



DEPARTMENT OF THE TREASURY
WASHINGTON

OCT 8 1993

Mr. Jose Cerda
Senior Policy Analyst
The White House
Washington, D.C. 20500

Dear Jose,

When we met in your office to discuss the assault pistol provisions in the President's anti-crime initiative, you asked this Office for suggestions on how to control gun violence without requiring legislation. In response, I am enclosing a memo addressing this issue. The memo incorporates input from ATF, our General Counsel, and the Director of Treasury's Project Outreach. Through Project Outreach, Ron Noble and I are forging a law-enforcement wide initiative (that may be expanded beyond enforcement) to encourage our federal employees to volunteer their time and efforts working with youth in targeted communities.

I hope you find our recommendations helpful. If you have any questions or wish further information, please feel free to contact me at (202) 622-0200.

Sincerely,

A handwritten signature in cursive script, reading "Faith S. Hochberg", followed by a horizontal line.

Faith S. Hochberg
Deputy Assistant Secretary
(Law Enforcement)

Enclosure



DEPARTMENT OF THE TREASURY

WASHINGTON

OCT 8 1993

MEMORANDUM FOR JOSE CERDA
(SENIOR POLICY ANALYST)

FROM:

FAITH S. HOCHBERG *F. S. Hochberg*
DEPUTY ASSISTANT SECRETARY (LAW ENFORCEMENT)

SUBJECT:

Treasury Firearms Proposals

In response to your request, the Office of the Assistant Secretary of the Treasury for Enforcement offers the following recommendations for consideration in the Administration's attack on the problem of gun violence. Along with more traditional legislative and regulatory solutions, I suggest that the Administration support community-based, demand reduction programs that can begin to eliminate the problem at its source. These programs seek to change the behavior and outlook of the youth who traditionally engage in violence. We also recommend that the Administration support certain cooperative endeavors between Federal and State law enforcement agencies as a means of enhancing the exchange of valuable information and skills. It is our belief that a proactive approach, incorporating the proposals outlined below, will involve the American people in the firearms debate, and as a result, generate significant support for future legislation.

I. COMMUNITY BASED ANTI-CRIME INITIATIVES

A. PROJECT OUTREACH

Our families and communities are being torn apart by drug and gun related crimes. U.S. law enforcement agencies have worked valiantly and successfully to reduce the availability of drugs and firearms, but supply is only one part of the problem and consequently only one piece of the solution. Equally responsible for the continued proliferation of guns and drugs is the demand for them arising from the perception that they offer an "easy way out." Young adults who lack other sources of strength use guns to enhance their abilities -- power, virility, self-esteem.

Project Outreach is Treasury's volunteer program through which Department employees can join with local communities to reduce youths' attraction to the drugs and guns that lead to

violent crime and community upheaval. Recognizing that environmental problems -- poverty, unemployment and community disillusionment -- can lead young people down the wrong path, Outreach pairs Treasury volunteers with at-risk children. The goals of Project Outreach are to teach these young people to control their own destiny and to resolve conflicts without resorting to violence, drugs or gang membership. Project Outreach symbolizes the Treasury Department's commitment to strengthening our children by supporting partnerships between public and private communities.

In the past few weeks, Treasury has assembled a coalition of Federal, State and local officials, as well as private sector organizations, to work together to eliminate drugs and guns from our communities and to address the associated social ills. Each coalition member has agreed to work with Treasury to pool resources for use in targeted communities. This coalition strategy offers communities valuable human resources -- not a federal grant -- but rather a partnership between public and private actors with a common goal to strengthen our communities and our youth. Outreach is reaching beyond Treasury to other large government agencies to tap the individual desires of so many Federal employees to give back more than just their 8-hour days.

Project Outreach can serve as a core for the Administration's messages against guns, violence and drugs. By sharing valuable and positive human life experiences with our nation's youth, Outreach hopes to affect the behavior of young people and reduce their need for guns and drugs and the violence which is the deadly result of that combination.

B. GANG RESISTANCE AND EDUCATION TRAINING (GREAT)

The senseless violence reflected by the current youth gang epidemic is one of the most urgent crime problems today. From the first, ATF has provided State and local agencies leadership and assistance in fighting gang violence from an investigative and prosecution perspective. Although existing criminal conduct must be prosecuted aggressively, any long term solution must include efforts to discourage gang participation before it starts. To this end, ATF has established pilot task forces known as gang resistance education and training (GREAT). The first task force was located in Phoenix, Arizona, and the program was recently expanded to Albuquerque, New Mexico, and Honolulu, Hawaii, but it needs to go into cities with even greater gang-related problems such as Wichita, Kansas, as well as right here in Washington, D.C. The GREAT program began in fiscal year 1992 and utilizes the skills of Federal, State, and local law enforcement agents to educate young elementary school students in gang-prone areas about the destructive consequences of gang membership. Funding for these

three pilot programs is currently provided in ATF's appropriation. The funds are available for ATF to work with existing State and local youth intervention and community-based organizations. Thus far, the GREAT program has been praised for its positive approach to the youth gang problem, its effectiveness in addressing the problem before it develops, and as a model of Federal/State and local cooperation.

In order to increase its effectiveness, the GREAT program should be expanded to link the lessons taught in school to other community-based programs; for example, GREAT should provide gang awareness training to local police officers, clergy and community leaders. It is critical to reach far beyond the lessons learned by children during school hours. This initiative is consistent with the President's commitment to community-based police programs and the funding of additional police officers.

C. COOPERATIVE AGREEMENTS BETWEEN STATE AND LOCAL LAW ENFORCEMENT ON FIREARMS INITIATIVES

ATF has entered into cooperative agreements with various State and local law enforcement agencies in Virginia, the District of Columbia, and in the New York metropolitan area to address gun control problems. State and local participation in the projects are funded by grants from the Department of Justice's Office of Justice Programs, Bureau of Justice Assistance (BJA).

The agreements entered into with Virginia law enforcement agencies and D.C. police call for joint task force operations addressing gun trafficking. The program also includes special training on gun-trafficking topics. Funding from the BJA grants pays the salaries and operating expenses of State and local officers assigned to the task force.

The New York agreement focuses on firearms licensing issues and provides funding for the New York City Police Department to participate in a joint effort to screen and investigate applications for federal firearms licenses in New York City. Again, funding for the NYPD participation is provided by the BJA grant.

These cooperative efforts between ATF and its State and local counterparts provide an ideal way to bring maximum effort to bear on various firearms problems. Because the programs fund personnel costs of State and local participants, they are consistent with the President's pledge to provide Federal support for 100,000 additional police officers, and it does so in a manner tailored to the specific violent crime problems in different localities.

D. State and Local Gun Control Handbook

State and local law enforcement officials have complained that they lack information describing their colleagues' efforts to combat the problem of firearms. As homicide rates continue to rise in urban communities, and as suburban communities begin to experience a rapid growth in violence, States will look to the Federal government for answers. The Administration should take a proactive approach to this problem by preparing and disseminating a directory of State and local gun control efforts.

The Bureau of Justice Assistance (BJA) should be asked to fund a study of state and local initiatives aimed at banning or limiting the distribution of firearms. As part of the survey, BJA could obtain and include samples of regulations and legislation.

The completed directory could then be distributed to each statehouse, city hall and county in the country. This handbook would become an invaluable reference tool for Governors, State Legislators, Mayors and county officials who seek ideas for addressing firearm problems.

E. Determining the Source of Seized Arms

Although counties may experience their own patterns of firearms flow, that flow is often the product of a larger pattern involving other counties and/or states. Because counties have limited capacity to see beyond their own jurisdictional boundaries, they may not understand how their patterns overlap with other jurisdictions. BATF has the capacity to develop the bigger picture, and it can share that information with states and counties and help them disrupt the flow of firearms into the hand of criminals.

Fully 20% of all felonies in the U.S. occur in only ten counties, nationwide. States should be encouraged to focus their energy on these counties. Given this data, states can determine (with the help of ATF) how criminals in each of these ten geographic areas obtain firearms. Together, ATF and local authorities can identify individual vendors with a statistical propensity to sell to criminals. Our theory is that gun sales to criminals will be concentrated in a small number of vendors. After identifying the vendors, efforts can be focused on disrupting the supply chain through dismantlement, regulation and legislation.

The patterns and information gleaned from this focused approach could undoubtedly be duplicated in the next 65 counties that account for 30% of the felony workload.

Funding of this cooperative network could be provided by grants from the Department of Justice's Office of Justice Programs, Bureau of Justice Assistance (BJA).

II. FIREARMS LEGISLATION

The Administration has already pledged support for the Brady Bill, and its passage this session appears likely. Although additional gun control legislation will continue to face strong opposition in Congress, several pending initiatives deserve support.

A. S. 639, "The Antidrug Assault Weapons Limitation Act of 1993"

Sponsored by Senator DeConcini and twice passed by the Senate, this assault weapons bill would make the importation, transfer, shipment, and receipt of new assault weapons unlawful. While this bill is not ideal, because of its narrow definition of "assault" weapon, it is the product of careful compromise, and would still place meaningful controls over most assault weapons in circulation today. Last year, Congressman Charles E. Schumer sponsored assault weapon legislation in the House that contained a broader definition of assault weapon. That bill was soundly defeated. This year, Congressman Schumer introduced H.R. 1462, a bill identical to Senator DeConcini's.

B. Firearms Owners Identification Card

Congressman Schumer has approached ATF seeking support for a system that would require purchasers of firearms to possess a special identification card that would only be issued after a complete background check prior to each purchase of a firearm. The system is currently used in Illinois and is considered effective. While the details of this proposal have not yet been fleshed out, Congressman Schumer's efforts warrant further support.

C. License Fees and Qualifications

Current law requires a Federal license to manufacture, import or deal in firearms. Any applicant can obtain a license if he or she 1) is at least 21 years of age, 2) is not a felon or other person prohibited by law from possessing firearms, 3) has not willfully violated the Gun Control Act, 4) and has premises from which he intends to conduct business. In great part because licenses cost only \$10, there are currently over 287,000 licensees, and ATF is receiving as many as 6,000 new applications a month. Only 30% of these licenses are held by bonafide gun dealers. The remaining licensees use their licenses to acquire firearms interstate, and at wholesale prices. In some cases the Federal license is also used to circumvent State or local waiting periods, background checks, and other restrictions imposed on retail firearms transactions.

The problem with the existing system is twofold. First, the sheer number of licensees makes any meaningful regulatory and inspection system almost impossible to enforce. Second, the use of a Federal license as a means of avoiding interstate and local sales restrictions undermines the statute's intent to protect the integrity of State and local gun control measures. Under current licensing standards, a person holding a Federal license can avoid the Brady Bill's waiting period.

On August 11, 1993, the President issued a memorandum to the Secretary acknowledging his support for ATF plans to improve the enforcement of current licensing standards. Implementation of the President's directive, however, is hampered not only by the sheer number of licensees but by the stark contrast between the \$10 licensing fee and the cost of an effective compliance program (ranging from \$375 to \$750 per year per investigation). Consistent with the Vice President's National Performance Review, we support substantial increases in user fees. Raising license fees would not only decrease the number of illegitimate licensees, but serve as a user fee covering the cost of the regulatory process. Tightening qualification standards would allow ATF to deny licenses to persons who primarily intend to use them for personal purposes.

Senator Simon has introduced S. 496, a bill that addresses both of ATF's concerns. Senator Simon's bill would raise the licensing fee to \$750 per year as well as strengthen licensing qualification standards by requiring compliance with State and local laws.

If you have any questions about these suggestions, I would be happy to discuss them further with you.

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

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.

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.

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.

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.

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 lead 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.

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.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

TREASURY DEPARTMENT ANTI-GUN, ANTI-VIOLENCE PROGRAM

The Treasury Department, through the Bureau of Alcohol, Tobacco and Firearms (ATF), has responsibility for enforcing federal gun control laws, regulating the firearms industry, and collecting taxes on firearms and ammunition.

ATF is responsible for the enforcement and administration of federal laws as well as collecting excise taxes (\$14 billion in FY 93) on alcohol, tobacco and firearms. ATF has a staff of 4,300, including 2,100 special agents and 850 compliance inspectors in 26 field offices and 300 subordinate offices and 3 overseas offices, working closely with state and local law enforcement agencies around the country.

There are potentially 200 million firearms in civilian hands in the United States. Nearly four million new firearms enter the marketplace annually. It is estimated that each year, nearly 639,000 Americans will be confronted by a criminal armed with a handgun. Between 130,000 and 270,000 firearms are taken to school every day by juveniles.

Treasury will seek \$10 million to carry out initiatives related to enforcing federal gun control laws and curbing violence from a combination of existing and new resources. Moreover, \$71 million for additional initiatives already is provided for in the Senate-passed crime bill. The Treasury Department will work with the Congress to achieve this level of funding.

Brady Law:

-- The signing of the Brady law on November 30, named after President Reagan's Press Secretary, James Brady, took seven years to enact. The bill requires that all handgun purchasers will undergo a background check before they actually get a handgun. A recent study showed that nearly 30% of criminals in state prisons went to a gun shop to obtain firearms.

-- This is an important improvement in the way guns are sold. Treasury will ensure that implementing regulations are in place by February 28, when the waiting period and background check provisions become effective.

Effective 11/30/93:

- Raises initial fee for federal dealer's or pawnbroker's license from \$10 a year to \$200 for initial three years and \$90 for a three year renewal.

- * Federal Firearms Licensees (FFLs) are required to submit reports to state or local law enforcement agencies when selling two or more handguns in five working days.

- * Common carriers prohibited from placing labels or written notices on packages indicating the packages contain firearms. On interstate or foreign commerce deliveries, the carrier is required to get a written receipt from the recipient of a package containing firearm(s).

- * Penalty for not complying with multiple sales or common carrier provisions by licensee or carrier is not more than five years imprisonment and/or \$250,000 fine.

- * It is a federal felony to steal firearms from the business inventory of a Federal Firearms Licensee (FFL). Penalty: Not more than ten years imprisonment and/or \$250,000 fine.

Effective 2/28/94:

-- Unlawful for Federal Firearms Licensee (FFL) to sell a handgun to nonlicensee unless:

- * obtains statements from purchaser verifying identity and that purchaser is not prohibited from receiving or possessing a firearm.

- * verifies identity of purchaser by examining identification documents required by ATF (e.g. driver's license).

- * notifies "local chief law enforcement officer" within 24 hours with information from buyer. (Note: The Departments of Treasury and Justice are working on the designation of "local chief law enforcement officer". The designee may vary from jurisdiction to jurisdiction.)

- * gives copy of purchaser's statement to "local chief law enforcement officer" within 24 hours.

- * waits five business days before transferring handgun to purchaser.

-- Exceptions:

- * statement from local chief law enforcement officer that handgun needed because of threat to life of purchaser or family.

- * State handgun license issued within past five years and state law requires

that an authorized government official verify that possession of a handgun is not in violation of law.

- * State law requires that an authorized government official verify that available information does not indicate that the transferee's possession would be in violation of law.

- * Handguns approved for transfer under the National Firearms Act.

- * Certification by ATF that compliance is impracticable because the remoteness of the FFL premises in relation to the location of the chief law enforcement officer.

-- Penalties for FFL non-compliance

- * Criminal penalties: Not more than one year imprisonment and/or \$100,000 fine.

- * Administrative action: Revocation of license.

-- The Treasury Department is responsible for implementing Brady law through regulations and enforcement of law as it pertains to licensees, shippers, and purchasers.

-- The Justice Department is responsible for developing a national computerized records system allowing an instant check of purchasers. Waiting period will be replaced by instant check in five years. Justice is also responsible for ensuring police departments comply with time limits on retention of records and receiving certifications of compliance.

-- State and local agencies are responsible for making "a reasonable effort" to determine if purchaser is a prohibited person. Responsible for complying with records retention and certification requirements. Also required to respond in 20 days to a request from a purchaser for the reason they were prohibited from making a purchase. State and local agencies are protected from civil liability arising from failure to prevent a transaction or from preventing a sale to a non-prohibited person.

-- ATF is developing model state and local legislation providing a system for agencies to recoup the cost of the background checks through licensed firearms dealers. There is no provision for federal funds to offset the cost to law enforcement agencies of conducting the checks.

Federal Firearms License Reform

-- Federal law requires that all persons who engage in the business of manufacturing, importing and selling firearms must be licensed by the Bureau of Alcohol, Tobacco and Firearms. The law also requires that persons who obtain such licenses must engage in the business. Licenses must be issued to all applicants who are not prohibited persons, who are 21 years of age and older and who have a premises from which they will conduct such business.

-- Federal law does not require that the licensee be in compliance with state and local laws to obtain a license.

-- Currently, there are over 284,000 licenses. ATF has only 240 inspectors dedicated to the inspection of these licensees to ensure compliance with the law.

-- Over 70% of the persons holding licenses are not engaged in the business as required by law.

-- The Treasury Department is supporting the reforms of the federal firearms licensing program contained in the Senate Crime Bill including:

- requiring the submission of photographs and fingerprints by all applicants to insure adequate identification of applicants.
- requiring certification by applicant of compliance with state and local laws. Applicant for license must certify compliance and be in compliance within 30 days of obtaining a federal license. Chief law enforcement officer must be notified by applicant of intent to conduct a firearms' business.
- ATF required to notify chief state and local law enforcement officers of names and addresses of licenses issued.
- FFL's must respond in 24 hours to ATF requests for information when a firearm is being traced.
- FFL's must report thefts and losses of firearms within 48 hours to ATF and local authorities.

-- The Treasury Department is seeking enhancement of these reforms to include:

- * Raise the license fee to \$600 a year. This matches the cost of issuing the license.
- * Establish immediate revocation of a license upon the felony conviction of the Federal Firearms Licensee (FFL).
- * Establish periodic reports by FFL's ensuring that authorized business operation is occurring.
- * Reform the definition of prohibited person. Currently, the definition is dependent on a myriad of conflicting state statutes.
- * Increase the penalty from a misdemeanor to a felony for willful falsification of records by an FFL.
- * ATF will work with state and local agencies to replicate a successful project in New York City in which local authorities and ATF inspectors are preventing 90% of FFLs from being issued by ensuring full compliance with all applicable laws. Formerly, 90% of license applications were approved.

Intelligence

- It is essential that ATF be able to provide responses to gun trace requests quickly in order to help solve violent crimes. Equally important is that ATF be able to process the intelligence gained from traces to spot illicit trafficking operations and criminal sources of firearms.
- The President has expressed a commitment to support modernization and automation at ATF's National Tracing Center as essential to achieve the full potential of this vital intelligence.
- Legislation (covered under FFL reform) is necessary to allow ATF access to essential information.
- Automation is essential for ATF to be able to realize the full potential of its tracing capability. ATF is statutorily prohibited from maintaining a data base of current business records. However, FFL holders are required to submit

their business records to ATF when they go out of business. These records are currently housed in boxes.

-- Nearly 40% of all traces require ATF to search these retired records from the archives. Information reported on multiple sales and stolen firearms as required in Brady and the crime bill should be automated and integrated into a system useful to law enforcement.

-- ATF is now on-line with the most sophisticated ballistics computer program in the world. Project Ceasefire identifies the markings left on projectiles and cartridge casings and the computer automatically matches identical entries.

-- Expanding this program from the pilot effort in Washington, DC to six additional cities will cost \$5.2 million. These cities are New York, Atlanta, Houston, Los Angeles, Chicago and St. Louis. Expansion of Project Ceasefire will be funded through the Treasury Asset Forfeiture Fund.

Law Enforcement

-- ATF's Achilles Program emphasizes prosecution of the armed recidivist offender. These career criminals, perhaps 15% of the criminal population, account for over 70% of serious crime.

-- In 1986, statutes were passed mandating prison terms ranging from five years to life, without probation or parole, for subjects convicted of using firearms while trafficking in narcotics and for violent career criminals who possess firearms.

-- With the recognition that there is a violent marriage between guns and drug trafficking, ATF committed itself to focusing these statutes in such a way that would make weapons the "Achilles' heel" by which the powerful drug dealers and armed career criminals could be brought down.

-- As part of this program, ATF has special Achilles Task Forces in 22 cities. The task forces, with the help of state and local police, focus their efforts in the highest crime areas. In fiscal year 1993, this program resulted in the prevention of an estimated 220,000 serious crimes at a cost savings to American taxpayers of \$570 million. The Department will develop plans to expand the Achilles Task Forces to additional cities.

-- Project Uptown focuses ATF's jurisdiction into high crime public housing in New York City and Baltimore. It began as a joint effort between ATF and the New York City Housing Authority Police Department, aimed at addressing crime in selected public housing projects. Focusing on armed criminals and

gun wielding drug dealers, the task force was begun in 1989 and has been credited with the nearly 40% decrease in violent crime in New York public housing projects. In 1993, Project Uptown was extended to include a similar joint effort in Baltimore. This program will be expanded to Chicago and New Orleans.

-- ATF will conduct studies of the illicit gun trafficking patterns and trends in the 10 major urban areas where 20% of the nation's sentencings for felony crimes are reported. These areas are:

- Los Angeles, California
- New York City, New York
- Cook County, Illinois
- Harris County, Texas
- San Diego, California
- Orange County, California
- Maricopa County, Arizona
- Wayne County, Michigan
- Dade County, Florida
- Dallas, Texas

-- The Federal Law Enforcement Training Center (FLETC), will develop a training program for rural drug law enforcement officers.

-- New threats to the lives of the public safety officer appear almost daily. Devastating bullets such as the Black Talon and the armor piercing M39B have no place in the open marketplace. Treasury supports language in the Crime Bill to restrict such ammunition, and is working with the Department of Justice to develop a performance standard to be used to ban similar ammunition which may be developed in the future.

Explosives

-- Under current law, explosives are sold over the counter with no background check on the purchaser. The possession of explosives by convicted criminals is not prohibited. Deadly precursor chemicals are sold with no reporting to the government.

-- The Administration will make recommendations to the Congress requiring a tighter system of ensuring that explosives purchasers are legitimate and qualified, and that purchasers have a permit to buy explosives.

-- In addition, the Administration will seek tightening of the reporting

requirements governing the sale of explosives and the shipping of key precursor chemicals.

-- The Treasury Department also will undertake research into a state-of-the-art tagging system to aid in the identification and tracing of explosives used in criminal bombings.

Prevention

-- Sponsored by Senator Dennis DeConcini, ATF introduced the Gang Resistance Education and Training Program (GREAT) in 1991.

-- Nearly 500 police officers have received training in implementing the program in their cities. Over 100,000 at risk youngsters have been reached by this program which teaches self reliance, self esteem and resistance to negative peer pressure and drug awareness education. This program also focuses on alternatives to gang violence.

-- Currently, GREAT is being implemented in 12 cities. The Department supports the Senate Crime Bill initiative to fund the participation of 50 additional cities. This will cost \$40 million, half of which would go directly to state and local law enforcement.

-- Project Outreach is a Treasury-wide program that brings to communities and schools volunteers from Treasury law enforcement agencies. The agents and employees teach skills such as CPR, provide tutoring, and serve as positive role models for the young people.

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 - require the submission of photos and fingerprints with an FFL application;
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In addition, Treasury proposes to:

 - increase the FFL fee to \$600 per year by 1995;
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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

93 DEC 30 P4:30

SECRETARY OF THE TREASURY

December 30, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Lloyd Bentsen *LMB*
SUBJECT: Treasury Crime Control Initiatives

As part of your effort to address the crisis of increasing crime and gun violence in this country, I plan to announce several initiatives involving Treasury enforcement bureaus early next week. This memo outlines these initiatives.

The Department of the Treasury has substantial law enforcement responsibilities and bears the primary responsibility for gun control. Treasury's law enforcement bureaus -- Alcohol, Tobacco, and Firearms (ATF); Customs; and Secret Service -- can make significant contributions to the Administration's commitment to address the nation's crime problem. The following initiatives address violent, gun-related crime. I plan to announce further anti-crime initiatives in the areas of smuggling, money laundering, as well as financial institution, Treasury check and trade fraud, pending the completion of an ongoing Treasury enforcement review.

My staff has reviewed these proposals with OMB, the White House Domestic Policy staff and the Justice Department.

Anti-Crime/Anti-Violence Initiatives

I. ATF Law Enforcement

These proposals seek to build on the close cooperation in the gun control area that currently exists between the ATF and State and local law enforcement agencies (LEAs).

Brady Bill. Treasury will promulgate and implement the regulations for the waiting period, and local LEAs will conduct the required background checks on gun purchasers. In support of the LEAs' responsibility for conducting the background checks, ATF will develop a model for the LEAs to recoup the cost of the background check through a user fee.

Resources/Legislation required: No new legislation needed; initially some costs for printing information and mailing to several hundred thousand LEAs will total \$900,000 and can come from the Treasury Asset Forfeiture Fund.

Targeting Highest Crime Areas. Studies show that 20 percent of the nation's felonies occur in only 10 counties -- Treasury will make these ten counties its first priority. I will direct ATF, in consultation with State and local authorities, to assess and address the specific gun trafficking patterns in those regions. Also, ATF will replicate the New York pilot Federal Firearms License (FFL) project in these counties. In this project, funded by the Bureau of Justice Assistance (BJA), ATF and the New York City Police Department screen and investigate all applications for FFLs. Since the project began, 90 percent of FFL applications have been either withdrawn or denied because the screening and investigative process revealed that many new applicants did not satisfy local requirements for being engaged in the sale of firearms. Before the project began, 90 percent of all applications were granted.

Resources/Legislation required: No new legislation needed; funding levels being worked out between BJA and ATF.

Expand State and Local Law Enforcement Assistance. The Senate Crime Bill authorizes \$30 million for ATF to expand a number of existing programs. These programs include Project Achilles, which targets armed career criminals; Project Uptown, which focusses on firearms in Public Housing; and "Bulletproof," an effort being tested in the District of Columbia which uses high-tech computer systems to inventory, identify and match bullet projectiles, much like fingerprint systems.

Resources/Legislation required: No new legislation needed; the Treasury Forfeiture Fund and existing resources would be used. Funding from the Crime Bill would be a source for major expansions of these programs.

High Integrity, Well-Trained Police. The recent arrests for corruption of 12 DC police officers, hired in a rapid expansion of the DC police department, demonstrate the need to be cautious as we expand the nation's law enforcement capacity. Treasury's Federal Law Enforcement Training Center (FLETC) provides quality training, not only to over 70 Federal law enforcement agencies, but also to State and local officers. We will expand our overall effort to provide training to trainers of the new State and local police as well as develop new curricula addressing violent crime.

Resources/Legislation required: No legislation is required but some funding will be provided to expand existing programs. Some funding could come from the Crime Bill.

II. Federal Firearms Licensing Reform

There are approximately 287,000 FFLs in the U.S. It is estimated that only 30 percent actually run full-time gun shops. It is exceedingly easy to obtain a license, thus enabling one to purchase guns wholesale and buy and ship them interstate. Further, a license facilitates high-volume purchases of weapons which may end up in the illicit market. Legitimate gun shop owners and sporting goods stores support FFL reform, because the FFLs who straddle

that thin line between legal and illegal are undermining the legitimate businesses. We will propose to take the following steps, which in aggregate we believe will reduce the number of authorized FFLs by 80 percent.

First, based upon your firearms control directive, ATF has been giving FFL application information to some police departments and zoning boards. I will direct ATF to set up a standard procedure whereby all appropriate LEAs are made aware of all FFLs issued in their area. This will be done in concert with the implementation of the Brady Bill.

Second, the 1995 budget calls for an increase in the annual FFL license fee to \$600. Prior to Brady, the fee was \$10 per year and Brady raises it to \$200 for an initial three year license and \$30 a year thereafter.

Third, the Administration will support the Simon FFL Reform provisions in the Senate Crime Bill and go further by proposing to:

- * immediately suspend or revoke an FFL following a felony conviction of the Gun Control Act, even if an appeal is pending (if the conviction is overturned, the FFL would be reissued);
- * establish formalized periodic reporting requirements on ongoing business operations for FFLs (to ensure that the FFLs are indeed legitimate businesses); and
- * increase sanctions for non-compliance.

Resources/Legislation Required: Legislation is required for both FFL reform and the increase in licensing fees. The FFL provisions should be included in the Crime Bill; the fees will be in your FY 95 budget. Although the number of FFL holders will decrease dramatically, OMB projects revenues to increase by nearly \$25 million -- which will cover the costs of implementing these initiatives. Per your directive, an additional \$2.4 million is included in the FY 1995 budget request for FBI fingerprint checks of FFL applicants.

III. Intelligence -- Cracking Down on the Illicit Gun Market

FFL reform will be one step in eliminating a big gateway for firearms to get into the illicit market. However, our law enforcement agencies need better intelligence on the illicit trafficking patterns and trends. Firearms trace requests generate extremely valuable information for local, State and Federal law enforcement. Trace information is very useful in cracking down on the source of weapons used by juveniles as well as by adult criminals, and will become more critical if the prohibition on the transfer of weapons to juvenile offenders (currently in the Senate Crime Bill) is enacted.

ATF's National Trace Center (NTC) is currently able to process only about 50,000 firearms trace requests per year, from over 500,000 firearms recovered in crimes annually. Many records are not computerized and ATF needs to input much of this data into computers. Additional data bases, such as for multiple weapons sales, (reports of which are required in the Brady Bill), and theft should also be computerized. It would be a great advantage for Federal, State and local law enforcement to have these data bases efficiently designed and linked for intelligence purposes. We will seek to redress these inadequacies.

ATF is hampered by weak statutory authority, few resources and inadequate sanctions against FFLs who fail to comply with regulations. We should seek new legislation to:

- * require that FFLs respond to trace requests without a site visit (included in the Simon FFL reform);
- * make it a felony offense for an FFL to falsify records, knowingly and willfully to fail to maintain required records, or knowingly and willfully to fail to supply records to NTC when they discontinue business;
- * require FFLs to report within 48 hours any lost or stolen firearms (included in Simon FFL reform); and
- * authorize funding for a modern, integrated data base.

In addition, we will examine and reassess the sentencing structure for certain firearms offenses, such as illegal sales, diversion, or defacing firearms to prevent identification.

Resources/Legislation Required: New legislative authority will be needed to improve Treasury's tracing capacity; it could be included in the pending FFL reform initiatives included in the Crime Bill. Resources will be required to improve the automated systems, and to input data. ATF has determined that \$5-7 million is required. Under your directive to control firearms, we have developed a proposal for \$3.2 million in your FY 1995 budget request for automation. The additional \$1.8 million for equipment could be funded through the Treasury Forfeiture Fund.

IV. CRIME PREVENTION -- Gang Resistance Education And Training (GREAT)

We should support the Senate proposal to expand the GREAT program at ATF, a structured grade-school-based program designed to help children become responsible members of society by setting goals for themselves, resisting negative pressures, learning how to resolve conflicts and understanding how gangs harm the quality of their lives. The Senate Crime Bill contains a provision to expand this program to 50 new communities in addition to the 12 currently underway.

Resources/Legislation Required: The Senate expansion of the GREAT program includes an authorization of \$800,000 per project site (for a total of \$40 million, \$20 million for State and local LEAs and \$20 million for ATF). This provision deserves our support as the Crime Bill makes its way through the House.

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Bentsen's Gun Dealers Licensing Proposals:

Administration support and lobbying efforts on behalf of a proposed **\$81 million package of initiatives** to be included in the crime bill pending before Congress. These would:

- *Require photographs and fingerprints with federal firearms license applications.
- *Increase the penalty, from a misdemeanor to a felony, for willful falsification of federal firearms records.
- ***Increase the fees for gun dealer licenses from \$200 for three years to \$600 annually.** (It had been \$30 for three years prior to passage of the Brady bill last year).

It is feared that many citizens would use the federal license, which allows permit holders to buy directly from wholesalers, to circumvent the background checks required by the Brady bill.

"It is really pathetic to think that in this era of rising crime, all the administration can think to do is drive legitimate small businesses out of business," said Richard Gardiner, NRA legislative counsel.

Bentsen is attempting to tighten up scrutiny by a federal regulatory system that:

- * **hands out 3,000 licenses a month**
- *has failed to so much as interview 9 out of 10 dealers to whom licenses were granted
- * has at its disposal **only 240 inspectors overseeing 284,000 gun dealers** (dealers could expect to be audited by federal inspectors once in 20 years).
- *has rendered license renewal were virtually automatic.
- *granted licenses without regard to--and often in violation of--state and local laws. The **District of Columbia, which bans handgun sales and possession, has 49 federally licensed dealers.**

Of the **ATF's 600 arrests of federally licensed gun dealers over the previous 5 years**, most were for illegal weapons sales. The ATF has taken steps to increase oversight, but the system remains unwieldy, according to federal officials.

"Here we are the country that invented public high schools...and now we're letting violence endanger innocent children...It comes down to one word: **Guns...We have over 200 million guns. Every 10 seconds a gun rolls off an assembly line. Every 11 seconds we import a gun.**"

Bentsen has ordered ATF to

- *notify immediately all local police department of the gun dealers in their area

- *to begin analyzing gun trafficking pattern in 10 jurisdictions that account for 23 percent of the nation's felonies, including N.Y., L.A., Chicago, Detroit, Dallas, Houston and Phoenix.

and unveiled an ATF-run pilot program for D.C. police that uses computers to scan and match bullets and casings from crime scenes in the same fashion as other computer programs identify fingerprints.

In addition, the ATF:

- *plans to improve its ability to trace firearms used in crimes and wants to increase automation of firearms transactions.

- *will expand a NYC-based pilot program that dramatically curbed the number of new gun dealers in which ATF personnel and local police sat down with applicants and told them the requirements that had to be met before granting licenses. As a result, **the bureau went from granting licenses to 90 percent of applicants to denying or having applicants withdraw 90 percent of the applications.**