

“economically significant” rulemaking as defined by Executive Order 12866. Following is an assessment of the costs and benefits of this regulation.

1. Estimated Costs

i. Cost of obtaining a “limited permit” for infrequent users of explosive materials. By statute, the fee for obtaining a “limited permit” is capped at \$50 for an original permit and at one-half the origination fee for timely renewals. This rule sets the fee for obtaining an original limited permit significantly lower than the statutory allowance. The fee is set at \$25 for an original limited permit and at \$12 for each renewal. ATF estimates that the requirement to obtain a limited permit will impact approximately 20,000 persons. Each applicant for a limited permit must submit an application that includes information on each responsible person and employee possessor and which includes photographs and fingerprints for each responsible person. ATF estimates that applicants for a limited permit will generally have three to five responsible persons per applicant. ATF estimates that the average cost of taking and submitting photographs will be approximately \$1.50 per photograph. Although some law enforcement agencies assess fees for taking fingerprints, others perform this service without charge. ATF is advised that, where a fee is assessed, the fee generally ranges from five to ten dollars per set of fingerprints. In connection with background checks conducted as part of the application process, employee possessors will have to submit fingerprints if the employee appeals an adverse determination or challenges the accuracy of the record upon which the adverse determination is based. ATF estimates that each applicant for a limited permit will have three to five employee possessors and that name-based checks of such employees will result in adverse determinations for less than one percent. ATF estimates that the time required to complete the application for a limited permit is 1 hour and 30 minutes. In addition, ATF estimates that the time required for each employee possessor to complete Form 5400.28 (Employee Possessor Questionnaire) is 20 minutes per employee. Finally, each applicant for a limited permit will spend 1 to 2 hours complying with an ATF inspection of their storage facilities. Therefore, ATF estimates that the initial economic impact of this rule is as follows:

Application fee—20,000 applicants \times \$25 = \$500,000.

Photographs for responsible persons— $100,000 \times \$1.50 = \$150,000$.

Fingerprints for responsible persons— $100,000 \times \$10 = \$1,000,000$.

Fingerprints for employees— $1,000 \times \$10 = \$10,000$.

Time to complete application— $20,000 \times 1.5 \text{ hours} \times \$13 \text{ (mean hourly wage for clerical worker)} = \$390,000$.

Time to complete Form 5400.28— $100,000 \times .33 \text{ (hours)} \times \$14 \text{ (mean hourly wage for blue collar worker)} = \$462,000$.

Time spent on ATF inspection— $20,000 \times 2 \text{ (hours)} \times \$17 \text{ (mean hourly wage for supervisory blue collar workers)} = \$680,000$.

Accordingly, this interim rule will result in approximately a \$3,192,000 cost to the explosives industry's nonlicensed/nonpermitted population.

ii. No additional cost to limited permittees associated with storage of explosive materials. Existing law and regulations require that all persons storing explosive materials do so in accordance with 27 CFR part 555, subpart K. Accordingly, persons who have been acquiring explosive materials, even on an infrequent basis, should already have proper explosives storage facilities. However, because the Safe Explosives Act brings previously nonlicensed/nonpermitted infrequent users of explosive materials under ATF's oversight and mandates that ATF verify the storage facilities of all licensees and permittees, certain persons may need to obtain an appropriate explosives storage magazine. Because infrequent users of explosive materials will not likely be storing large quantities of explosive materials, ATF believes that such users will acquire indoor explosives storage magazines. Quantity restrictions for indoor storage of explosive materials are limited to 50 pounds. The cost of indoor explosives storage magazines that meet the regulatory requirements of part 555, subpart K is approximately \$300. However, because the requirement to properly store explosive materials is a pre-existing requirement for all persons, whether a licensee or permittee or a nonlicensed/nonpermitted person, this cost does not result from the Act and this rule.

iii. Similar process for explosives transactions under existing regulations and new regulations. ATF regulations already require that nonlicensee/nonpermittee purchasers complete a transaction record requiring, among other things, that purchasers provide their names, addresses, appropriate identifying information, and a certification that they are not prohibited

from receiving explosive materials. The distributor is required to verify the identity of the purchaser, and indicate on the transaction record the quantity and type of explosive materials distributed to the purchaser. This record is completed each time a seller distributes explosive materials to a nonlicensee/nonpermittee.

This rule will require the same basic information before a purchaser may be issued a “limited permit” and the six Intrastate Purchase of Explosives Coupons (IPECs). This rule continues the requirement that a distributor complete a form prior to distribution of explosive materials. However, much of the information required by the form is listed on the IPEC that will be affixed to the transaction record. This change will not result in significant costs.

iv. Additional cost of compliance for licensees and holders of user permits. There are approximately 8,600 persons holding explosives licenses and user permits as of the date of this interim rule. Upon the first renewal of such licenses and permits on and after May 24, 2003, the holders must comply with the new photograph and fingerprint requirements of the Act. Each renewal application must also include a completed Form 5400.28 for each employee possessor. Assuming three to five responsible persons per licensee/permittee and three to five employee possessors for same, the additional estimated cost of compliance would be as follows:

Time to complete Form 5400.28— $8,600 \times 5 \times \$14 \text{ (mean hourly wage for blue collar worker)} = \$602,000$.

Photographs for responsible persons— $8,600 \times 5 \times \$1.50 = \$64,500$.

Fingerprints for responsible persons— $8,600 \times 5 \times \$10 = \$430,000$.

Fingerprints for employees— $430 \times \$10 = \$4,300$.

Accordingly, this interim rule will result in a cost to persons currently holding a license or permit of approximately \$1,100,800.

2. Benefits

The Act and this rule provide important benefits in public security and safety. The Act mandates ATF to perform background checks of persons and business entities to ensure that responsible persons and employee possessors of explosive materials are not prohibited from shipping, transporting, receiving, or possessing explosive materials. This mandate enables ATF to determine whether a person is subject to an explosives disability before such person may obtain explosive materials. Thus, the Act as implemented by this