000 to $25,000 in total annual receipts.
- Labor organizations not in trusteeship that report less than $25,000 in annual receipts would file an LM-4.

In opposition of the proposed revisions, we contend:

<u>Filing is no longer burdensome for any organization, regardless of size; all dues payers deserve more transparency, not less.</u>

We contend that more detailed reporting by all unions, not less, is in the best interest of dues paying union members and those considering unionization. The OLMS contends that raising these thresholds, and adjusting them for inflation going forward, would "reduce unnecessary reporting burdens on labor organizations." According to the OLMS notice, these thresholds have not changed in 20 years for the LM-2 and 30 years for the LM-3. However, since the 1990s, the OLMS has moved to electronic filing, bookkeeping programs have become affordable and ubiquitous, and OLMS reporting software has been developed, radically simplifying the filing process. If a union diligently maintains its books, as dues payers should expect, detailed filing should not be any burden, particularly for smaller organizations with limited assets, staff and spending. If anything, smaller organizations should be required to itemize spending in the same manner as the largest organizations. This would grant every member and prospective member greater transparency into how dues are spent, regardless of the size of their union.

<u>The LM3 form does not include critical information needed by dues payers to best judge the financial health and trustworthiness of a labor organization.</u>

Dues payers impacted by the proposed changes will find significantly less information about their union's financial health and annual spending on an LM-3 form than is currently available to them on a properly prepared LM-2. To start, the LM-3 does not require itemization of spending, fixed assets, loans or charitable contributions. For example, a dues payer would not find information on an LM-3 about what charities they are supporting, to whom the organization may be lending money, the purpose behind any new borrowing by the institution, or if officials are spending their dues dollars responsibly. In addition, the LM-3 does not require the organization to break out the sources of its "Other Receipts," making it impossible for a member or potential member to see what other entities may be controlling the organization they support with their dues. And by not requiring the organization to break out membership categories, a prospective member has no information on how many other dues payers actually support the organization, and not the retirees and honorary members now often included in membership totals.

Most significantly, the LM-3 does not require the organization to report spending on representation, the single category on the LM-2 of greatest interest to dues payers. If anything, *spending on representation should be itemized and required on all LM filings*, regardless of the size of the organization, and allowable representational spending should be more strictly regulated to only include the essential costs of bargaining and enforcing contracts.

The type of more detailed information on an LM-2 form is critically important to dues payers preparing to vote for their elected officials, to the critique of members seeking office, to those considering decertification, and to prospective members attempting to judge an organization's trustworthiness and ability to follow through on promises of benefit.

Based on 2024 filings, the proposed adjustment to the LM-2 threshold would change the filing status of 882 union organizations which were required to file an LM-2 in 2024. These organizations were supported by the dues or per capita assessments of 1,258,286 union members. And while these impacted organizations report relatively low annual receipts of $250,000 to $450,000, over one hundred of them reports assets of $1M or more, and two entities report over $2M in liabilities.

<u>The LM-4 form offers almost no information of value to dues payers, heightening the risk of financial impropriety, particularly for unaffiliated unions.</u>

Over 8,100 labor organizations were required to file an LM-3 report in 2024. (These figures are based only on the existing annual receipt thresholds, and not extenuating factors that resulted in some entities filing an LM-2 in 2024.) Of those 8,100 organizations, 2,265 of them would file an LM-4 under the new proposed thresholds. Of those, over nearly 1,500 are locals, lodges and unaffiliated organizations that directly interface with members.[1] Over 130,000 dues paying members are serviced by those 2,265 local entities.

While the LM-3 form offers some limited insights into spending, the LM-4 offers only totals of four broad categories (receipts, disbursements, assets, liabilities) with no insights of any kind into how funds are being used. Nearly 40,000 dues payers represented by 96 unaffiliated unions would know significantly less about how their union's spending with the shift to an LM-4 report.

[1] The remaining organizations are state associates, councils and other intermediate organizations that may not directly service the dues payers that support them.

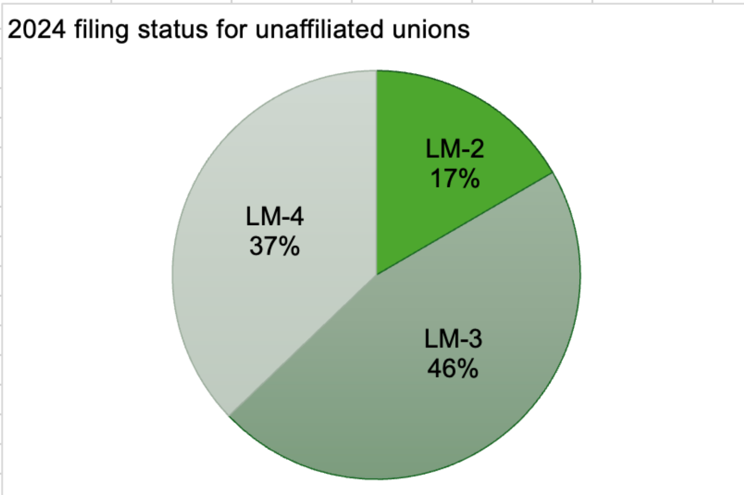
This is particularly problematic, as unaffiliated organizations receive no oversight by a parent organization. Members of unaffiliated unions must rely entirely upon themselves to monitor the spending of their dues dollars and the LM-4 offers them next to nothing in holding their leadership accountable.

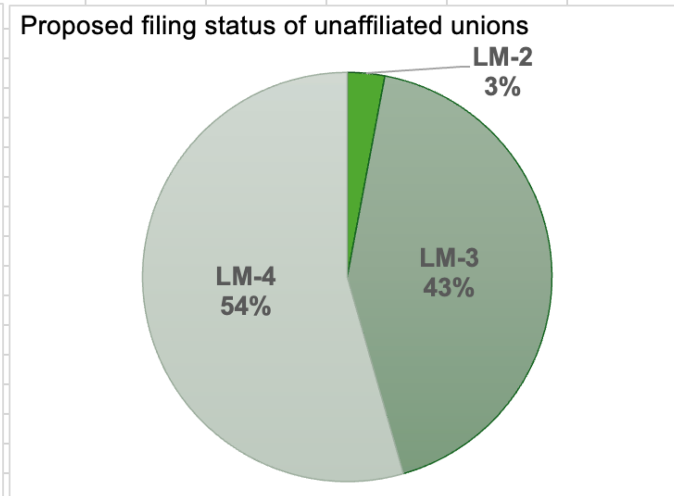
The officials of many of these unaffiliated organizations may have lower annual receipts and yet a large pool of assets to manage. For example, the 345-member Independent United Workers Union in Bridgeton, New Jersey reported over half a million in assets in 2024. 21 of these unaffiliated organizations which would be reporting on an LM-4 under the new guidelines reported over $100,000 in assets in 2024 leaving nearly 2,500 dues payers with no means to track how those assets were being managed or spent. This issue will likely only grow as more unaffiliated or loosely affiliated labor organizations are created with generous start up donations from established unions and labor supporters.

It is worth noting that the percentage of organizations reporting lost funds drops from 3% of organizations reporting $500,000 or more in total receipts, to .04% for organizations currently reporting on an LM-4. This suggests under reporting of lost funds and points to the need for more, not less, transparency for the smallest organizations.

2024 total receipts	2024 filing requirement*	Proposed filing requirement	# of organizations (2024)	# of impacted members (2024)**	UNAFF	Loss of funds	Median reported assets	Highest reported assets
> $499,999	LM-2	LM-2	3,488	54,262,376	73 (2%)	94 (3%)	$2.3M	$2.2B
$250,000 - $499,999	LM-2	LM-3	882	1,258,286	43 (5%)	15 (2%)	$393,000	$8.4M
$25,000 - $249,999	LM-3	LM-3	5,918	4,209,680	224 (4%)	67 (1%)	$94,000	$6.9M
$10,000 - $24,999	LM-3	LM-4	2,265	542,172	96 (4%)	23 (1%)	$29,000	$524,000
<$10,000	LM-4	LM-4	5,807	8,746,919	312 (5%)	28 (.04%)	$6,800	$1.3M

* Organizations are grouped by financial threshold requirement, not the type of report filed in 2024.
** A dues payer may be supporting two or more labor organizations, including local, intermediate and national organizations.





Sincerely,

LRI Consulting Services, Inc.