

GAO

Report to the Chairman, Subcommittee
on Treasury, Postal Service, and General
Government, Committee on
Appropriations, House of
Representatives

March 1996

FEDERAL FIREARMS LICENSEES

Various Factors Have Contributed to the Decline in the Number of Dealers





United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-262133

March 29, 1996

The Honorable Jim Lightfoot
Chairman, Subcommittee on Treasury,
Postal Service, and General Government
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

Your August 2, 1995, letter requested that we review various aspects of the Bureau of Alcohol, Tobacco and Firearms (ATF). This report responds to your request that we review ATF's policies and procedures for licensing and inspecting firearms dealers. Since 1993, the number of federally licensed firearms dealers has declined significantly. You requested this report because concerns had been raised by some organizations about the effects of the decline and factors contributing to it, including ATF's role, if any, in causing the decline. We agreed to (1) determine the extent and nature of recent declines in the number of firearms dealers; (2) determine what factors may have affected recent declines in the number of firearms dealers, including whether ATF had a policy to reduce the number of dealers; and (3) obtain the views of pertinent organizations on the advantages and disadvantages of reducing the number of federal firearms dealers.

While ATF issues various categories of federal firearms licenses, including those for manufacturers and importers of firearms, this report deals primarily with federal firearms dealer licenses. Firearms dealer licenses are granted to dealers and pawnbrokers who sell firearms at wholesale or retail and gunsmiths who repair firearms. Federal firearms dealer licenses account for about 90 percent of all federal firearms licenses.

Results in Brief

Since reaching a high point in April 1993, the number of licensed firearms dealers sharply declined by about 35 percent, from about 260,700 to about 168,400 dealers, as of September 30, 1995. This decline occurred nationwide, ranging from a 23-percent decline in Montana to a 45-percent decline in Hawaii. A decline occurred both in applications for new licenses and renewals of existing licenses. During this period, the number of

applications abandoned and withdrawn by former and prospective dealers was much higher than the number of licenses denied and revoked by ATF.¹

Our analysis of ATF data showed that several factors collectively contributed to this decline. Principal among these factors were that:

- Since January 1993, ATF has implemented efforts to increase enforcement of existing laws by closely scrutinizing firearms dealer applicants and licensees through increased inspections.
- In response to an August 1993 presidential memorandum, ATF, in late 1993, revised the application requirements to obtain more information about applicants.
- Federal legislation passed in November 1993 increased licensing fees, and legislation passed in September 1994 added more licensing requirements, including requiring applicants for firearms dealer licenses to certify compliance with state and local laws as a condition for federal licensing.

In addition, state and local agencies' enforcement of their laws may have resulted in reductions in the number of firearms dealers.

On the basis of our review of ATF and other documents and interviews with numerous agency officials, we found no evidence that ATF had a policy, or sought, to reduce the number of licensed dealers by some targeted number. However, ATF recognized that its efforts, beginning in 1993, to strictly enforce the Gun Control Act of 1968, as amended, (GCA) by closely scrutinizing applicants and licensees, as well as the above-mentioned legislative actions, would likely result in a reduction in the number of licensed dealers.

Officials from seven organizations representing the firearms industry, firearms consumers, law enforcement, and gun control interests confirmed the results of our analysis regarding factors contributing to the decline in licensed firearms dealers. The organizations also provided us with a variety of views on the advantages and disadvantages of reducing the number of firearms dealers. Their views ranged from those who believed that by reducing the number of dealers there could be less crime and better monitoring of dealers to those who feared that dealer decreases would curb competition, raise prices, and limit the lawful availability of firearms.

¹An application is "abandoned" when an applicant submits an incomplete or improperly executed application and does not respond to ATF's notification to correct the application within 30 days of the notification. An application is "withdrawn" when an applicant submits an incomplete application and, when notified by ATF, voluntarily withdraws the application.

Background

GCA, as amended, provided an enhanced licensing system for persons engaged in the business of manufacturing, importing, and dealing in firearms. These licensees are allowed to transport, ship, and receive firearms in interstate commerce among themselves and are required to certify that they comply with the requirements of state and local laws in the conduct of their businesses. GCA also established a comprehensive record-keeping system at the dealer level.

GCA, as amended, contains federal licensing standards for various firearms businesses. More specifically, the act provides, in part, that no person shall engage in the business of dealing in firearms until he has filed an application with and received a license to do so from the Secretary of the Treasury. The act further provides, in general, that any application submitted shall be approved if the applicant (1) is 21 years of age or older; (2) is not prohibited from transporting, shipping, or receiving firearms or ammunition in interstate or foreign commerce under [18 U.S.C.] section 922(g) and (n);² (3) has not willfully violated GCA or its regulations; (4) has not willfully failed to disclose any material information or has not made any false statements as to any material fact, in connection with his application; (5) has premises from which he conducts business or from which he intends to conduct business; and (6) makes certain certifications, such as that the business will comply with the requirements of state and local law applicable to the conduct of the business.

The Secretary of the Treasury was authorized to promulgate regulations to facilitate the enforcement of GCA. This responsibility, including the authority to approve or deny firearms license applications, was delegated within the Department to ATF.

ATF's principal firearms regulatory responsibilities are to (1) process and review firearms license applications and inspect applicants to determine their qualifications, under GCA, for licenses; (2) conduct periodic compliance inspections of licensees; and (3) support ATF's Criminal

²Section 922(g) of Title 18 provides, in part, that it shall be unlawful for any person—(1) who has been convicted in any court of a crime punishable by imprisonment for a term exceeding 1 year; (2) who is a fugitive from justice; (3) who is an unlawful user of or addicted to any controlled substance; (4) who has been adjudicated as a mental defective or who has been committed to a mental institution; (5) who, being an alien, is illegally or unlawfully in the United States; (6) who has been discharged from the Armed Forces under dishonorable conditions; (7) who, having been a citizen of the United States, has renounced his citizenship; or (8) who is subject to certain restraining orders—to ship or transport in interstate or foreign commerce, or possess in or affecting commerce, any firearm or ammunition; or to receive any firearm or ammunition that has been shipped or transported in interstate or foreign commerce. Section 922(n) provides that it shall be unlawful for any person who is under indictment for a crime punishable by imprisonment for a term exceeding 1 year to ship or transport in interstate or foreign commerce any firearm or ammunition or receive any firearm or ammunition that has been shipped or transported in interstate or foreign commerce.

Enforcement Offices in their efforts to curb the illegal possession and/or use of firearms. ATF carries out its firearms regulatory responsibilities at its headquarters in Washington, D.C.; its Firearms and Explosives Licensing Center in Atlanta, Georgia, which processes firearms license applications; and its 5 districts and 37 area offices located throughout the country that inspect applicants and licensees.

The term “dealer” is defined in Section 921(a)(11) of Title 18 as (A) any person engaged in the business of selling firearms at wholesale or retail; (B) any person engaged in the business of repairing firearms or of making or fitting special barrels, stocks, or trigger mechanisms to firearms; or (C) any person who is a pawnbroker.³

The term “engaged in the business,” as applied to a dealer in firearms, is defined in Section 921(a)(21)(C) of Title 18, in part, as a person who devotes time, attention, and labor to dealing in firearms as a regular course of trade or business with the principal objective of livelihood and profit through the repetitive purchase and resale of firearms. The definition further provides that such term shall not include a person who makes occasional sales, exchanges, or purchases of firearms for the enhancement of a personal collection or for a hobby, or who sells all or part of his personal collection of firearms. A similar provision in Section 921(a)(21)(D) defines “engaged in the business” as applied to the repair of firearms by gunsmiths.

Scope and Methodology

To address our objectives, we reviewed ATF documents and data and discussed policies with agency officials. As agreed with you, we did not verify licensee and inspection data provided by ATF because of time limitations. We did our work at ATF headquarters, ATF’s Firearms and Explosive Licensing Center, four ATF district offices, and four ATF area offices. We discussed policies and practices with officials at various levels within ATF. We obtained the views of representatives of seven external organizations on (1) the advantages and disadvantages of reducing the number of licensed firearms dealers and (2) on the reasons for recent declines in the number of licenses. In addition, we conducted a limited survey of former firearms dealer licensees to learn why they no longer

³This report focuses on two types of licenses: dealers (“01” licenses), which include gunsmiths, and pawnbrokers (“02” licenses). Because pawnbrokers are in the business of selling firearms, in this report the term “dealers” refers to both “01” and “02” licenses. Whenever possible, we used ATF data on firearms dealer licenses in this report. However, in some cases, ATF data include all categories of licensees, including manufacturers and importers, as opposed to individual categories. Where there are references in this report to “federal firearms licensees,” it means all categories of licensees.

held licenses. Appendix I provides a detailed discussion of our objectives, scope and methodology.

We did our work from August 1995 through January 1996 in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from the Secretary of the Treasury. Responsible Treasury officials provided oral comments at a meeting on March 7, 1996. Their comments are discussed at the end of this letter.

Extent and Nature of Declines in the Number of Dealer Licenses

Since reaching a high point in April 1993, the number of licensed firearms dealers declined steadily and sharply by approximately 35 percent as of September 30, 1995. The decline occurred in every state. ATF received substantially fewer applications for licenses; in particular, applications for new licenses dropped very sharply from April 1993 to April 1994, during the first year of declines. Also, in fiscal years 1993 and 1994, the number of ATF denials of both new and renewal applications remained relatively small, but there was a substantial increase in the number of new applications abandoned and withdrawn. Similarly, during the same years, as a result of ATF inspections, the number of licenses revoked⁴ remained small, but the number of licenses voluntarily surrendered⁵ was high.

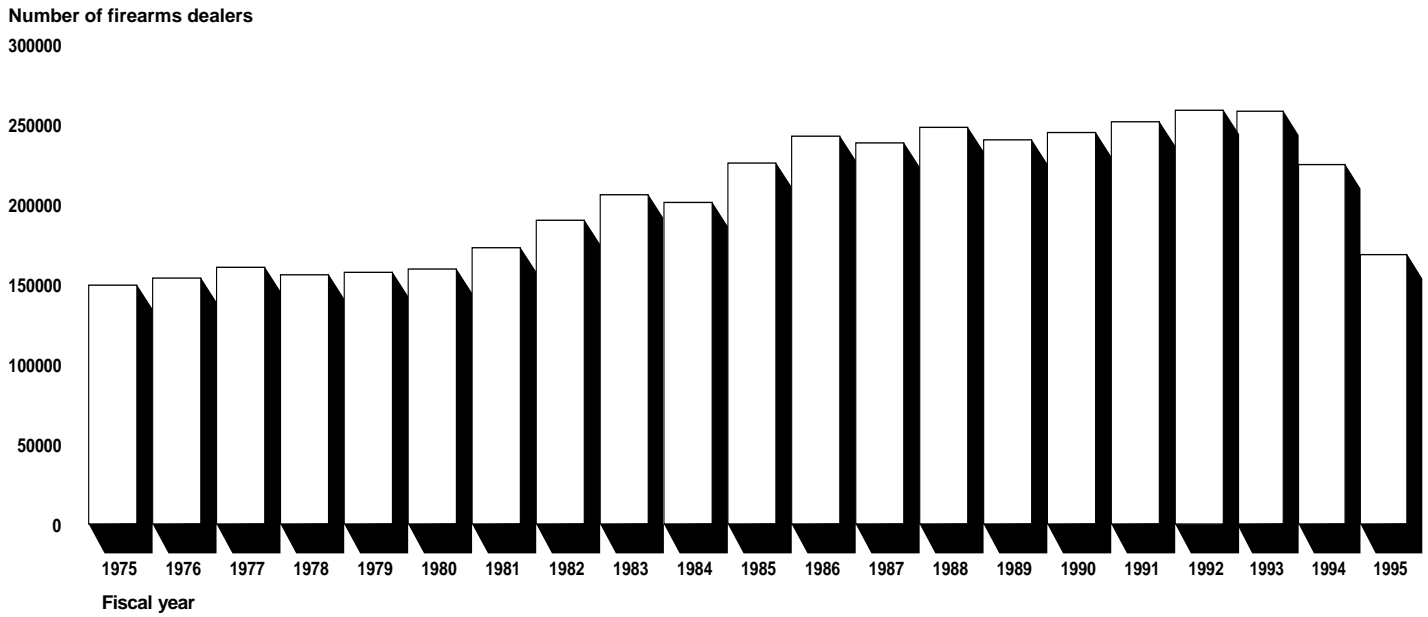
Number of Dealers Has Sharply Decreased Since 1993

The number of federal firearms dealer licenses (classes 01 and 02) rose steadily until April 1993, when they peaked at 260,703. The number declined sharply since then. As of September 30, 1995, there were 168,395 dealer licensees—the lowest number since fiscal year 1980. To provide the context for interpreting the more recent decline, figure 1 depicts trend data on the number of federally licensed firearms dealers at the end of fiscal years 1975 to 1995, and appendix II lists the actual number of dealers at the end of each fiscal year.

⁴According to ATF officials, ATF's only recourse is revocation because it has no authority to fine a licensee or suspend a federal firearms license.

⁵A "voluntarily surrendered" license generally results from an ATF compliance inspection in which one or more violations are detected and ATF provides the licensee the opportunity to surrender the license rather than have the license formally revoked. The term also includes licenses surrendered after the licensee is advised by ATF of non-compliance with state or local ordinances.

Figure 1: Number of Federally Licensed Firearms Dealers, at End of FYs 1975-1995

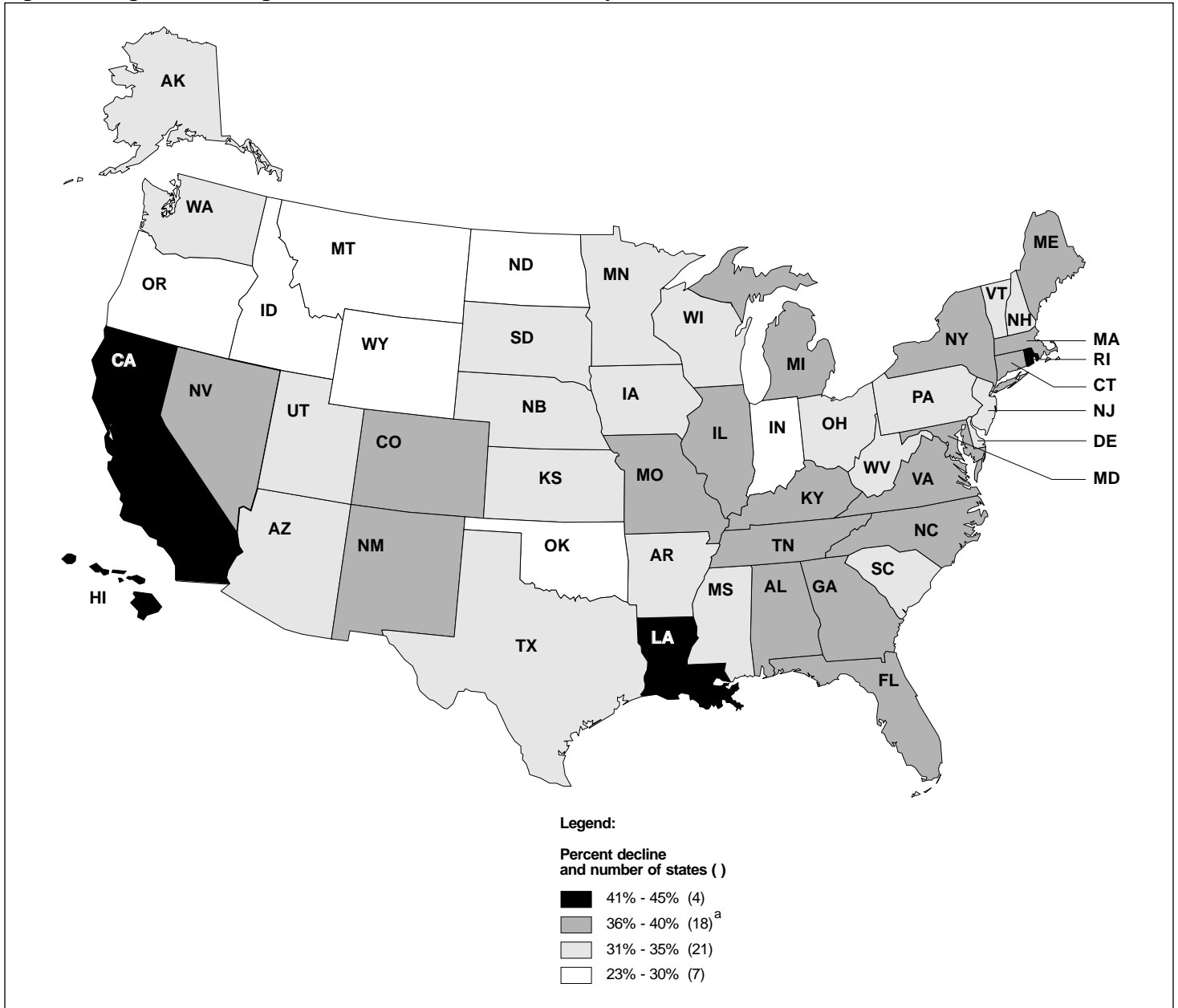


Source: ATF.

Dealer Declines Occurred Throughout the Country

As shown in figure 2, the decline in the number of firearms dealer licenses from April 1993 through September 1995 occurred throughout the country. The overall average decline among the states was approximately 35 percent, ranging from 23 percent in Montana to 45 percent in Hawaii.

Figure 2: Range of Percentage Declines in the Number of Federally Licensed Firearms Dealers in Each State



^aData for the District of Columbia is included with that for Maryland.

Source: GAO analysis of ATF data.

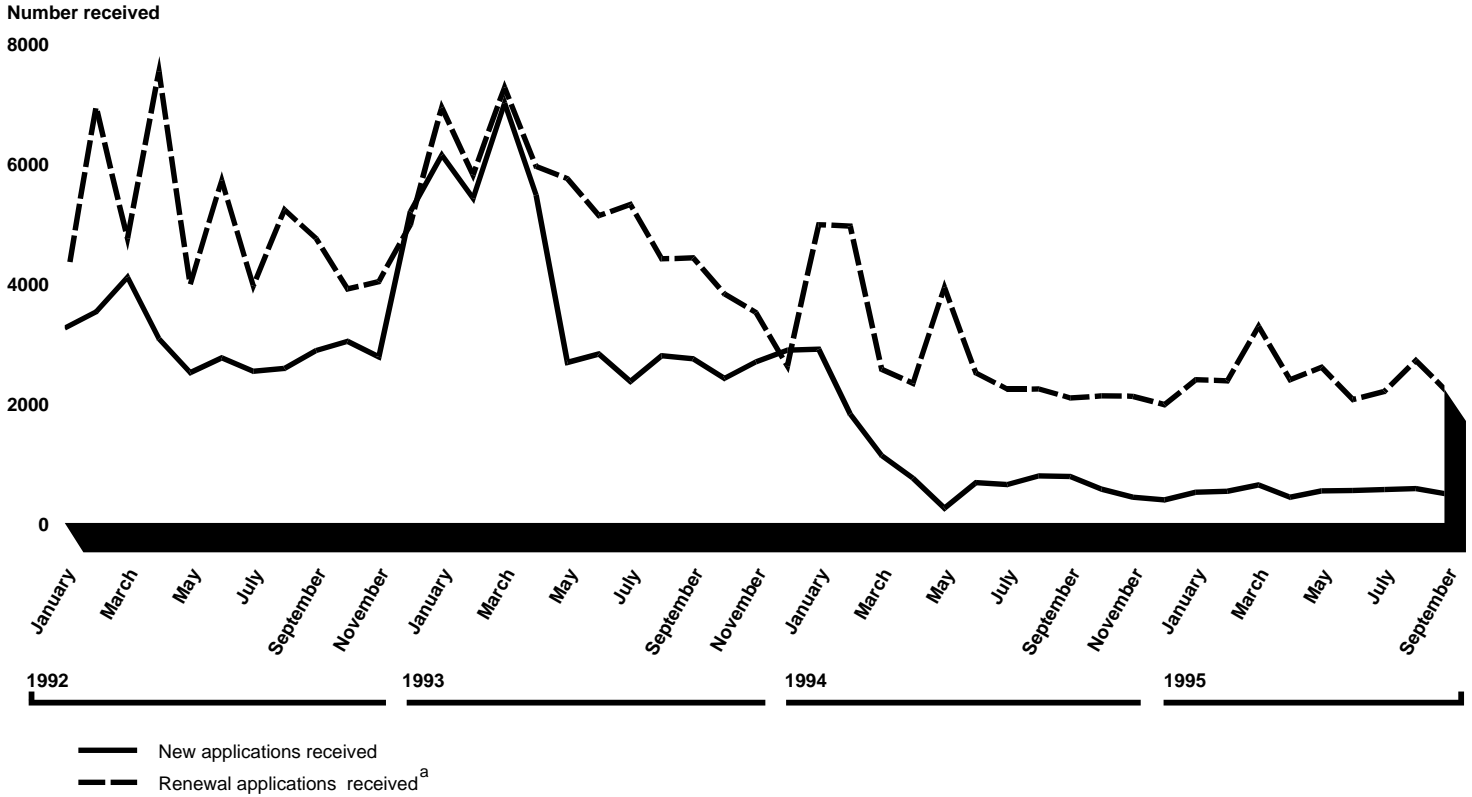
The decline in the number of firearms dealer licenses occurred in all regions of the country. The percentage decline was almost identical for each region of the country represented by ATF's five regulatory enforcement district offices, ranging from 34.5 percent in ATF's Midwest district to 37.1 percent in ATF's Southeast district.

Nature of Declines in Number of Dealers

Declines in the number of firearms dealer licenses were primarily a function of declines in the number of new applications and of renewals of existing licenses. Over the past 3 years, a large decline occurred in applications for both new licenses and for renewals of existing licenses. According to ATF officials, the number of new applications increased dramatically between December 1992 and March 1993 to a high of 7,003, primarily because of publicity concerning the ease of obtaining firearms licenses. The number of new applications then declined to the level prior to the increase, and remained at approximately this level for the remainder of 1993. Another sharp decline occurred beginning in February 1994, and the number has remained fairly steady since then, with 485 new applications being received in September 1995. Figure 3 shows the number of new and renewal applications received monthly by ATF from January 1992 through September 1995.⁶

⁶Unless otherwise stated, information discussed in this section of the report on the nature of the declines refers to all categories of federal firearms licenses.

Figure 3: All Categories of New and Renewal Federal Firearms Applications Received Monthly by ATF, January 1992-September 1995



^aBecause of the limitations of ATF data, renewal numbers refer to the number of renewal licenses issued within 45 days through December 1993 and the number of renewal applications received by ATF from January 1994 through September 1995.

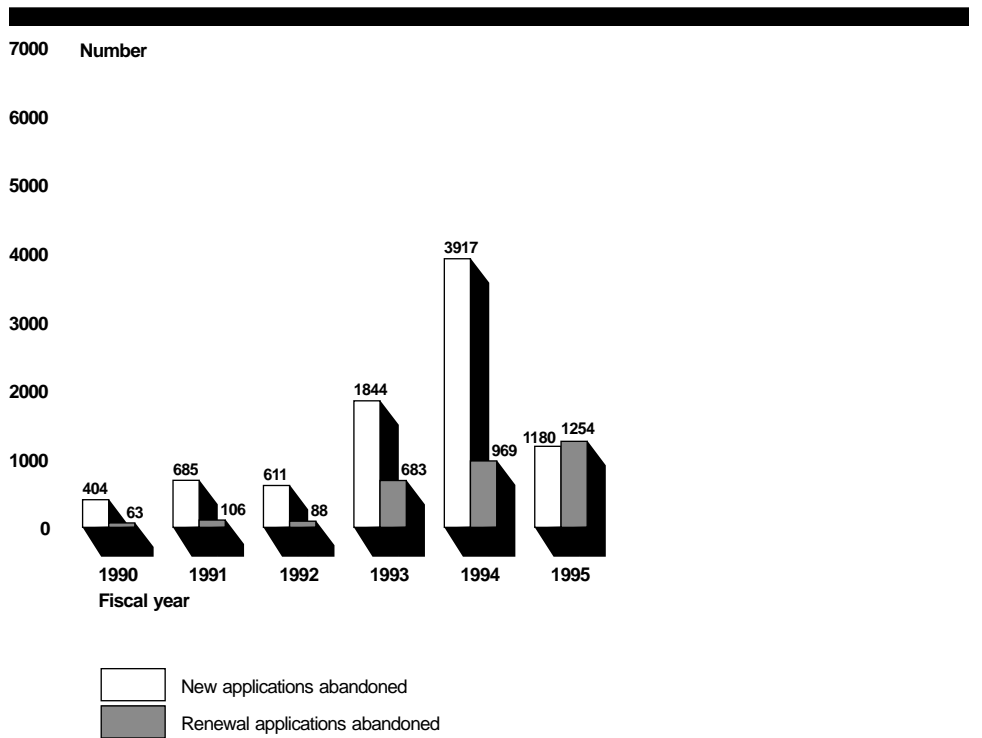
Source: ATF Firearms and Explosives Licensing Center data.

New and renewal applications can result in four outcomes: (1) licenses granted, (2) licenses denied, (3) applications abandoned, and (4) applications withdrawn. In addition, existing licenses can be either revoked or voluntarily surrendered as a result of ATF inspections. Generally, the number of applications abandoned and withdrawn has been much higher than the number of licenses denied and revoked. (To provide a broader context for interpreting the more recent declines, appendix III

shows licenses issued and revoked by ATF and the outcome of applications received in fiscal years 1975 through 1995.)

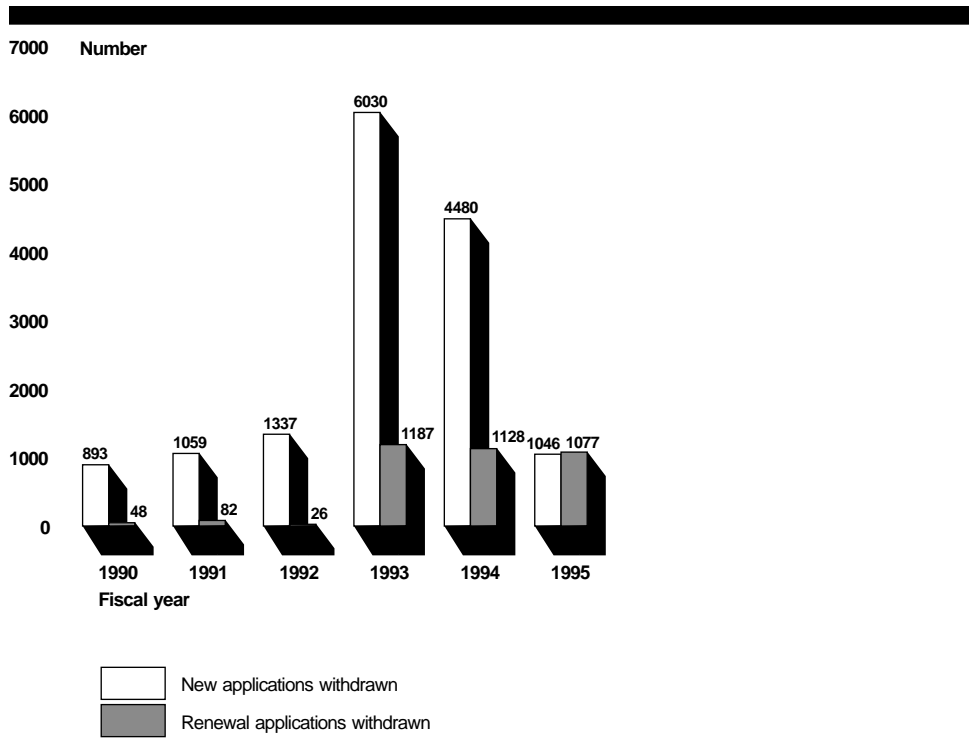
The number of abandonments and withdrawals for new and renewal applications increased significantly in fiscal year 1993. The number of abandonments of new applications continued to increase significantly in fiscal year 1994 and declined since then. The number of abandonments of renewal applications continued to rise in fiscal years 1994 and 1995, and the number of withdrawals of renewal applications remained at approximately the same level in fiscal years 1994 and 1995. Figures 4 and 5 show the number of abandonments and withdrawals, respectively, for both new and renewal applications in fiscal years 1990 through 1995.

Figure 4: Number of Abandonments of Applications for Federal Firearms Licenses, All Categories, FYs 1990-1995



Source: ATF.

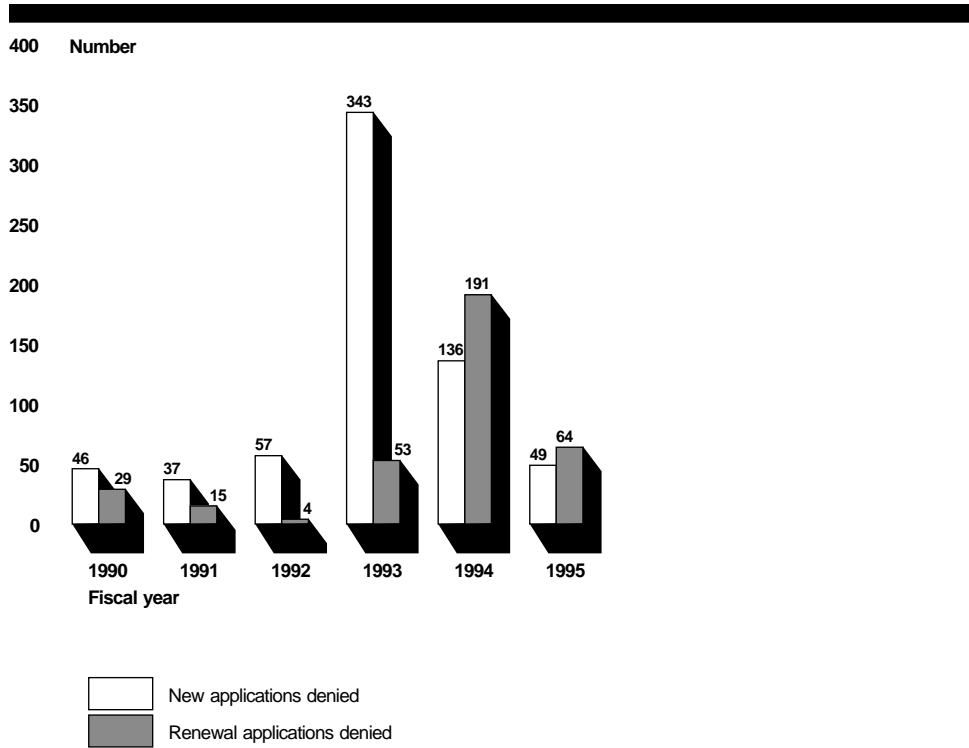
Figure 5: Number of Withdrawals of Applications for Federal Firearms Licenses, All Categories, FYs 1990-1995



Source: ATF.

In fiscal year 1993, ATF denied far more new applications (343) than in prior years. Only about 47 new applications, on average, were denied from 1990 to 1992. However, in fiscal year 1995, the number of denials of new applications declined to the pre-1993 level. The number of denials of renewal applications reached its recent peak in fiscal year 1994 and declined in 1995. Overall, the number of denials remained quite small compared to abandonments and withdrawals. Figure 6 shows denials of both new and renewal applications in fiscal years 1990 through 1995.

Figure 6: Number of Denials of Applications for Federal Firearms Licenses, All Categories, FYs 1990-1995



Source: ATF.

Since 1990, ATF has increased its inspections of federal firearms licenses. As a result, the number of revoked licenses increased but remained relatively small compared to the number of application abandonments and withdrawals. In fiscal year 1995, 35 licenses were revoked. However, a large number of licenses were voluntarily surrendered by licensees as a result of ATF inspections (discussed later). A total of 7,593 licenses were surrendered by licensees during fiscal years 1994 and 1995.⁷

⁷ATF did not collect data on voluntary surrenders prior to fiscal year 1994.

Several Factors Contributed to the Decline in the Number of Dealers

The following factors contributed to the recent decline in the number of federally licensed firearms dealers:

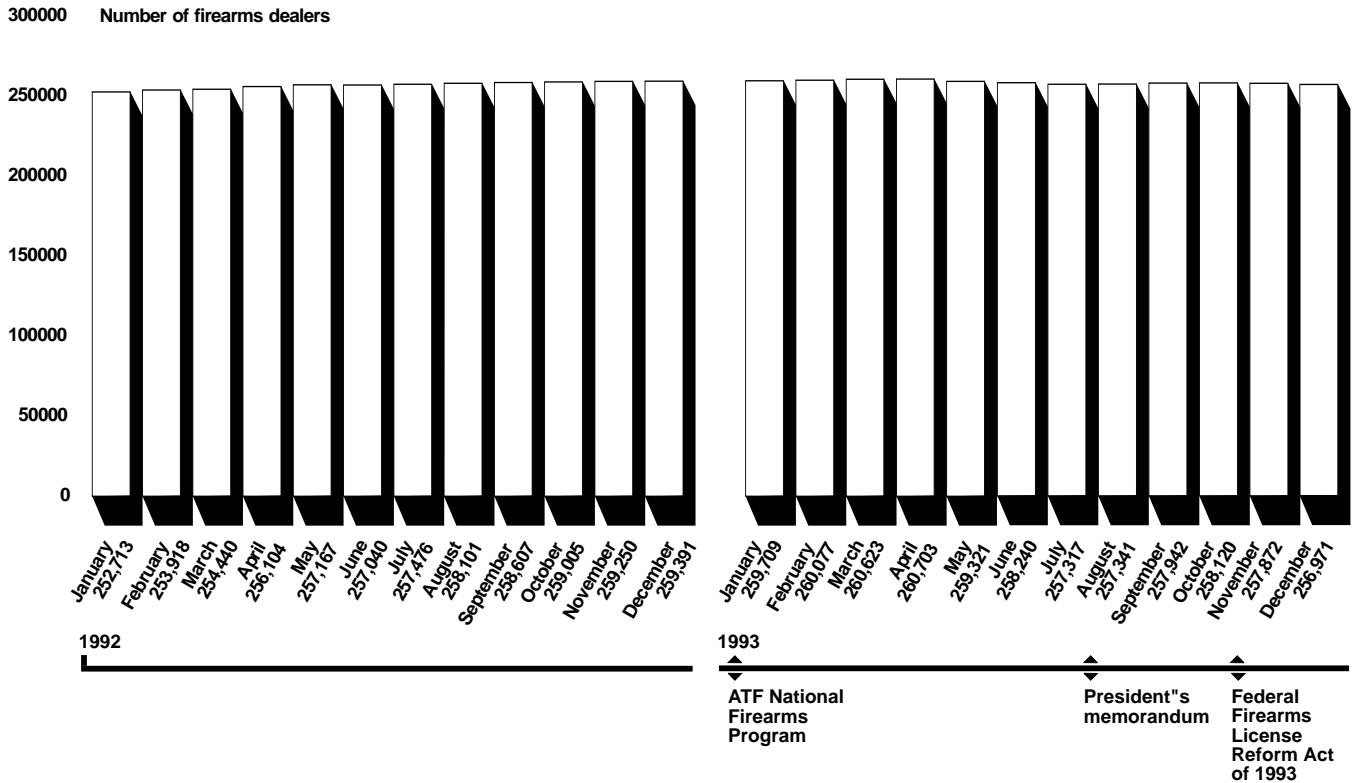
- In January 1993, ATF initiated a National Firearms Program, which consisted of several regulatory enforcement strategies, including efforts to increase the number of inspections of applicants for federal firearms dealer licenses and the operations of licensees to ensure strict compliance with the GCA.
- In an August 1993 memorandum, the President directed the Department of the Treasury and ATF to take actions to ensure compliance with federal firearms license requirements. The President pointed out that there were over 287,000 federal firearms licensees (all categories), many of which he stated probably should not have been licensed because they were not engaged in a legitimate firearms business.
- In late November 1993, Congress passed the Federal Firearms License Reform Act of 1993,⁸ which increased the licensing fees for obtaining and renewing a federal firearms dealer license.
- In December 1993, in response to the President's memorandum, ATF significantly revised the application process and forms for obtaining and renewing federal firearms licenses, including requiring applicants to submit fingerprints and a photograph as a positive means of identification. ATF began using its revised application form (dated December 1993) in February 1994.
- In September 1994, Congress passed the Violent Crime Control and Law Enforcement Act of 1994, which added more licensing requirements. Among other provisions, this act required applicants for firearms licenses to certify that their firearms business will comply with the requirements of state and local laws.

In addition to factors at the federal level that contributed to the decline in the number of federal firearms dealers licensees, state and local agencies' enforcement of their laws may have resulted in reducing the number of licensees. For example, local agencies' enforcement of zoning ordinances dealing with businesses operating in residential areas may have resulted in declines in the number of firearms dealer licensees.

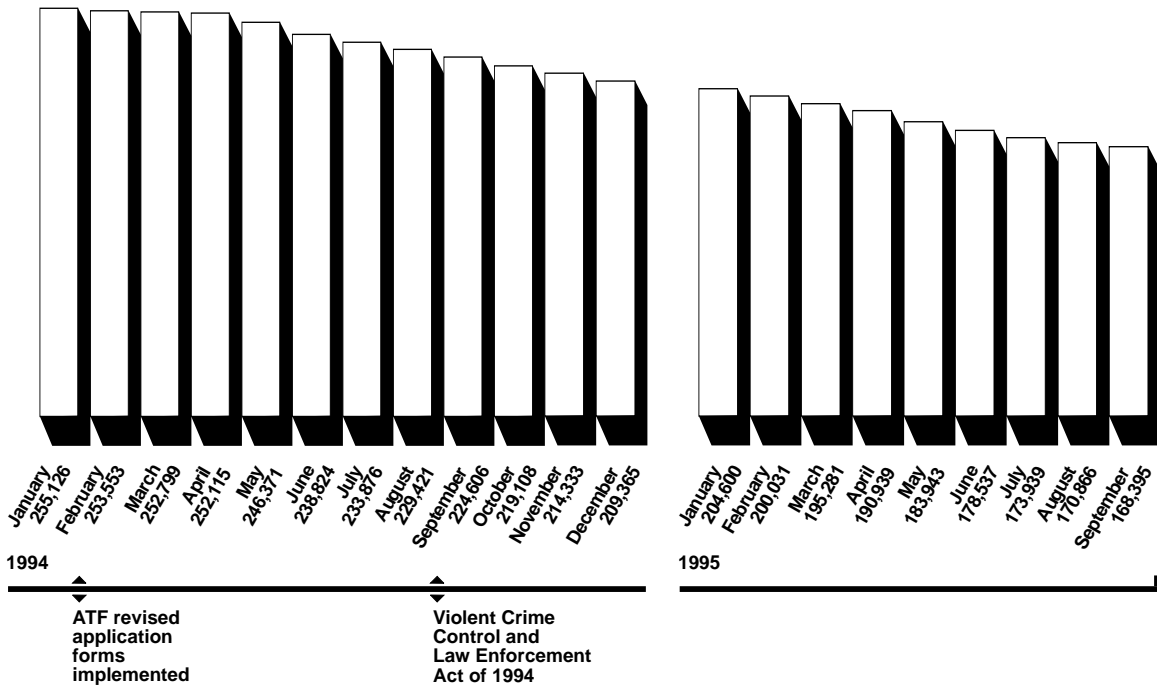
The decline in the number of federally licensed firearms dealers and the factors contributing to the decline are shown in figure 7. A time lag existed between the occurrence of the factors contributing to the decline and when the decline actually began. For example, while the President's

⁸The licensing fee increase provisions are contained in the Federal Firearms License Reform Act of 1993, found in Title III of Public Law 103-159. The Brady Act, found at Title I of Public Law 103-159, is sometimes referred to as the origin of such provisions.

Figure 7: Declines in the Number of Federally Licensed Firearms Dealers and Factors Contributing to Declines



memorandum was issued in August 1993, ATF's implementation of actions taken pursuant to the memorandum, such as revising the application form, did not occur until late 1993 and early 1994, with resulting declines in the number of dealers occurring thereafter.



Source: GAO analysis of ATF information.

We found no evidence that ATF had a policy, or sought, to reduce the number of licensed dealers by some targeted number. Rather, all of the factors mentioned above, including ATF’s increased enforcement efforts, collectively contributed to declines in the number of dealers in 1994 and 1995. These factors were reiterated by various organizations from whom we obtained views on the reasons for the decline and by our independent survey of randomly selected former firearms dealers.

ATF Increased Inspections of Firearms Dealer Applicants and Licensees

In January 1993, ATF initiated the National Firearms Program. As part of the program, ATF initiated efforts to screen applicants for federal firearms

dealer licenses more thoroughly and increased the number of inspections of applicants and licensees to ensure strict compliance with GCA.

According to the Chief of the Firearms and Explosives Regulatory Division, the ATF official responsible for managing ATF's Firearms and Explosives matters, a number of factors led ATF to increase its regulatory enforcement efforts over firearms dealer applicants and licensees. These included rising violence associated with the illegal use and sale of firearms, national media attention on the ease of obtaining a firearms dealer license, administration policies emphasizing increased enforcement of firearms licensing requirements, and our 1992 report on ATF's firearms inspections suggesting better targeting of inspections.⁹

In addition, ATF's Operation Snapshot, an inspection project that was conducted in 1992 and 1993 to obtain information about federal firearms licensees and their business operations, reported that 46 percent of all licensees had sold no firearms in the previous 12 months, and another 34 percent had sold 1 to 10 firearms.¹⁰ According to ATF, these survey results were invaluable in formulating the National Firearms Program.

As part of ATF's National Firearms Program, ATF developed a number of regulatory enforcement strategies, including targeting federal firearms dealer applicants and licensees for inspection, especially those in ATF-identified high-crime areas¹¹ for full field compliance inspections and enhancing coordination with state and local officials. The focus of the inspections was to ensure that applicants and licensees strictly met the statutory requirements of GCA. In early 1993, ATF tasked its district and area offices with conducting

- preliminary inspections (telephone interviews) of all applicants for new firearms dealer licenses, regardless of geographic location;
- application inspections (full field, face-to-face inspections) if warranted based on preliminary inspections; and
- compliance inspections (full field, face-to-face inspections) of all applicants for renewal dealer licenses who were located in the 43

⁹ATF Firearms Inspections: Use of Results to Improve Inspection Targeting Has Been Limited (GAO/GGD-93-30BR, Dec. 11, 1992).

¹⁰According to ATF's report on Operation Snapshot, dealers whose records or businesses could not be located were included in the 46 percent reported as not engaged in the sale of firearms.

¹¹ATF, utilizing Uniform Crime Reports for 1991, identified 43 major statistical areas that had a violent crime rate of at least 900 offenses per 100,000 inhabitants. According to ATF, violent crime includes murder, forcible rape, robbery, and aggravated assault.

high-crime areas, were due for renewal, and had not been inspected within the past 3 years.

ATF continued its National Firearms Program in fiscal years 1994 and 1995. In July 1995, ATF expanded its inspections beyond firearms dealer licensees to include other categories of licensees, such as manufacturers and importers, but not collectors of curios and relics. Also, in lieu of preliminary inspections, ATF increased its scrutiny of applicants for new licenses by requiring application inspections (full field, face-to-face inspections) of all applicants regardless of location.

The number of ATF inspections of federal firearms applicants and licensees (all categories) increased from 19,910 in fiscal year 1992 to a high of 27,031 in fiscal year 1993—the time frame during which the National Firearms Program was initiated. The number of inspections then dropped to 22,529 in fiscal year 1994 and 17,772 in fiscal year 1995. However, from 1993 to 1995, the number of inspections as a percentage of the universe of firearms licensees generally remained in the 9-percent range, compared to 7 percent in 1992.

Table 1 shows the number of ATF inspections and the number of inspections as a percentage of the universe of federal firearms licensees for fiscal years 1990 through 1995.

Table 1: Number of ATF Firearms License Inspections, All Categories, FYs 1990-1995

Fiscal year	Application inspections	Compliance inspections	Total inspections ^a	Inspections as a percent of the firearms licensee universe ^b
1990	3,358	8,471	11,829	4.40
1991	4,000	8,258	12,258	4.44
1992	3,582	16,328	19,910	7.01
1993	4,701	22,330	27,031	9.52
1994	2,462	20,067	22,529	8.98
1995	4,815	12,957	17,772	9.28

^aATF does not include preliminary inspections (discussed below) in its total number of inspections.

^bIncludes all categories of licensees.

Source: ATF.

In addition to full field application and compliance inspections, ATF used preliminary inspections (telephone interviews) in fiscal years 1993 through 1995 as a means of scrutinizing federal firearms dealer applicants. The number of preliminary inspections conducted in fiscal years 1993, 1994, and 1995 was 25,922, 14,805, and 10,822, respectively. ATF generally did not use preliminary inspections before fiscal year 1993.

According to ATF, a substantial portion of the 2,527 applications abandoned (see fig. 4) and 7,217 applications withdrawn (see fig. 5) during fiscal year 1993 was directly attributable to the initiation of the preliminary inspections.

In addition to emphasizing that new and renewal firearms dealer license applicants qualified under GCA, the National Firearms Program also called for continued checks of other dealers for compliance with GCA. Dealers were targeted for compliance inspections on the basis of analysis of firearms tracing data, referrals from law enforcement, and other factors. The over 27,000 inspections of all categories of licensees in 1993, most of which were compliance inspections, resulted in the discovery of 11,149 violations of records and inventory requirements and 17,783 referrals to ATF criminal enforcement and other federal, state, and local law enforcement agencies. According to ATF, referrals increased by 13,030 over 1992 because of increased efforts under the National Firearms Program to coordinate more closely with state and local authorities.

Also, as a result of ATF's compliance inspection efforts, a large number of firearms dealer licensees voluntarily surrendered their licenses in fiscal years 1994 and 1995—2 years for which the data were collected. For example, when a compliance inspection showed that a dealer was not “engaged in a firearms business” at the location shown on the license, ATF's National Firearms Program called for advising the dealer to voluntarily surrender the license, prior to implementing a formal revocation action. According to ATF data, as of September 30, 1995, 7,593 firearms dealer licenses were surrendered as a result of ATF's National Firearms Program—4,936 in fiscal year 1994 and 2,657 in fiscal year 1995—the only 2 years for which the data were collected.

In addition, the number of federal firearms licenses (all categories) revoked as part of ATF's inspection efforts increased from 24 in fiscal year 1992 to a high of 44 in fiscal year 1994 and then decreased to 35 in fiscal year 1995. The total number of federal firearms licenses revoked was relatively small—less than 1 percent compared to the total number of

inspections conducted. Under its National Firearms Program, ATF is to first seek voluntary surrenders of licenses rather than pursuing formal administrative actions to revoke a license to save the time, effort, and expense involved with administrative proceedings.¹²

To conduct increased firearms regulatory inspections, ATF devoted increased staff to the effort. According to ATF data, the number of ATF inspector staff years devoted to firearms regulatory activities increased from 90 inspector staff years in fiscal year 1992 to 114 inspector staff years in fiscal year 1994 and then dropped to 105 inspector staff years in 1995.

ATF Revised Application Form and Process in Response to Presidential Memorandum

In an August 1993 memorandum, the President directed the Department of the Treasury and ATF to take actions to ensure compliance with present firearms licensing requirements. The President pointed out that there were over 287,000 federal firearms licensees (all categories), many of whom he stated probably should not have been licensed. The President cited ATF estimates that 40 percent of licensees conducted no business at all and were persons who used the license to obtain the benefits of trading and buying guns at wholesale. The President listed a number of steps that ATF could take to ensure compliance with present licensing requirements, including revising the application process to require the applicant to supply all information relevant to establishing qualification for a license, and requiring more reliable forms of identification of the applicant, such as fingerprinting. (App. IV contains the President's Memorandum on Gun Dealer Licensing.)¹³

In response to the President's memorandum, ATF implemented a number of actions to improve the thoroughness and effectiveness of screening applicants for federal firearms licenses. For example, in late 1993 and early 1994, ATF significantly revised the firearms licensing process to obtain more information about applicants to determine whether they met the requirements of GCA. For the first time, ATF began doing criminal background checks on applicants applying for renewals of their licenses. Also, ATF substantially revised the application form by adding a number of questions and requirements for supporting information to assist it in determining whether applicants intended to engage in the firearms business. For example, ATF required applicants to (1) submit fingerprints

¹²When ATF denies an application or revokes a license, the applicant or licensee is entitled under Section 923(f) of Title 18 to take advantage of a statutory process to challenge ATF's decision.

¹³In addition to the President's memorandum, the Secretary of the Treasury, in a January 1994 speech expressed his concerns about the high number of federal firearms licensees and the need for licensing reform. (App. V contains the Secretary of the Treasury's remarks.)

and photographs of themselves, (2) furnish a diagram of the business premises where their firearms inventories were located, and (3) provide a description of their security system for safeguarding firearms inventories. Further, ATF stopped using its short application form previously used for renewing firearms dealer licenses and required applicants applying for renewal of their licenses to use the longer, more detailed application form.¹⁴ ATF's Firearms and Explosives Licensing Center began mailing out the application form (dated December 1993) in February 1994.

Concurrent with implementing these substantive changes, ATF officials said they placed more responsibility on applicants to correctly and completely file applications and more emphasis on ensuring that all applicants complied with GCA. For example, ATF licensing examiners were instructed to return incomplete applications for licenses rather than attempt to correct them by telephone.

As a result of the application form revisions, together with the increased license fees passed in the Federal Firearms License Reform Act of 1993 and new requirements added by the Violent Crime Control and Law Enforcement Act of 1994 (discussed below), ATF began experiencing backlogs and delays in issuing firearms dealer licenses. According to ATF, the backlog of applications was due primarily to the large number of incomplete application packages being submitted; approximately 80 percent of the applications were returned due to errors and omissions. In addition, ATF received numerous complaints from applicants about the complicated form and delays in receiving licenses.

To address this backlog problem and related complaints, in July 1995 ATF again revised the application form for firearms dealer licenses and took steps to expedite the application process. Specifically, ATF reduced the number of questions and the amount of supporting documents and forms required in the application package. For example, ATF eliminated (1) questions requiring a diagram of the premises, a description of the security system, and a description of restrictions and ordinances relating to conducting a business; and (2) the requirement for supporting

¹⁴ATF said it will revert to the use of a revised shorter form for license renewals after all existing licensees requalify under the additional licensing requirements of the Violent Crime Control and Law Enforcement Act of 1994.

documents, such as lease agreements. When revising the application form and process in July 1995, ATF obtained input from the firearms industry.¹⁵

Federal Legislation Increased Licensing Fees and Added More Requirements

Along with executive branch actions discussed above, Congress passed legislation in 1993 and 1994 affecting the licensing provisions of GCA. Concurrent with ATF's revision of the application form, the Federal Firearms License Reform Act of 1993, passed in November 1993 increased the licensing fees for obtaining and renewing federal firearms dealer licenses. The 1993 act increased the licensing fee, effective November 30, 1993, from \$10 per year to \$200 for a new 3-year license and from \$10 per year to \$90 for a 3-year renewal license. According to ATF, since the fee increase took effect immediately, many applications were received with insufficient fees and had to be returned, thus causing some backlogs.

The Violent Crime Control and Law Enforcement Act of 1994, passed in September 1994, added more licensing requirements. The 1994 act enacted an already existing ATF requirement that an applicant for a federal firearms license furnish a photograph and fingerprints as a positive means of identification. In addition, the 1994 act required that an applicant for a federal firearms license make various certifications, such as that (1) the firearms business to be conducted under the license is not prohibited by state and local law and (2) the business will comply with state and local law applicable to the conduct of the business within 30 days after the application is approved. This latter provision, according to the Chief of ATF's Licensing Center, was a significant factor that added to the backlogs because applications that were in process had to be returned to obtain the applicants' certifications.

ATF's Efforts to Use Compliance With State and Local Laws as a Factor in Licensing Firearms Dealers

Prior to the Violent Crime Control and Law Enforcement Act of 1994, ATF would not deny an application or revoke a license solely on the basis of noncompliance with state and local laws. However, ATF used noncompliance with state and local laws as a basis for advising applicants to withdraw their applications. Under its National Firearms Program, if ATF found an applicant/licensee was not in compliance with state and local laws, ATF inspectors were to advise the applicant/licensee that information

¹⁵During the last few years, according to ATF officials and some of the firearms industry organizations, ATF has increased and improved its outreach efforts to the industry. The ATF Director's September 1994 Strategic Plan directed ATF officials to work closely with industry members and others to develop coalitions and partnerships, and some industry officials indicated that as a result they had more interaction with ATF recently. In comparison, when revising and implementing the application form in late 1993 and early 1994, ATF did not make a concerted effort to notify and obtain the views of firearms industry and consumers groups regarding these changes. The firearms industry and consumer organizations we contacted told us that they had not been given the opportunity to comment on ATF's proposed changes.

on noncompliance would be referred to the appropriate state and local officials. Further, inspectors were to give applicants/licenseses the opportunity to withdraw their applications or surrender their licenses and re-apply when they were in compliance with the requirements of state and local laws.

With the passage of the Violent Crime Control and Law Enforcement Act of 1994, ATF was provided the authority to condition issuance of a federal firearms license on the certification, by an applicant, of compliance with state and local laws. According to ATF officials in December 1995, ATF found that its five districts and some area offices within districts were enforcing the licensing requirement on compliance with state and local laws differently. Two districts were taking a “hard-line” approach by withholding issuance of licenses until all state and local compliance matters were resolved. Three other districts were generally taking a more moderate approach to enforcement of the licensing requirement. For example, these three districts would not withhold issuance of licenses if local agencies were not enforcing local zoning requirements.

To address this inconsistency, the Chief of the Firearms and Explosives Regulatory Division in a March 1, 1996, memorandum, issued guidance to ATF field offices on procedures for dealing with zoning laws as they relate to federal firearms license applications. The memorandum directed all District Directors (Regulatory Enforcement) to communicate the following policy guidance to all Regulatory field personnel and the Firearms and Explosives Licensing Center:

- “1. In situations where zoning laws are enforced by local authorities, a license application will be disapproved if the local zoning law prohibits the conduct of the business.
2. In situations where zoning laws appear to prohibit a Federal firearms licensee from conducting business, but where the laws are not enforced, ATF will not take adverse action on a license application based solely on apparent non-compliance with zoning restrictions.”

State and Local Agencies Enforcement May Have Resulted in Dealer Declines

Along with federal laws and administration actions, the enforcement of state and local laws may have resulted in reduction in the number of firearms dealers. Such laws include licensing, taxing, and other business-related state and local laws and zoning ordinances.

Although we did not systematically review state and local laws and enforcement efforts relating to firearms dealers, the Chief of ATF’s

Firearms and Explosives Licensing Center informed us that several states, including California, Rhode Island, and Connecticut, have strict gun laws that have contributed to significant decreases in the number of federal firearms licenses. It should be noted that those three states had declines of 41.5, 43.1, and 40.2 percent, respectively, in the number of firearms dealer licenses from April 1993 to September 1995.

Concerning California, ATF's Los Angeles Area Office Supervisor told us that California's requirements for a firearms dealer license contributed to the decline in the number of dealers. California requires that applicants for dealer licenses obtain a state certificate of eligibility, a state seller's permit, and a local business license or permit.

In addition, during the course of our work, we obtained several examples of where the enforcement of local laws, including zoning requirements, resulted in reductions in the number of firearms dealers. These are summarized below:

- According to ATF's Detroit Area Office Supervisor, the city of Detroit used an existing zoning ordinance that forbids people from operating businesses out of their homes to reduce the number of firearms dealers in the city. If not in compliance with the zoning ordinance, the City of Detroit is to give the firearms dealers the option of withdrawing their federal licenses or moving to a location properly zoned for commercial sales. Dealers are given 30 days to comply. If they are not in compliance, they are to be cited and prosecuted.
- According to ATF's Acting New York Area Office Supervisor, in New York City and three New York Counties—Westchester, Nassau, and Suffolk—the number of firearms dealer licensees declined primarily due to enforcement of local laws and zoning requirements enforced through a joint program with ATF and local law enforcement agencies. ATF inspectors were accompanied on applicant inspections by local law enforcement personnel who checked for compliance with local requirements, particularly zoning ordinances.
- In Honolulu, Hawaii, according to the Chief of ATF's Firearms and Explosives Regulatory Division, the number of federal firearms dealer licensees has decreased significantly because of a city ordinance banning the sale of firearms within the city limits.

ATF Did Not Seek to Reduce Dealers to a Targeted Number but Recognized Its Enforcement Actions Would Likely Result in Reductions

We found no evidence from our review of ATF and other documents and interviews with numerous agency headquarters and field officials that ATF had a policy, or sought, to reduce the number of licensed dealers by some targeted number. Instead, we found that ATF's strategy since 1993 has been to strictly enforce GCA by closely scrutinizing firearms dealer applicants and licensees to ensure that licenses would not be used for purposes other than conducting legitimate firearms businesses. Further, ATF recognized that its strategy of increased enforcement, along with the legislative actions discussed earlier, would likely result in a reduction in the number of licensed dealers.

To obtain information on whether ATF had a policy, or sought, to reduce the number of firearms dealers to some targeted number, we reviewed numerous ATF documents and interviewed 40 ATF officials, including headquarters officials responsible for developing policy and field officials responsible for implementing policy.

We reviewed numerous ATF documents on its National Firearms Program, including memoranda, ATF briefs (which outline annual program requirements), annual operating plans and reports, issue papers, briefing papers, and firearms dealer application forms and standardized letters. We also accessed ATF's computer database of active and obsolete policy and program documents.

Our review of these documents showed that ATF's strategy was to closely scrutinize firearms dealer applicants and licensees to ensure strict compliance with GCA. For example, we noted a memorandum dated June 16, 1993, from ATF's Associate Director (Compliance Operations) to All Regional Directors (Compliance)¹⁶ providing guidance on implementation of the National Firearms Program that stated "[o]ur [ATF's] mission is not to put federal firearms licensees out of business, but to ensure that all licensees adhere to the requirements of the Gun Control Act (GCA)."

We interviewed the Chief of the Firearms and Explosives Regulatory Division, who was responsible for developing policy on firearms regulatory matters. We also interviewed ATF officials responsible for implementing ATF policy, including: (1) the Chief of the Firearms and Explosives Licensing Center and licensing examiners; (2) the Directors of the Western, Southwest, Southeast, and Midwest Districts; and (3) Area

¹⁶The position of Associate Director (Compliance Operations) has been eliminated and replaced with the equivalent position of Deputy Associate Director, Regulatory Enforcement Field Operations. Similarly, Regional Directors are now called District Directors.

Office Supervisors and inspectors from the Los Angeles, Dallas, Atlanta, and Detroit Area Offices. These discussions indicated that ATF did not have a policy or an objective to reduce the number of firearms dealers by a targeted number.

However, partly on the basis of the results of Operation Snapshot, conducted in 1992 and 1993, ATF recognized that its increased enforcement efforts would likely result in declines in the number of firearms dealers not engaged in a firearms business. ATF's report on Operation Snapshot stated that 46 percent of all licensees had sold no firearms in the previous 12 months, and another 34 percent had sold between 1 to 10 firearms.

In addition to its own increased enforcement efforts, ATF attributed the declines in the number of firearms dealers to various other factors, particularly the Federal Firearms License Reform Act of 1993 and the Violent Crime Control and Law Enforcement Act of 1994. ATF stated that it received correspondence from a number of applicants who cited increased fees, reluctance to provide fingerprints, and state and local restrictions as reasons for not pursuing new or renewal licenses. ATF also commented that a number of licensees were unwilling or unable to certify compliance with state and local laws, and ATF was therefore unable to issue new or renewal licenses.

While ATF commented that it did not have empirical data to categorically show why licensees went out of business, it stated that many licensees had obtained licenses only to purchase firearms at a discount to enhance a personal collection. ATF stated that additional licensing requirements, including increased licensing fees and costs associated with compliance with state and local laws, negated the benefits of a license.

Various Organizations' Views on Reasons for the Decline in the Number of Dealers

To help determine reasons for declines in the number of licensed firearms dealers, we obtained the views of representatives of seven organizations. These included three firearms industry organizations—the American Shooting Sports Council, Inc. (ASSC), National Alliance of Stocking Gun Dealers (NASGD), and National Association of Federally Licensed Firearms Dealers (NAFLFD); a firearms consumers organization—the National Rifle Association (NRA); two handgun control/violence prevention organizations—Handgun Control, Inc., and the Violence Policy Center (VPC); and a law enforcement organization—the International Association of Chiefs of Police (IACP). (App. VI contains descriptions of these organizations.)

The firearms industry organizations and the NRA were of the opinion that the primary reason for the decline in the number of dealers was ATF's December 1993 revised licensing requirements and the related application form. They generally believed that the type and amount of detailed information required by the new form discouraged many persons from applying for or renewing a license. ASSC and NASGD, as well as Handgun Control, Inc., cited the requirements to provide fingerprints and photographs (subsequently enacted in the Violent Crime Control and Law Enforcement Act of 1994) as a major reason for the declines.

In addition, IACP, an organization of police executives, also pointed to the overall tightening of the application process as a reason for the decline in the number of dealers. However, it did not believe that this or other additional changes were onerous burdens on legitimate business operations.

Two of the firearms industry organizations—ASSC and NAFLFD, as well as Handgun Control and VPC—also cited the increased licensing fee authorized by the Federal Firearms License Reform Act of 1993 as a major cause for the decline in the number of dealers.

Handgun Control and VPC believed other reasons for the decline were (1) ATF's increased enforcement of already existing laws, particularly the "engaged in the business" provision of GCA; and (2) the Violent Crime Control and Law Enforcement Act of 1994 provision requiring applicant certification of compliance with state and local laws as a condition for federal licensing. IACP also cited this provision as a factor contributing to declines in the number of dealers. In addition, VPC attributed the declines to legislative and enforcement actions by state and local governments and law enforcement agencies to regulate the licensing of firearms dealers in their jurisdictions.

Survey of Former Licensees Suggested Multiple Reasons for Declines in the Number of Dealers

We conducted a telephone survey of a sample of former federal firearms dealer licensees to determine why they did not renew their licenses. We randomly selected 80 licensees whose licenses had expired between October 1, 1994, and March 31, 1995. We were able to reach 56 of the 80 (70 percent) former licensees. We asked the respondents for the reasons their licenses had expired, the average number of firearms they had sold a year, and any other comments they had about ATF. Since we asked an open-ended question about the reasons for the expiration of the license, our results are likely to underestimate the frequency of each reason. Also,

because we introduced the survey as part of a study of how ATF administers the licensing process, reasons concerning ATF's role are likely to have been recalled more easily than other reasons. Because we were unable to contact 30 percent of our sample and the size of our sample was limited, the results should be interpreted cautiously. Finally, we cannot be certain that the reasons provided by these dealers would apply to those whose licenses expired at other times. (See app. I for more details on the survey and the sampling errors associated with each estimate; see app. VII for the survey questionnaire.)

On the basis of our sample results, we estimated that 57 percent of former licensees would list federal licensing fees or other federal requirements as one of the reasons for not renewing their licenses; because of sampling errors, this figure could be as low as 43 percent. Aspects of the federal requirements mentioned include application filing requirements, amount of paperwork, fingerprinting, and diagram of premises. Most licensees who mentioned one of these federal requirements also mentioned at least one other reason for nonrenewal.

We examined the other reasons provided by our respondents for nonrenewal of their licenses. For example, some licensees went out of business for unrelated reasons, or decided that they could not make a profit selling firearms. Some indicated they just forgot to renew their licenses. We estimated that 79 percent of former licensees believed that there was at least one reason, other than a federal requirement, for not renewing their licenses; because of sampling errors, this figure could be as low as 67 percent.

As discussed earlier, ATF's Operation Snapshot reported that as many as 46 percent of dealer licensees were not selling firearms. Our survey results indicated that similar proportions of the former licensees in our sample period were probably not selling firearms. We asked our respondents how many firearms they sold in an average year when they had a license. On the basis of their responses, we estimated that between 27 percent and 55 percent of licensees had not sold any firearms in an average year. In addition, we estimated that at least 50 percent, and as many as 78 percent, of former licensees had sold fewer than six firearms in an average year. We also found that only 2 of the 56 former licensees had sold 100 firearms or more per year. These results help support ATF's conclusion that part of the decline in the number of licensees involves those not actually selling firearms dropping out of the population of licensees.

Organizations' Views on the Advantages and Disadvantages of Reducing the Number of Dealers Varied

Representatives of the seven previously mentioned organizations also provided us with a wide range of views on the advantages and disadvantages of reducing the number of firearms dealers. Their views, which are summarized below, generally concerned the effect that declines in the number of firearms dealers may have on crime, regulatory enforcement, and economics.

Three organizations—NASGD, Handgun Control, and VPC—indicated that reducing the number of dealers to only those who are legitimately “engaged in the business” was advantageous as a step toward reducing crime. Handgun Control and VPC expressed concerns that “kitchen dealers,” those who operate out of their homes or vehicles, or at gun shows, were a major source of black market firearms used to commit crimes. The NASGD Executive Director stated “reductions in the number of non-legitimate firearms dealers has a direct impact on reducing crime.”

Several organizations saw declines as advantageous to regulatory enforcement efforts. The Executive Director of ASSC indicated that reducing the number of licensed dealers would allow better use of regulatory resources. The President of NAFLFD stated that with fewer licensed firearms dealers, ATF’s firearms tracing operations should become more efficient and effective. IACP indicated that reducing the number of federally licensed firearms dealers would enable the limited number of [ATF] inspectors to do their jobs. Similarly, Handgun Control and VPC stated that when the number of licensed dealers was about 244,000, ATF could not effectively monitor them. They stated that with fewer licensed dealers, ATF would be able to more efficiently and effectively monitor dealer compliance with federal law. As a disadvantage, the President of NAFLFD raised a concern that reducing the number of licensed dealers too much could lead to an “underground economy,” an environment where firearms transactions would go unregulated and firearms tracing would be difficult.

Two firearms industry organizations—NAFLFD and ASSC—expressed concerns that a reduction in the number of retail dealers could negatively affect competition. NRA representatives said they were less concerned with the number of dealers than with ATF artificially reducing the number of dealers due to its policies and enforcement efforts. NRA indicated that as a representative of firearm consumers, it is vitally interested in ensuring that government policies do not have a detrimental effect on the legal supply and availability of firearms. The President of NAFLFD indicated that the smaller firearms dealers did not represent competition for successful storefront dealers; therefore, the elimination of smaller dealers would not

affect the availability or prices of legally traded firearms. IACP indicated that the reduction in the number of dealers had not made it any more difficult for law-abiding citizens to purchase firearms.

Agency Comments

We requested comments on a draft of this report from the Secretary of the Treasury. Department of the Treasury officials from the Office of the Under Secretary for Enforcement and ATF provided Treasury's comments at a meeting on March 7, 1996.¹⁷ Overall, the officials stated that the report was accurate, thorough, and balanced. They also provided technical comments, which have been incorporated in this report where appropriate.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time we will send copies of the report to the Secretary of the Treasury and the Director of ATF. Copies will also be made available to others upon request.

The major contributors to this report are listed in appendix VIII. If you have any questions about this report, please call me on (202) 512-8777.

Sincerely yours,



Norman J. Rabkin
Director, Administration
of Justice Issues

¹⁷The Senior Advisor to the Under Secretary of the Treasury for Enforcement could not attend the meeting, but his comments were provided by ATF representatives. ATF representatives at the meeting included the Deputy Associate Director, Regulatory Enforcement Programs; Deputy Associate Director, Regulatory Enforcement Field Operations; Chief, Firearms & Explosives Regulatory Division; Chief, Enforcement Management Staff, Office of Enforcement; and Associate Chief Counsel (Firearms & Explosives), Office of Chief Counsel.

Contents

Letter	1
Appendix I Objectives, Scope, and Methodology	34
Appendix II Number of Federally Licensed Firearms Dealers Fiscal Years 1975 Through 1995	39
Appendix III Data on All Categories of Federal Firearms Licenses and Applications, Fiscal Years 1975 Through 1995	40
Appendix IV President's Memorandum on Gun Dealer Licensing	41
Appendix V Remarks of the Secretary of the Treasury on Gun Dealer Licensing	44

<p>Appendix VI Description of Organizations Contacted by GAO</p>	<p>American Shooting Sports Council, Inc. 51 Handgun Control, Inc. 51 International Association of Chiefs of Police 51 National Alliance of Stocking Gun Dealers, Inc. 51 National Association of Federally Licensed Firearms Dealers 51 National Rifle Association 52 Violence Policy Center 52</p>	<p>51 51 51 51 51 52 52</p>
<p>Appendix VII GAO Telephone Survey of Former Firearms Dealer Licensees</p>		<p>53</p>
<p>Appendix VIII Major Contributors to This Report</p>		<p>57</p>
<p>Table</p>	<p>Table 1: Number of ATF Firearms License Inspections, All Categories, FYs 1990-1995</p>	<p>17</p>
<p>Figures</p>	<p>Figure 1: Number of Federally Licensed Firearms Dealers, at End of FYs 1975-1995 6 Figure 2: Range of Percentage Declines in the Number of Federally Licensed Firearms Dealers in Each State 7 Figure 3: All Categories of New and Renewal Federal Firearms Applications Received Monthly by ATF, January 1992-September 1995 9 Figure 4: Number of Abandonments of Applications for Federal Firearms Licenses, All Categories, FYs 1990-1995 10 Figure 5: Number of Withdrawals of Applications for Federal Firearms Licenses, All Categories, FYs 1990-1995 11 Figure 6: Number of Denials of Applications for Federal Firearms Licenses, All Categories, FYs 1990-1995 12 Figure 7: Declines in the Number of Federally Licensed Firearms Dealers and Factors Contributing to Declines 14</p>	<p>6 7 9 10 11 12 14</p>

Contents

Abbreviations

ASSC	American Shooting Sports Council, Inc.
ATF	Bureau of Alcohol, Tobacco and Firearms
GCA	Gun Control Act of 1968
IACP	International Association of Chiefs of Police
NASGD	National Alliance of Stocking Gun Dealers
NAFLFD	National Association of Federally Licensed Firearms Dealers
NRA	National Rifle Association
VPC	Violence Policy Center

Objectives, Scope, and Methodology

Because of concerns by various organizations over declines in the number of federally licensed firearms dealers during the last several years, the Chairman of the House Subcommittee on Treasury, Postal Service, and General Government, Committee on Appropriations, requested that we review ATF's policies and procedures for licensing and inspecting firearms dealers. We agreed to (1) determine the extent and nature of recent declines in the number of licensed firearms dealers; (2) determine what factors were likely to have affected recent declines in the number of licensed firearms dealers, including whether ATF had a policy to reduce the number of licensed dealers; and (3) obtain the views of pertinent organizations on the advantages and disadvantages of reducing the number of licensed firearms dealers.

To obtain information on ATF's policies and procedures, we obtained and reviewed documents and discussed current policies with agency officials. We accessed policy and program documents through ATF's directive system, a computer database containing both current and obsolete policy directives. This database included ATF orders, briefs, and other memoranda. We also reviewed related materials that may have affected ATF's policies and procedures. For example, we examined a 1993 Presidential Memorandum, a 1994 speech by the Secretary of the Treasury, and various congressional hearings records. We also obtained and reviewed recent legislation dealing with the licensing process and discussed the implications of these laws with ATF officials.

To obtain information on the number of firearms dealer licenses and the extent and nature of recent declines in the number of firearms dealers, we analyzed ATF data on the number of dealers; the number of applications received; licenses issued, denied, and revoked; and applications withdrawn and abandoned by applicants. Whenever possible, we used ATF information on firearms dealer licenses; in some cases, the only available ATF information aggregated all firearms licensees. As agreed with the requester, we did not verify license and inspection data provided by ATF because of time limitations.

To determine the factors likely to have affected declines in the number of firearms dealer licenses, we reviewed ATF documents and analyzed ATF data. We reviewed federal legislation and discussed ATF's interpretation with ATF officials. We also obtained the views of representatives of seven organizations representing the firearms industry, firearms consumers, law enforcement, and gun control interests. We judgmentally selected the organizations on the basis of our knowledge of their missions and

objectives and on suggestions from the Subcommittee staff, ATF officials, and firearms industry representatives in an attempt to obtain a wide range of views. We obtained comments from representatives of the National Alliance of Stocking Gun Dealers, the American Shooting Sports Council, the National Association of Federally Licensed Firearms Dealers, the National Rifle Association, the International Association of Chiefs of Police, Handgun Control Incorporated, and the Violence Policy Center. (These organizations are described in app. VI.)

To understand how ATF implemented its policies, we visited four ATF district offices, four ATF area offices, and ATF's Firearms and Explosives Licensing Center. We visited ATF's Southeast, Southwest, Western, and Midwest district offices and ATF's Atlanta, Dallas, Los Angeles, and Detroit area offices. We judgmentally selected the eight field offices on the basis of geographic diversity, significant declines in the number of dealer licensees, inclusion of both urban and rural licensees, and availability of our staff to conduct the work. We cannot be certain that our results apply to the other 33 ATF area offices. We also did some limited work at ATF's area office in New York City.

During our visits to the ATF field offices, we interviewed both top management and other employees. We discussed actual inspection procedures with available ATF inspectors and supervisors to determine whether their views were shared by others. We obtained any guidelines concerning the licensing and inspection process that had been developed in each field office.

To determine reasons some former licensees were no longer licensed, we conducted a telephone survey of a random sample of former licensees. We identified a universe of 36,614 licenses that were entered in ATF's database as having expired in the 6-month period between October 1, 1994, and March 31, 1995. This period was sufficiently distant to ensure that renewal applications were not still being processed, but sufficiently recent to enable respondents to remember why their licenses had expired. We selected a simple random sample of 90 licensees from the population of former licensees. Because of time constraints, we were unable to complete more interviews. Our results do enable us to make estimates to the universe of former licensees, although the small sample requires those estimates to be made with fairly large confidence intervals.

Of the 90 licenses in the sample, 10 were not eligible for the following reasons: 7 actually had been renewed, 1 had expired more than 5 years

earlier, 1 was pending renewal, and 1 was pending denial. After eliminating these 10, we had a sample of 80 to represent the licenses that expired during our 6-month review period. We were able to obtain survey information on 56 of these individuals, for a response rate of 70 percent. We conducted our telephone survey between October 1995 and January 1996.

The survey consisted of four types of questions. First, we verified that the respondents did have licenses that expired in the period specified in the ATF database. Second, we asked for the reasons why the license had expired or had not been renewed. We asked this question in an open-ended manner and probed for more information or additional reasons. Third, we asked the respondent to provide an estimate of the average number of firearms sold in the years when the license was in effect. And fourth, we asked whether there was anything else the respondent would like to tell us about the licensing or inspection process, or about ATF. (A copy of the questionnaire form appears in app. VII.)

Several aspects of the survey should be kept in mind in interpreting the results. We cannot be certain that the nonrespondents would have answered our questions in the same way as the respondents. When we compared respondents and nonrespondents using the limited ATF data on size of dealer businesses, we found that most nonrespondents (as most respondents) sold very few firearms. In addition, when we compared the reasons for nonrenewal provided by respondents who were harder to reach with those who were easier to reach, we found no remarkable differences. Despite these similarities, the possibility remains that those we did not reach may differ in other important ways from our respondents.

In addition, we used an open-ended question to identify reasons for expiration of the license. We adopted this approach because we did not have time to conduct a pretest that could have identified a comprehensive list of reasons for a closed, check-list question. Using open-ended questions (rather than a list of items read to the respondent) is likely to result in an under-reporting of reasons. Therefore, we have not reported an upper bound for estimates of answers to this question. Also, the survey was introduced to the respondents as GAO's study of ATF. Given this context, it is likely that reasons related to ATF were more completely reported than were other reasons. We tried to partially balance this potential problem by probing for additional reasons after the respondents answered the question. Finally, our results apply only to licenses expiring

between October 1, 1994, and March 31, 1995. However, we have no reason to believe that these results would be any different for any other 6-month period since the implementation of the relevant legislative and policy changes.

In this report the 56 sample interviews have been used to provide estimates of the characteristics of the population of all licenses that expired during this period. All such sample results are subject to sampling error. This occurs because the sample results are likely to differ to some extent from the results that would have been obtained if all individuals in the universe had been contacted. The sizes of sampling errors depend largely on the completed sample size and the amount of variability in the data. In this report, all estimates have 95 percent confidence intervals of no more than plus or minus 14 percent. This means that, if we drew repeated samples from the entire study population, 19 out of 20 samples would produce estimates within 14 percent of the true proportion of the total population.

In addition to the reported sampling errors, any survey may be subject to nonsampling errors. For example, differences in how a particular question is interpreted, in the sources of information that are available to respondents, or in the types of people who do not respond can introduce unwanted variability into survey results. To minimize nonsampling errors, we took several steps in developing and conducting the survey. We discussed the wording of our questions with ATF officials before finalizing the survey form. Interviewers were told to ask the questions as written, and follow-up questions were provided for the interviewers. In addition, a tentative list of reasons for expiration of licenses was provided on the interview form to facilitate the systematic interpretation of the open-ended responses. The completed survey forms were reviewed by two of our analysts, and all counts of responses were checked independently.

To obtain information on whether ATF had a policy to reduce the number of firearms dealer licensees, we reviewed ATF documents—memoranda, ATF briefs (which outline annual program requirements), annual operating plans and reports, issue papers, briefing papers, and firearms dealer application forms and standardized letters—and interviewed ATF officials. In particular, we spoke with the headquarters officials responsible for developing regulatory policy and strategies and field officials responsible for implementing them.

Appendix I
Objectives, Scope, and Methodology

To obtain information on the advantages and disadvantages of reducing the number of firearms dealers, we obtained the views of representatives of the same seven organizations previously discussed and further described in appendix VI.

Number of Federally Licensed Firearms Dealers Fiscal Years 1975 Through 1995

Fiscal year ending	Type 01^a	Type 02^b	Total
1975	146,429	2,813	149,242
1976	150,767	2,882	153,649
1977	157,463	2,943	160,406
1978	152,681	3,113	155,794
1979	153,861	3,388	157,249
1980	155,690	3,608	159,298
1981	168,301	4,308	172,609
1982	184,840	5,002	189,842
1983	200,342	5,388	205,730
1984	195,847	5,140	200,987
1985	219,366	6,207	225,573
1986	235,393	6,998	242,391
1987	230,888	7,316	238,204
1988	239,637	8,261	247,898
1989	231,442	8,626	240,068
1990	235,684	9,029	244,713
1991	241,706	9,625	251,331
1992	248,155	10,452	258,607
1993	246,984	10,958	257,942^c
1994	213,734	10,872	224,606
1995	158,240	10,155	168,395

^aThis type of license is issued to dealers and gunsmiths.

^bThis type of license is issued to pawnbrokers.

^cThe number of firearms dealers peaked in April 1993 at 260,703.

Source: ATF.

Data on All Categories of Federal Firearms Licenses and Applications, Fiscal Years 1975 Through 1995

Fiscal year ending	Licenses				Applications					
	Issued		Revoked	Voluntarily surrendered	Denied		Withdrawn		Abandoned	
	Original	Renewal			Original	Renewal	Original	Renewal	Original	Renewal
1975	29,183	138,719	7	N/A	150	273	1,651	334	N/A	N/A
1976	29,511	138,050	6	N/A	209	261	2,077	436	N/A	N/A
1977	32,560	136,629	10	N/A	216	207	1,645	409	N/A	N/A
1978	29,531	139,383	0	N/A	151	168	1,015	141	414	449
1979	32,678	143,021	12	N/A	124	93	432	240	433	942
1980	36,052	143,527	10	N/A	96	31	601	336	661	800
1981	41,798	152,153	7	N/A	85	16	742	385	329	495
1982	44,745	161,390	4	N/A	52	12	580	332	370	350
1983	49,669	163,386	6	N/A	151	48	916	514	649	700
1984	39,321	163,950	9	N/A	98	23	706	449	833	825
1985	37,385	52,768 ^a	18	N/A	103	9	666	226	598	307
1986	42,842	47,648	27	N/A	299	14	698	135	452	181
1987	36,835	61,596	14	N/A	121	38	874	428	458	225
1988	32,724	52,738	4	N/A	30	19	506	422	315	182
1989	34,318	54,892	12	N/A	34	14	561	1,456 ^b	360	215
1990	34,336	61,536	9	N/A	46	29	893	48	404	63
1991	34,567	57,327	17	N/A	37	15	1,059	82	685	106
1992	37,085	58,873	24	N/A	57	4	1,337	26	611	88
1993	41,545	66,811	26	N/A	343	53	6,030	1,187	1,844	683
1994	25,393	37,079	44	4,936	136	191	4,480	1,128	3,917	969
1995	7,777	19,541	35	2,657	49	65	1,046	1,077	1,180	1,254

N/A = ATF did not maintain data.

^aATF switched from 1-year to 3-year renewals in 1985.

^bAccording to ATF, this number is due to a clean-up of three regional offices' firearms files that were transferred to the Firearms and Explosives Licensing Center in 1989. Also, 1989 was the renewal year for the 3-year ammunition-only licenses issued in 1986, prior to a change in the law eliminating the need for a license to deal in ammunition only. These licensees were advised to withdraw their renewal applications.

Source: ATF.

President's Memorandum on Gun Dealer Licensing

THE WHITE HOUSE

WASHINGTON

August 11, 1993

MEMORANDUM FOR THE SECRETARY OF THE TREASURY

SUBJECT: Gun Dealer Licensing

A major problem facing the Nation today is the ease with which criminals, the mentally deranged, and even children can acquire firearms. The gruesome consequences of this ready availability of guns is found in the senseless violence occurring throughout the country with numbing regularity. While there is not one solution to the plague of gun-related violence, there is more than sufficient evidence indicating that a major part of the problem involves the present system of gun dealer licensing, which encourages a flourishing criminal market in guns.

The Gun Control Act of 1968 established a licensing system for persons engaged in businesses of manufacturing, importing, and dealing in firearms. These licensees are allowed to ship firearms in interstate commerce among themselves, and are required to abide by State laws and local ordinances in their sale of firearms to non-licensees. They are also prohibited from selling firearms to felons, certain other classes of persons, and generally to out of state persons. This Act also established a comprehensive record-keeping system and authorized the Secretary to conduct inspections to ensure compliance with the Act. The statutory qualifications for a licensee are that the applicant is at least 21 years of age, is not a felon or other person prohibited from possessing firearms, has not willfully violated the Gun Control Act, and has premises from which he intends to conduct business. The license fee for a basic dealer's license is only \$10 a year.

The minimal qualification standards of the statute, coupled with policies of neglect and opposition to legitimate regulatory efforts by past Administrations, leave us with a situation where in some ways we have made it easier to get a license to sell guns than it is to get and keep a driver's license. Today there are in excess of 287,000 Federal firearms licensees, and a great number of these persons probably should not be licensed. The Bureau of Alcohol, Tobacco and Firearms (ATF) estimates that only about 30 percent of these are bona fide storefront gun dealers. ATF estimates that probably 40 percent of the

Appendix IV
President's Memorandum on Gun Dealer
Licensing

2

licensees conduct no business at all, and are simply persons who use the license to obtain the benefits of trading interstate and buying guns at wholesale. The remaining 30 percent of licensees engage in a limited level of business, typically out of private residences. While the Federal statute creates no minimum level of business activity to qualify for a license, many of the licensees in this category operate in violation of State and local licensing, taxing, and other business-related laws. Since the overall purpose of the Gun Control Act was to assist State and local gun control efforts, at the very least we need to coordinate the Federal licensing process with the appropriate State and local agencies.

This Administration is committed to doing more to prevent this criminal market in illegal guns from continuing to flourish. Since all new firearms used in crime have at some point passed through the legitimate distribution system, Federal firearms licenses represent the first line of defense in our efforts to keep guns out of the hands of criminals.

Accordingly, you have informed me that you will direct the Department of the Treasury and ATF to take whatever steps are necessary, to the extent permitted by law, to ensure compliance with present licensing requirements, such as:

- (a) improving the thoroughness and effectiveness of background checks in screening dealer license applicants;
- (b) revising the application process to require the applicant to supply all information relevant to establishing qualification for a license, and to require more reliable forms of identification of the applicant, such as fingerprinting, to assist in identifying an applicant's criminal or other disqualifying history;
- (c) making the "premises" requirement of the statute more meaningful by increasing field checks and the use of other procedures to verify compliance;
- (d) increasing the scrutiny of licensees' multiple handgun sales reports and providing automated access to multiple sales report information by serial number for firearms trace purposes;
- (e) requiring dealers to obtain more reliable identification from purchasers;
- (f) reviewing sanctioning policies to determine the feasibility and desirability of adding the option of license suspension for certain violations;

Appendix IV
President's Memorandum on Gun Dealer
Licensing

3

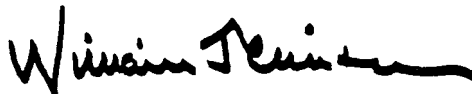
(g) expanding the use of cooperative agreements with State and local law enforcement agencies to address licensing and trafficking problems;

(h) expanding ATF's capabilities to utilize effectively the firearms transaction records of out-of-business licensees for tracing purposes through the use of automation and other technology.

Acting pursuant to your statutory authority, you shall make such determinations and issue orders, regulations and rulings, as appropriate, to achieve the objectives stated in this memorandum.

I further direct that you initiate these actions as soon as possible and report your progress implementing these and other measures consistent with the foregoing to me within 90 days and annually thereafter.

All Executive agencies shall, to the extent permitted by law, cooperate with and assist you in carrying out the objectives of this memorandum. You shall consult with the Attorney General, the Director of National Drug Control Policy, and other Executive agencies as necessary to coordinate and implement the objective of this memorandum. To the maximum extent possible, the Attorney General, through the Office of Justice Programs, Bureau of Justice Assistance, will expand support to State and local agencies working with ATF on joint projects relating to licensing and trafficking in firearms. Nothing in this memorandum shall be construed to require actions contrary to applicable provisions of the law. You are hereby authorized and directed to publish this memorandum in the Federal Register.



Remarks of the Secretary of the Treasury on Gun Dealer Licensing

TREASURY NEWS



Department of the Treasury

Washington, D.C.

Telephone 202-622-2960

FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
January 4, 1994

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
FEDERAL LAW ENFORCEMENT TRAINING CENTER AWARDS CEREMONY
WASHINGTON, D.C.

Somebody figured out I gave 180 speeches last year, and I figured out it was about 100 too many.

But I told my staff that the first speech I give in 1994 must be on crime. I hope you see symbolism in that, because this year crime is a priority for me personally, and for us at Treasury.

I'm going to be working closely with Janet Reno, and Congress -- Steny Hoyer is here, and we'll be working at the state and local levels. Today, I had breakfast at ATF with heads of the nation's law enforcement organizations -- they're here now, and I appreciate your coming.

Now, I've learned when you're Secretary of the Treasury and you discuss monetary policy, or a new tax program, you have to be careful because Treasury Secretaries can take the price of the dollar or the price of stock, up or down.

But when you're the Secretary of the Treasury and you say something about crime -- well, that's another matter. Not a lot of people even know we're into law enforcement.

Do you know how I can tell? My mail. When people write to me and say "don't raise my taxes" they begin the letter: "Dear Mr. Secretary." When they write to say "stop crime," the letters start: "Dear Senator Bentsen!"

Well, I don't vote anymore. Here, we enforce what's on the books. If you take out IRS from Treasury, 63 percent of our staff is law enforcement.

We also can propose changes and initiatives -- and I'll do some of that, especially insofar as ATF is concerned. In the coming months, we'll make more suggestions.

LB-580

Appendix V
Remarks of the Secretary of the Treasury on
Gun Dealer Licensing

-2-

First, let me tell you a story someone on the staff told me about his wife. She went back to teaching this fall after taking off several years to raise their kids. First week in her classroom she noticed a blind was always drawn. She wanted to brighten the place for the kids, so she pulled the blind up -- and in the window were bullet holes.

I think back late last year, to when Walter Annenberg was at the White House with the President to announce his generous gift to public education. And what hit me was why he gave the money -- violence.

Do you think that Johns Hopkins, or James Duke, or Leland Stanford gave their gifts and built their great institutions of higher learning because of violence?

Here we are, the country that invented public high schools, the democratic society that wanted to make sure none of our kids were cheated out of an education, and now we're letting violence endanger innocent children.

It comes down to one word: guns.

I'm a gun owner -- been one all my life. Still have the .45 I used when I crashed in Yugoslavia in a B-24. And I'm a hunter -- went quail hunting two weeks ago.

But when I went to school, students didn't walk in with fingers on a trigger. Now in Texas a young adult is more likely to die from gunfire than from a traffic accident. Think about that.

We have over 200 million guns. Every 10 seconds a gun rolls off an assembly line. Every 11 seconds we import a gun. Last week a plane landed in Columbus, Ohio -- brought in 19,000 guns -- from Russia.

All these guns -- yet we haven't had a war going on inside this country for 129 years.

One of our responsibilities at ATF is to license firearms dealers. Let me explain our problem. There are 284,000 gun dealers -- 31 times more gun dealers than there are McDonald's restaurants.

Why so many? It's cheap. Best bargain in town.

A new license costs \$66 a year, even though it costs the taxpayer about \$600 a year per license. And up until the President signed the Brady Bill, it was only \$10 a year for a license.

Appendix V
Remarks of the Secretary of the Treasury on
Gun Dealer Licensing

-3-

To sell liquor in the five boroughs of New York, it costs \$5,200 for a three-year license. To teach Spanish and history in New York, it costs \$200 for a teacher's certificate. But to sell guns in New York, it's only \$66. I spend more than that taking my wife to a Broadway show.

That isn't just ridiculous. That goes all the way to reckless.

The fee under the Brady Bill has gone up -- but my friends, it's not enough.

It may stop some people from getting a firearms license. Many people get licenses -- not to sell firearms -- but to buy them cheap, for themselves. They can plop down \$66, call themselves a wholesaler, and buy direct from the manufacturer -- so instead of having to pay, say, \$400, they pay \$250.

We've done studies at ATF, and found 45 percent of licensed dealers don't acquire any firearms. Another 36 percent acquire less than 10 a year. I can tell you that you don't rent retail space to sell 10 guns. You do that out of your kitchen or your car trunk.

In the District of Columbia, there are 49 licensed firearm dealers -- but not one sells handguns. They can't. It's against the law. You see, under federal law, ATF must go ahead and license the dealers, but it's against the District's law to sell handguns. Now, is that a crazy system -- or what?

Who loses in all this? The actual dealers. The taxpayers. ATF.

John Magaw has 240 field inspectors dedicated to inspecting applicants -- and you tell me how 240 people can monitor and inspect 284,000 current licensees and the 3,000 new applicants we're getting in per month?

Now I never met a law enforcement officer who didn't tell me they needed more money, more resources, and more cops. It's tough to come up with resources, when we have a shrinking budget and the President is committed to reducing the deficit and the Vice President is committed to efficient government. It's a difficult time to get through new initiatives.

But spending isn't always the answer -- not when the problem is the system itself, or the laws on the books. Sometimes, good old common horse sense ought to be the answer.

One other thing -- I'm not up here pretending these initiatives will solve all our violence. Back in 1968, Congress passed a gun bill that set forth the licensing system, right after Martin Luther King and Robert Kennedy were killed. It hasn't stopped the violence, because there's an awful lot we don't know.

Appendix V
Remarks of the Secretary of the Treasury on
Gun Dealer Licensing

-4-

Some things we don't know because ATF is prohibited from collecting information.

And we don't know where these guns are all coming from. If I drew a big circle, maybe one third of the guns criminals get are from licensed dealers. Then there's the other two-thirds. The off-the-street-sales; the criminals who trade drugs for guns, or who pick them up during burglaries; the black market; the flea markets; or the kids who get them from their parents. No law enforcers -- not 400, not 4,000, not 400,000 -- can stop that.

The men and women of Treasury are doing their best, giving everything they have to come up with new answers. I've sent a four-part anti-violence initiative to the President. Some parts will require legislation. Some will require funds from the Crime Bill. Some I'll direct Ron Noble to initiate immediately. In fact, some things, we've started already.

Let me run you through the initiatives.

First is ATF Law Enforcement. It starts with the Brady Bill. When it takes effect the 28th of February, we'll be ready.

It's our job to draft and implement the regulations, and I can tell you that through the holidays, the midnight oil kept burning at ATF. We're also developing new forms for compliance, and putting plans in place to notify and educate all parties affected by the law.

And we're trying to answer the big question: "Where's the money to do these background examinations?" ATF is developing a model local agents can use to recoup the costs through a user fee.

In addition, I'm directing ATF to identify all gun dealers for the local police.

Today, I've also directed ATF to begin a program that addresses specific gun trafficking patterns in the 10 counties in this country with the biggest crime problems. They account for 23 percent of the nation's felonies.

They are Los Angeles, Orange, and San Diego Counties, in California; Cook County, Illinois; Harris and Dallas Counties, in Texas; Maricopa County, Arizona; Wayne County, Michigan; Dade County, Florida; and New York City.

We also have some good programs that we'd like to focus our attention on.

Appendix V
Remarks of the Secretary of the Treasury on
Gun Dealer Licensing

-5-

Specifically, Project Uptown, which addresses the use of firearms in housing developments. ATF started this in New York City, and we moved into Baltimore last year. The Achilles program is another one. Here we're going after the shooters -- the armed career criminals in the highest crime precincts in the country. Criminals who commit, on average, three crimes a week with a firearm.

One other thing: I believe the most important tools officers have aren't the ones they carry or load. It's the one between their ears. As we put 100,000 new officers on the streets, Treasury's Federal Law Enforcement Training Center must be ready to assist state and local police in training them.

The second initiative is Federal Firearms License reform. It makes no sense to have 284,000 gun dealers. If we think the best way to lock up criminals is having ATF inspectors spend all day issuing licenses, we should be the ones locked up.

We don't want to get rid of the actual dealers -- just everybody else. It's time to change.

We'll ask that the licensing fee be raised to \$600 annually. This should eliminate 200,000 dealers, leaving only the actual ones in place. And it will end the defacto taxpayer subsidizing of the gun business.

We've started eliminating gun dealers in New York on a pilot basis. Working with the local police, they set up a new screening and investigative process for firearm license applications.

They've met with success. Since the project began, 90 percent of applications have been either withdrawn or denied. Before, 90 percent were granted.

But let's not be naive about this. A gun on New York's black market costs four times more than in Virginia. So, where do you think most of the guns in New York come from? Virginia.

In two weeks I'm going to China, where guns were invented. I read something interesting -- it took those guns from China 50 years before they made their way to Europe. Now, every five minutes we worry about weapons proliferation -- interstate.

We also support Senator Simon's amendment on the Crime Bill, and want to see it strengthened as it makes its way through the House. My friend Paul Simon has been a leader on this issue for some time.

Appendix V
Remarks of the Secretary of the Treasury on
Gun Dealer Licensing

-6-

Specifically, we want ATF to have more discretion in granting licenses. We don't want to keep licensing gun dealers to do something that violates local laws. We want to change the law so that if a dealer is convicted of a felony his license is immediately suspended or revoked -- even if an appeal is pending. And we want dealers to provide us with more timely access to recorded information when we need it for an investigation.

Most dealers are helpful. But there are always some, like the one who tells our agents: "Sure, you can see my records, between the hours of 2 and 5 on a Sunday morning." They're not stopping in to say "hi" and have a cup of coffee. Somebody has been shot -- and they need information -- and now.

The third initiative is intelligence, cracking down on the illicit gun market. A useful tool to all law enforcement officers is when ATF traces firearms. We now do 50,000 traces a year.

It takes special expertise to initiate a trace, and not just for firearms, but explosives. I think back one year ago, when an ATF agent found in a pile of rubble a vehicle identification number on a van, and that led to the suspects in the World Trade Center bombing.

Or the bombing last week in Rochester -- ATF agents traced that one down within hours.

To further strengthen our efforts in this regard, we're drafting legislation requiring a permit for purchase of any explosive materials and making the theft of any such explosives a felony.

On guns, if everything goes right, ATF can do a priority trace in minutes. ATF traced John Hinckly's gun in 16 minutes.

It took five hours to trace the gun of the Long Island subway shooter. Now police caught that gunman, but let's say they hadn't -- and he had escaped, but he had dropped his gun. A trace would have provided essential intelligence.

And traces are extremely important in cracking down on the source of weapons, including the sources for our juveniles.

So today I'm asking ATF to beef up its National Tracing Center, so that they can computerize records that now sit in a warehouse.

We'll also seek changes in the law. We'll try to make it a felony if a dealer willfully fails to maintain required records or falsifies records. And we want to require dealers to report any lost or stolen firearms within 24 hours.

Appendix V
Remarks of the Secretary of the Treasury on
Gun Dealer Licensing

-7-

One more program under this initiative is called Ceasefire, which is being tested in the District of Columbia. This uses high-tech computer systems to inventory, identify, and match bullet projectiles, much like fingerprint systems. We can take the bullets from unrelated crime scenes and determine if the same gun was used, even if we have not yet recovered the gun.

The fourth and final initiative is crime prevention. Here, we want to continue our GREAT program. GREAT stands for the Gang Resistance Education and Training Program.

ATF agents instruct local officers how to go into schools and convince seventh, fourth, and third graders that drugs and gangs are bad.

People who complain that government is stale ought to talk to Senator DeConcini. He was the architect of GREAT, and he can introduce you to youngsters who walked away from gangs because of this.

Now, all of the initiatives I announced today -- these targeted, tested programs -- add up to \$81 million; \$71 million is provided for in the Senate-passed version of the crime bill, which we support; \$10 million will come from a combination of existing and new resources in the President's '95 budget.

Let me end with this. As much as the President and I think of these initiatives, we won't stop violence until we fix some societal problems.

I know Treasury law enforcement people understand that. After they put 50 or 60 hours in, I hear stories of hundreds of them going back to the communities they serve as volunteers in our Project Outreach program. They mentor and they become role models to the unluckier kids who have no father or mother at home. They know, we have to help children, one child at a time.

Or I look to those programs businessmen and communities across the country are doing -- trying to get guns and ammunition off the streets, one gun at a time.

We're making progress, but we have tens of millions of guns to go.

So, we want to move forward with these initiatives, we want to keep working with Justice, with Congress, and with state and local agencies.

We just want to make it harder for the criminal to get guns, and easier for us to find criminals who use them.

-30-

Description of Organizations Contacted by GAO

American Shooting Sports Council, Inc.

The American Shooting Sports Council represents the firearms industry and interested individuals. The Council promotes the sport of shooting and lobbies on firearms issues. The Council has about 350 members and is headquartered in Atlanta, GA.

Handgun Control, Inc.

Handgun Control, Inc., is a public citizens lobby organization working for legislative controls and governmental regulation on the manufacture, importation, sale, transfer, and civilian possession of guns. The organization has about 400,000 members and is headquartered in Washington, D.C.

The Center to Prevent Handgun Violence is a nonprofit education, research, and legal advocacy organization established in 1983 to reduce handgun violence. The Center is an affiliate of Handgun Control, Inc. They work closely with one another to disseminate information on handgun violence.

International Association of Chiefs of Police

The International Association of Chiefs of Police is an organization of police executives who are commissioners, superintendents, chiefs, and directors of national, state, provincial, and municipal departments. The organization provides leadership, support, and research services in all phases of law enforcement activity. This nonprofit organization has about 14,500 members from 81 countries and is headquartered in Alexandria, VA.

National Alliance of Stocking Gun Dealers, Inc.

The National Alliance of Stocking Gun Dealers is a trade organization representing independent, storefront shooting sports dealers, distributors, and manufacturers. The Alliance has about 16,300 members and is headquartered in Havelock, NC.

National Association of Federally Licensed Firearms Dealers

The National Association of Federally Licensed Firearms Dealers is a trade association representing individuals licensed by the federal government to sell firearms. The Association provides firearms retailers with low-cost liability insurance, current information on new products for the industry, and retail business guidance. It has about 10,000 members and is headquartered in Fort Lauderdale, FL.

**National Rifle
Association**

The National Rifle Association of America is a nonprofit sports organization representing target shooters, hunters, gun collectors, gunsmiths, police officers, and others interested in firearms. The Association promotes the rights of individuals to possess and use firearms, promotes shooting sports and firearms safety, and encourages civilian marksmanship. It has about 3.2 million members and is headquartered in Fairfax, VA.

**Violence Policy
Center**

The Violence Policy Center is a national nonprofit educational foundation that conducts research on violence in America and works to develop violence-reduction policies and proposals. The Center examines the role of firearms in America, conducts research on firearms violence, and explores new ways to decrease it. The Center is headquartered in Washington, D.C.

GAO Telephone Survey of Former Firearms Dealer Licensees

GAO Phone Survey of Out-of-Business Dealers (10/95)

[Complete one form for every sample list I.D. #]

Source of Correct Phone Number (GAO list, directory assistance, etc.): _____
Total Number of Minutes Spent Conducting Interview: _____
Number of Attempted Calls to achieve final disposition: _____
Final Disposition (completed, couldn't locate, etc.): _____
Other Comments (including failed attempts): _____

[Place label here.]

Hello. May I speak with _____.

[After person is on the line:] I am _____, with the United States General Accounting Office, an organization that does work for the Congress. Congress has asked us to examine the ways federal firearms sales licenses are administered by the Bureau of Alcohol, Tobacco, and Firearms. We are particularly interested in the experiences and opinions of people who have held federal firearms licenses. We understand that you have held a license and might be able to help us. May I ask you a few very brief questions?

(1) Have you had a federal firearms license at anytime in the past five years?

_____ Yes (Go to #2)
_____ No (Check I.D. information to make sure this is the correct person) (End interview if correct person)

(2) Do you currently have a federal firearms license? _____ Yes (Go to #3)
_____ No (Go to #4)

(3) Do you know when you last renewed it, or when it will expire?

(End : "Since we are primarily interested in information from dealers who have gone out of business, this concludes our interview. Thank you very much for your time and assistance.")

(4) When did your license expire? _____

Appendix VII
GAO Telephone Survey of Former Firearms
Dealer Licensees

(6) Other than what you have just told me, were there any other reasons why your license expired or was not renewed? _____ No _____ Yes

Interviewer: Write responses word-for-word. Slow down respondent if necessary. Probe to assure that you understand the reason or reasons fully. For example, if the respondent says "regulations," ask which ones, and determine if federal, state, or local; if they say "too much paperwork," ask which paperwork. Be certain of your understanding before placing a check by one or more of the following categories:

- ___ increased fee for federal firearms license
- ___ other federal requirements (such as fingerprinting, diagram, or photo)
(Specify: _____)
- ___ state or local regulations/laws (such as zoning restrictions)
- ___ complex forms for renewal process for F.F.L.
- ___ burden of A.T.F. inspections
- ___ another reason (specify) _____

Paraphrase your understanding of the response, to make sure you have captured it correctly: "I want to be sure I am understanding you correctly. Are you saying that....".

**Appendix VII
GAO Telephone Survey of Former Firearms
Dealer Licensees**

(7) I have one other question to help us understand the responses from different types of dealers. When you had your federal firearms license, about how many firearms would you say you sold in an average year?

[Interviewer: If respondent is a gunsmith or gun repairer, ask the following question in addition to the above: "How many guns did you repair or smith in an average year?"]

(8) Is there anything else you would like to tell us about the licensing or inspection process, or about the Bureau of Alcohol, Tobacco, and Firearms?

Thank you very much for your time. Goodbye.

Major Contributors to This Report

General Government Division, Washington, D.C.

Daniel C. Harris, Project Director
Samuel A. Caldron, Project Manager
Carolyn S. Ikeda, Senior Evaluator
Barry J. Seltser, Supervisory Social Science Analyst
Joanne M. Parker, Senior Social Science Analyst
James M. Fields, Senior Statistician
Bonita J. Vines, Computer Specialist
Pamela V. Williams, Communications Analyst
Katherine M. Wheeler, Publishing Advisor

Dallas Field Office

Christopher H. Conrad, Senior Evaluator
Frederick T. Lyles, Jr., Evaluator

Los Angeles Field Office

Richard R. Griswold, Senior Evaluator
James R. Russell, Evaluator

Office of the General Counsel, Washington, D.C.

Jan B. Montgomery, Assistant General Counsel
Geoffrey R. Hamilton, Senior Attorney
Sandy Ballou, Legal Extern

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

