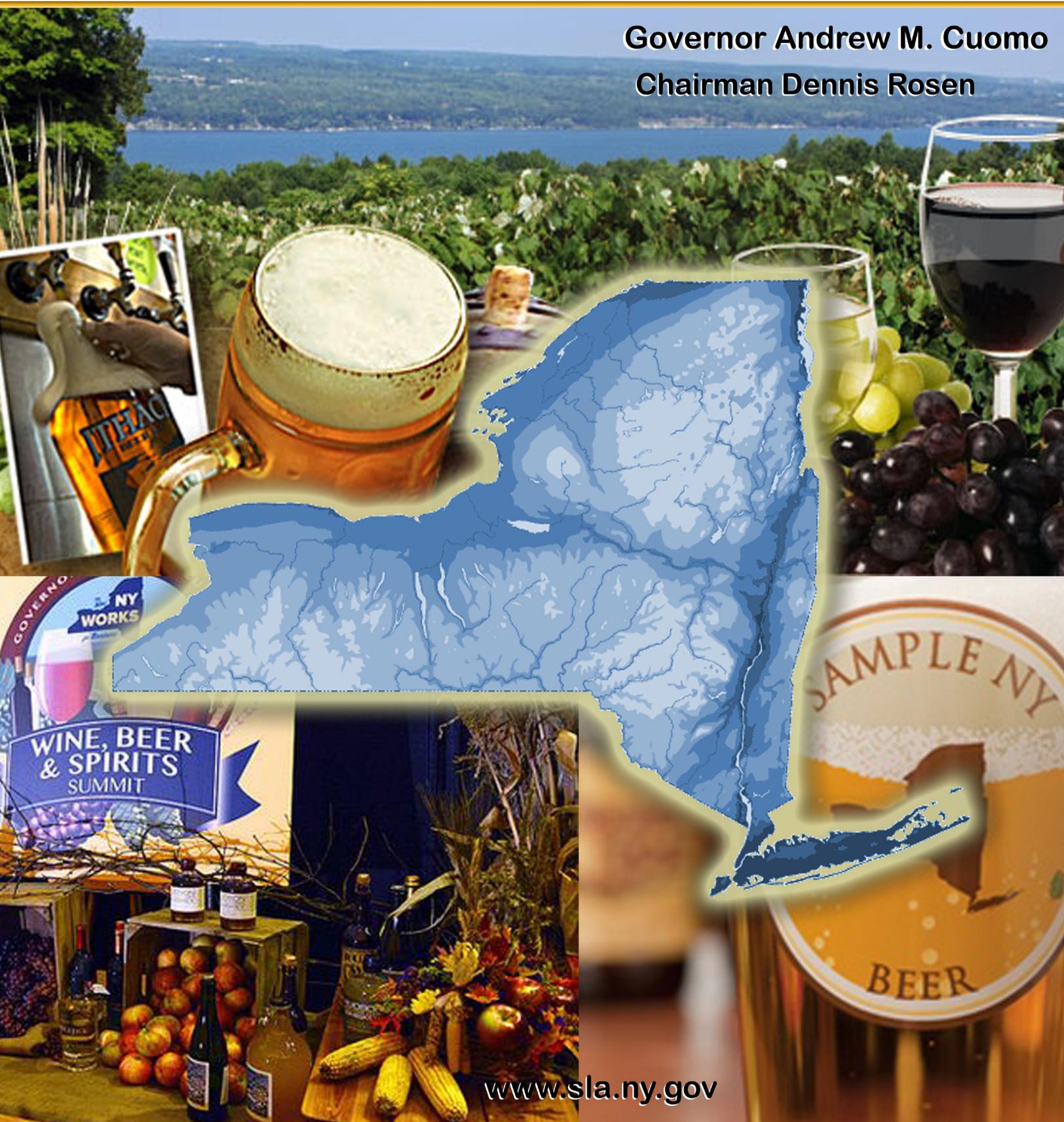




New York State Liquor Authority

2012 Annual Report

Governor Andrew M. Cuomo
Chairman Dennis Rosen



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**STATE OF NEW YORK
EXECUTIVE DEPARTMENT
DIVISION OF ALCOHOLIC BEVERAGE CONTROL**

STATE LIQUOR AUTHORITY

80 S. Swan Street
Albany, New York 12210

317 Lenox Avenue
New York, New York 10027

535 Washington Street
Buffalo, New York 14203

www.sla.ny.gov

Dear Governor Cuomo and Members of the Legislature:

On behalf of the Division of Alcoholic Beverage Control, I present the 2012 Annual report of the New York State Liquor Authority ("SLA"). This report presents comprehensive information and statistical data on the agency's activities over the past year.

The SLA is responsible for issuing licenses and ensuring licensees comply with the Alcoholic Beverage Control Law ("ABC Law"). In order to carry out these functions, our agency works cooperatively with licensees, local law enforcement agencies, community groups, and our other partners across the state to ensure the industry is regulated in a fair and consistent manner.

As this report will show, the SLA has continued to address the backlog of pending applications that had delayed the opening of new businesses. We have made tremendous progress, cutting the backlog by over 70% in the last year and reducing the time it takes to get a license by ten days. The SLA also released the Liquor Authority Mapping Project ("LAMP") in 2012, a website that displays key information for active and pending licenses across that state. LAMP provides licensees, attorneys, applicants, community boards and other interested parties access to a whole host of information, previously requiring a Freedom of Information Law ("FOIL") request.

We have also refocused our enforcement efforts to aggressively prosecute serious violations of the ABC Law, such as underage drinking. The SLA continues to utilize volunteer underage decoys for underage compliance, a practice begun in 2011. Successful prosecutions of violations for Sales to Minors went from 1,311 in 2011, to 1,425 in 2012.

In 2013, the SLA will continue to speed up the review of license applications, crack down on serious violations of the law, and provide more information to the industry and the public in our ongoing effort to effectively and efficiently regulate this important industry. As always, we appreciate your comments, suggestions, and continued partnership.

Sincerely,

Dennis Rosen
Chairman

GENERAL OVERVIEW

HISTORICAL

On December 5, 1933, President Franklin Delano Roosevelt signed Presidential Proclamation 2,065, officially declaring the 18th Amendment to the U.S. Constitution replaced by the 21st Amendment. The 21st Amendment repealed Prohibition and gave each state the power to regulate the trafficking of alcoholic beverages within its borders. Chapter 180 of the Laws of 1933 provided for the manufacture of malt beverages and wine not exceeding 3.2 percent alcohol content under the guidance of an Alcoholic Beverage Control Board.

In May 1934, New York State enacted Chapter 478, known as the Alcoholic Beverage Control Law, creating the State Liquor Authority and the Division of Alcoholic Beverage Control effective July 1, 1934. The State Liquor Authority's first Annual Report noted that Chapter 478 was enacted by the Legislature to provide for "the protection, health, welfare and safety of the people of the State."

AUTHORITY OPERATIONS / RESPONSIBILITIES

The State Liquor Authority is part of the executive department of New York State with a Board consisting of three (3) Commissioners, appointed to three-year terms, one of whom is the Chairman. The Chairman serves as the day-to-day administrator and has a salary set by statute; the other two (2) Commissioners are compensated on a part-time basis. Current Authority responsibilities include, but are not limited to:

- Reviewing applications and investigating applicants to determine eligibility;
- Issuing licenses and permits for the manufacture, wholesale distribution and retail sale of all alcoholic beverages;
- Regulating trade and credit practices related to the sale and distribution of alcoholic beverages at wholesale and retail;
- Limiting, in the Authority's discretion, the number and type of licenses issued as determined by the public interest;
- Working with local law enforcement agencies to ensure compliance with the Alcoholic Beverage Control Law;
- Investigating licensees for alleged violations of the Alcoholic Beverage Control Law; and
- Bringing disciplinary charges, conducting disciplinary proceedings, revoking, canceling or suspending for cause any license or permit, and/or imposing monetary penalties where appropriate.

GENERAL OVERVIEW

MISSION STATEMENT

The State Liquor Authority has two (2) main functions: 1) issuing licenses and permits; and 2) ensuring compliance with the Alcoholic Beverage Control Law. The Authority's licensing activities focus on the timely processing of permits and licenses. The Authority's enforcement activities focus on the protection of the public by working with local law enforcement agencies and local communities to bring administrative actions against licensees who violate the law.

The Authority currently operates three (3) offices:

New York City (Zone 1); Albany, which serves as the headquarters (Zone 2); and Buffalo (Zone 3).



GENERAL OVERVIEW

TYPES OF LICENSES

There are 96 license types and 91 permit types, which allow for various means of trafficking in alcoholic beverages, with approximately 50 of these constituting the majority of application categories. During 2012, the State Liquor Authority was responsible for the regulation of over 53,000 active licensees and 35,000 permittees.

By State Fiscal Year 2013-14, the Authority, with other state agencies, will begin implementing an Enterprise “E-Licensing” System which will essentially make the licensing process “paperless,” increase transparency, and expedite the issuance of licenses.

Licenses are issued for durations that range from one (1) to three (3) years, depending on license type, after which licensees may apply for renewal. Licenses fall into three major categories: manufacturer, wholesaler and retailer.

MANUFACTURER LICENSES Include several classes of distiller, winery, brewery and cidery licenses. To encourage the creation and growth of New York based industries, within each category there are provisions allowing for licenses to be issued at a lower cost for businesses with limited production capabilities, as well as provisions for businesses that manufacture alcoholic beverages made primarily from New York agricultural products. In addition to selling their goods to wholesalers and retailers, certain small manufacturers, are also allowed to sell directly to consumers.

WHOLESALE LICENSES Allow licensees to purchase alcoholic beverages from manufacturers, importers and other wholesalers and to sell those products to retailers. There are separate licenses for liquor, wine and beer wholesalers. In limited situations, wholesalers can sell directly to consumers.

RETAILER LICENSES Are available for both on-premises and off-premises sales. Specifically:

ON-PREMISES LICENSES Issued to businesses such as restaurants and taverns that serve alcoholic beverages to be consumed at the establishment. These licenses may allow for the sale and consumption of all types of alcoholic beverages, or may be limited to the sale of wine and beer, or beer only.

OFF-PREMISES LICENSES Allow alcoholic beverages to be sold “to go.” Off-premises beer licenses are issued to grocery and drug stores, while package stores are authorized to sell spirits and wine, or wine only.

Applications to modify the conditions upon which a retail license was originally granted are required to be filed and approved in many instances before any changes may be made. Examples include moving to a new location; altering the layout of an establishment; changing principals, officers, or LLC members of a licensee; upgrading the type of license currently held; or changing the method of operation originally approved by the Authority.

GENERAL OVERVIEW

DISCIPLINARY PROCESS

The State Liquor Authority Counsel's Office prosecutes licensees in administrative proceedings for violations of the Alcoholic Beverage Control Law and Rules of the Authority. An investigation into a disciplinary matter typically begins with one (1) or more of the following:

- An on-site, announced inspection of a licensed establishment;
- An on-site, undercover investigation by Authority investigators;
- A review of reports or investigations by other law enforcement and regulatory agencies; and/or
- Interviewing witnesses and collecting evidence.

Disciplinary proceedings are commenced by the issuance of a Notice of Pleading setting forth the alleged violations. The licensee may enter one (1) of the following pleas:

- Not Guilty;
- No Contest; or
- Conditional No Contest.

If a licensee pleads "not guilty," a hearing date is scheduled with an Administrative Law Judge ("ALJ"). At the hearing, the Authority and the licensee may produce witnesses, which are subject to cross-examination, and submit documentary evidence. Findings are made by the ALJ and presented to the State Liquor Authority's Board for final approval. If the licensee admits to committing the violation with a "no contest" plea, the Board imposes an appropriate penalty. If the licensee submits a "conditional no contest" plea, the licensee's offer of settlement is forwarded to the Board for consideration. If the offer is rejected by the Board, the matter is returned to Counsel's Office to schedule an administrative hearing. Each case brought to the Board is examined on its individual merits. If a disciplinary charge is sustained, the Board may impose one or more of the following:

LETTER OF WARNING A letter sent which notes that, although the licensee may have committed a violation, only a warning is warranted under the circumstances.

CIVIL FINE A monetary penalty.

BOND CLAIM A claim for payment is made against the surety bond that was filed with the license application.

SUSPENSION The license is seized for a specified number of days.

CANCELATION The license is terminated, but there are no time restrictions on reapplying for another license.

REVOCAION The license is terminated, and the licensee cannot apply for a license for two (2) years.

PROSCRIPTION A two-year ban on the issuance of a license to any part of the building containing the revoked licensed premises.

2012 CALENDAR YEAR HIGHLIGHTS

GOVERNOR'S WINE, BEER AND SPIRITS SUMMIT

In October 2012, the State Liquor Authority participated in Governor Andrew M. Cuomo's Wine, Beer and Spirits Summit, the first event of its kind in New York State. The summit was attended by dozens of beer, wine, cider, and spirits producers, as well as farmers, industry officials, and tourism experts. Summit participants discussed with state agency officials and members of the Governor's Cabinet specific legislative and regulatory issues facing the industry. The participants explored new ways for the state work as a partner to further solidify New York's position as a leading hub of beer, wine, cider and spirits production and tourism.

After listening to a presentation by business, agriculture, and community leaders, the Governor announced the following State Liquor Authority related regulatory reforms, which were implemented immediately by the agency:

- **Ending the prohibition against multiple manufacturing licenses at the same location:** Under existing regulations, producers of multiple types of alcoholic beverages were required to have separate licenses and separate premises for each type of beverage, and with the exception of wineries and farm wineries, multiple-beverage manufacturers could not share facilities. Recognizing the tremendous additional burdens that would be placed, for example, on a small brewery that wanted to also make whiskey – including building a completely separate facility – the Governor directed The State Liquor Authority to eliminate this prohibition and allow the same manufacturer to have multiple licenses at the same location, or multiple manufacturers to have licenses at the same location.
- **Allowing craft manufacturers to sell bottles when they are conducting tastings:** Under existing law, farm distillers, farm wineries, wineries, cider producers, and farm brewers could sell the alcoholic beverages they produce with NYS ingredients at county fairs and farmers markets. While some of these manufacturers could also sell by the bottle at the State Fair and certain tastings, there were a number of other events, such as street fairs and charity events at which producers could provide samples, but not sell their beverage by the bottle. To eliminate this burden and provide manufacturers with new venues to sell their products to consumers, the Governor announced that State Liquor Authority producers could sell “by the bottle” at events where they were currently allowed to conduct tastings.
- **Allowing beer and cider producers to obtain temporary permits to sell at special events/street fairs:** New York producers are eligible for one-day, special event permits for the sale, “by the glass,” of beer and wine at events such as street fairs. These permits are available only to non-licensed individuals or organizations holding an event as well as retail licensees. The actual producers, such as brewers, were not eligible for these permits because the law generally prevented manufacturers from selling directly to consumers. While legislation recently signed by the Governor allowed small wineries to obtain the permit for any special event, other producers were not been able to enjoy the same benefits. The Governor announced at the summit the expansion of eligibility guidelines so craft brewers and cider producers could join craft wineries in selling their goods at street fairs, charitable events and other popular events.

2012 CALENDAR YEAR HIGHLIGHTS

- **Reducing the fee for manufacturers' marketing permits:** At the Governor's direction, the State Liquor Authority reduced the fee for its three-year manufacturers' marketing license from \$750 to \$125/year.
- **Reducing license application requirements for manufacturers:** The amount of documentation that producers must submit during the application process can be a heavy burden on small businesses. At the Governor's direction, the State Liquor Authority agreed to waive the submission of certain documents such as detailed diagrams, multiple bank statements, and information already on file.

The Governor also announced the establishment of a "one-stop shop" within Empire State Development. The one-stop shop would provide the industry a single point of contact and place to call for all assistance. Designated staff from the agencies involved in regulating manufacturers and licensees (including the State Liquor Authority, Department of Agriculture & Markets, Department of Tax and Finance, Department of Labor, Department of Environmental Conservation, Department of Health, and Department of Transportation) coordinate with the one-stop shop to respond to inquiries, participate in educational and training programs, and resolve licensees' problems.

ELIMINATION OF LICENSING BACKLOG

As noted in the Authority's 2009-2010 Annual Report, the Authority significantly addressed the licensing application backlog; it went from over 3,100 to 750 in January of 2011. Throughout 2012, this trend continued, with the backlog at 221 by end-of-year.

CALL CENTER MERGER

In 2011, the Authority implemented a computerized Voice Over Internet Protocol ("VOIP") call tree and call center to connect callers directly to the person they need to speak with. This solution resulted in the agency providing efficient and consistent responses to license applicants, licensees, and the public. In 2012, the call center, which responded to nearly 100,000 calls annually, was merged into the Department of Taxation and Finance. The merger allowed the State Liquor Authority to lower costs while simultaneously maintaining excellent customer service.

UNDERAGE COMPLIANCE STINGS

Tackling underage sales continued to be a priority for the State Liquor Authority in 2012, including using State Liquor Authority volunteer underage decoys as first implemented by the agency in 2011. Successful prosecutions of violations for sales to minors went from 1,311 charges in 2011, to 1,425 in 2012.

LIQUOR AUTHORITY MAPPING PROJECT ("LAMP")

In 2012, the Authority released LAMP, an application available on its website that maps and indicates key information for 54,000 active and pending licenses using standard Geographic Information Systems techniques. LAMP assists the industry with application requirements and improves community board oversight without the need to contact the Authority for information previously available only through a Freedom of Information Law ("FOIL") request. LAMP endows the licensing process and decisions with greater transparency.

2012 CALENDAR YEAR HIGHLIGHTS

ALCOHOL TRAINING AWARENESS PROGRAM PARTICIPATION (“ATAP”)

The State Liquor Authority’s Enforcement Bureau oversees the certification and monitoring of the Alcohol Training Awareness Program (“ATAP”) in which licensees and servers are properly trained in the appropriate and lawful sales of alcoholic beverages. Educating licensees regarding their responsibilities has proven to be an effective tool to reduce underage drinking and sales to intoxicated persons. There are currently 14 approved ATAP classroom programs, and five (5) approved online programs. During 2012, the 19 SLA Certified ATAP Training Programs held 378 classroom training sessions and 4,512 on-line sessions which resulted in 8,940 students certified. Since 2009 there have been a total of 7,400 ATAP classroom and online classes held with 24,451 students attending.

The approval of additional online schools and courses offering a more convenient means for students to obtain the ATAP training certification has resulted in an almost triple number of students. In 2012, an emphasis was placed on conducting ATAP class audits to ensure that the certificate holder was teaching the required course program. Investigators conducted unannounced visits to numerous ATAP classes to conduct class audits which resulted in each certificate holder successfully passing the audit.

SPECIAL EVENTS DATABASE

In 2012, the Authority completed implementation of the Special Events Database that leveraged lockbox services provided by Wells Fargo Bank to improve tracking, reduce processing time, and speed delivery of special event permits. Staff can now assign, review, and process an entire application without the need to print certificates or wait for the receipt of the physical application. Certificate images are now emailed or faxed to recipients within a week.

BUSINESS INTELLIGENCE DASHBOARD

In 2012, the Authority implemented a Business Intelligence Dashboard (“Dashboard”) to cull information from various databases and present over 60 flexible reports and visual cues to monitor agency performance. These internal reports are available automatically and refreshed daily. They assist Authority management with defining best practices and performance metrics.

2012 LEGISLATION SUMMARY

FARM BREWERY LICENSE

A new section to the Alcoholic Beverage Control law was added to create the farm brewery license. The bill was signed by Governor Cuomo on July 18, 2012, and becomes effective January 14, 2013. Similar to the farm winery and farm distiller license, it provides special privileges to craft brewers using ingredients produced in New York State, leading to increased demand for locally grown farm products as well as expanded economic development and tourism.

The new license allows Farm Breweries to grow in the following ways:

- **Increasing Retail Outlets for New York Products:** The new law allows Farm Breweries to sell New York State labeled beer, wine, and liquor at their retail outlets. In addition, Farm Wineries and Distilleries will also be permitted to sell New York State labeled beer and liquor for off-premises consumption, and Farm Distilleries will also be permitted to sell New York State labeled beer and wine for off-premises consumption.
- **Allowing Farm Breweries to Open Restaurants:** The new law allows the owner of a Farm Brewery to conduct tastings of and serve New York State labeled beer at any restaurants, conference centers, inns, bed and breakfasts or hotels that he or she owns on or adjacent to the Farm Brewery.
- **Increasing Tastings:** The new law allows Farm Breweries, Farm Wineries, and Farm Distilleries to conduct tastings of all New York State labeled beer, wine, and liquor at their premises.
- **Selling Related Products:** The new law allows Farm Breweries to sell beer making equipment and supplies, food complementing beer tastings, souvenir items, and additional products similar to those allowed under the Farm Winery statute.

In order to receive a Farm Brewery license, the beer must be made primarily from locally grown farm products. Until the end of 2018, at least 20% of the hops and 20% of all other ingredients must be grown or produced in New York State. From January 1, 2018 to December 31, 2023, no less than 60% of the hops and 60% of all other ingredients must be grown or produced in New York State. After January 1, 2024, no less than 90% of the hops and 90% of all other ingredients must be grown or produced in New York State. The beer manufactured under these guidelines would be designated as “New York State labeled beer.” The legislation is modeled after the 1976 “Farm Winery Act,” which spurred the growth of wine production in New York State, including the creation of 249 farm wineries and tripling the number of wineries.

EXEMPTING SMALL BREWERIES FROM BRAND LABEL REGISTRATION

Breweries that produce brands of 1,500 barrels or less annually are now exempt from the \$150 annual brand label fee for these brands. This exemption, which is eligible to brewers in and outside of the state, will save New York breweries tens of thousands of dollars, and will help smaller breweries retain the capital they need to grow their operations and create jobs.

OFF-SITE TASTINGS AND BOTTLE SALES BY FARM DISTILLERS

The Farm Distiller law was amended in 2012 to allow these licensees to conduct tastings at the state fair, county fairs and farmers markets. The amendment also allows these licenses to obtain a permit to sell their liquor at those same events.

2012 LEGISLATION SUMMARY

WINE AND LIQUOR AUCTIONS

Liquor and wine stores that have been licensed for at least 10 years can obtain an annual permit to conduct auctions to sell privately held liquor or wine. The number of auctions that can be conducted under this permit has been increased from 12 to 24.

TEMPORARY BEER AND WINE PERMITS FOR WINE MANUFACTURERS

Wine manufacturers who produce 150,000 gallons or less of wine or less annually, may now obtain a TPA (Temporary Beer and Wine Permit) to sell wine at special events, under new legislation signed by Governor Cuomo. These permits were formerly available only to non-licensed individuals or organizations holding an event as well as retail licensees. The actual producers, such as wineries, were not eligible for these permits because the law generally prevents manufacturers from selling directly to consumers. This statutory change will allow wineries to obtain temporary permits to sell at special events, street fairs, charitable events and other popular events. As noted on page six (6) of this report, the Governor announced at the Wine, Beer and Spirits Summit the expansion of eligibility guidelines so craft brewers and cider producers may join craft wineries in obtaining these one-day permits.

BEER FRANCHISE AGREEMENT

The Alcoholic Beverage Control Law was amended to fundamentally change the nature of distribution agreements between small brewers and wholesalers in New York State. Previously, the law severely restricted the ability of a brewer to terminate an agreement giving the wholesaler the right to distribute the brewer's beer, as the party seeking to end the agreement had to show "good cause" to terminate the contract. Under the statutory change, small brewers whose annual volume is less than 300,000 barrels of beer and whose sales to a wholesaler are 3% or less of a multi-brand wholesaler's annual business, now have the right to terminate an agreement providing they pay the wholesaler fair market value, except when the termination is for "good cause."

TIED-HOUSE LAWS AND RESTAURANT-BREWERS

Previously, a person or corporation holding a restaurant-brewer's license was restricted to holding only four (4) other restaurant-brewer licenses, and in addition could not hold any other manufacturing, wholesale or retail license. Those restrictions have now been modified to allow restaurant-brewers to hold any other retail on-premises license. The new law also allows restaurant-brewers to sell the beer they produce to other retailers owned by the same principals.

TERMS OF SALE FOR WINE PRODUCTS

There are two (2) credit calendars (one for beer and wine products and the other for liquor and wine) for purchases by retailers from wholesalers. The statutes (Sections 101-aa & 101-aaa) have been simplified to allow liquor and wine wholesalers to use the liquor and wine credit calendar for sales of wine products. The bill was signed by Governor Cuomo on July 18, 2012, and became effective immediately.

2012 LEGISLATION SUMMARY

CHAIR'S ADMINISTRATIVE POWERS

Historically, the Members of the Authority, as a body, have possessed decision-making power on almost all matters involving the State Liquor Authority, including not only licensing and disciplinary matters, but also administrative issues such as the power to hire, assign, and dismiss employees. This arrangement frequently resulted in unnecessary delays and other inefficiencies. The new statute signed by Governor Cuomo on July 18, 2012, and effective immediately, transferred these administrative powers from all Members of the Authority to the Chair. Now, the State Liquor Authority Chair has exclusive administrative authority similar to that of the heads of other executive agencies. The Members of the Authority still retain the power to act on licensing and disciplinary matters involving licenses, and to address other substantive policy issues and interpretations of the Alcoholic Beverage Control Law.

TEMPORARY RETAIL LICENSES FOR NEW APPLICANTS

In 2010, the ABC Law was amended to establish Temporary Retail Permits for new applicants outside of New York City, while their license applications are being reviewed. These permits are typically issued within seven (7) business days of the filing of an application. The new permit section of the statute was set to “sunset” after one (1) year. The provision, extended for an additional year in 2011, was also extended in 2012 and will be in effect until October 12, 2013.

COMPANY TRUCKING PERMIT

Historically, trucking permits issued under the Alcoholic Beverage Control Law were issued to the owners and operators of specific vehicles either for individual vehicles or a fleet of vehicles. The law was amended in 2012 to create a “company permit” that can be issued to licensed manufacturers and licensed beer wholesalers. The permit will cover large trucks hired by these licensees to transport product from the licensed premises to other locations, thereby affording them greater flexibility and efficiency.

500 FOOT HEARINGS

Two (2) changes were made to the 500 Foot Law regarding the hearing process. First, the Authority will now be specifically empowered to adjourn, continue or reschedule hearings, provided notice of the new date and time are provided to the applicant and the municipality or community board. While this does not change the State Liquor Authority's current practice, it does codify the practice into the law. Second, the Members of the Authority, or one (1) or more of the Members, may conduct a public meeting to discuss a 500 Foot application with the community. This meeting is not required and would be in addition to the 500 Foot hearing.

2013 CALENDAR YEAR INITIATIVES

ENTERPRISE E-LICENSING SYSTEM

The Authority is part of the Enterprise “E-Licensing” System for six (6) state agencies: the Office for Technology Services, the Department of Agriculture and Markets, the Department of Environmental Conservation, the Department of State, the State Education Department and the State Liquor Authority. Preliminary work was accomplished throughout 2012, with the first deliverables by the fall of 2013.

OPEN DATA

In 2013, New York State will launch a new and comprehensive state data transparency website that provides - for the first time - user-friendly, one-stop access to data from New York State agencies, localities, and the federal government. The website will feature economic, health, recreation, and public services information. The SLA will be working with Open Data to publish various types of agency information, including active license information.

PROJECT SUNLIGHT

On January 1, 2013, Project Sunlight, part of the Public Integrity Reform Act of 2011 will take effect. Under this law, executive agencies and public authorities are required to enter all individuals, firms or other entities (other than state or local governmental agencies or lawmakers, lawmakers for the federal government and from tribal governments, and members/employees of the judiciary), that appear before them for various specified purposes, into a database. The database will be used to provide the public with an opportunity to see who is playing a role in government decision making. The Authority has developed guidelines and trained staff to begin entering the data in 2013.

STATEWIDE FINANCIAL SYSTEMS (“SFS”) - IMPLEMENTATION

The Statewide Financial System (“SFS”) was created to be a modernized enterprise-wide accounting and financial management system for New York State government. It positively impacts all agencies, including the Authority. The system went “live” in April of 2012.

ORGANIZATIONAL STRUCTURE

APPROPRIATIONS AND REVENUE

Calendar Year 2012 covers parts of two (2) State Fiscal Years (SFY): SFY 2011-12 and SFY 2012-13. All finance and human resource activities are hosted by the New York State Office of General Services (“OGS”).

State Fiscal Year	Appropriation	Budgeted FTEs
2011-12	\$16,860,000	123
2012-13	\$17,001,000	132

Total Revenues for 2012 were \$60,886,029.

OFFICE OF THE CHAIRMAN AND EXECUTIVE

The Office of the Chairman and Executive includes Deputy Commissioners and an Administrative Support Team.

The Office coordinates the daily operations of the agency, providing external support to a wide variety of public and licensed interests, as well as internal support to all agency program areas (e.g. supply and equipment acquisition, maintenance and inventory control, internal controls, telecommunications and tenancy, etc.). The Administrative Support Team provides direct support to the Chairman and functions as program liaisons with our host partner, OGS, on all finance and human resource activities.

OFFICE OF PUBLIC AFFAIRS

The Office of Public Affairs (“OPA”): fosters positive working relationships with federal, state and local legislators, community groups and their staffs; engages in discussions in support of the State Liquor Authority’s annual legislative program and, where appropriate, Governor’s Program Bills bearing on alcoholic beverage control policy; responds to media requests, distributes press releases, and coordinates press-related events; assists in the management of the content of the agency’s website; and responds to requests for agency records as provided for in the New York’s Freedom of Information Law (“FOIL”). The OPA is committed to keeping the media, licensees and the public up to date on news, policies and current events concerning the Authority.

ORGANIZATIONAL STRUCTURE

LICENSING BUREAU

The Licensing Bureau coordinates statewide licensing policies, standards and initiatives, and ensures that all applicants meet the statutory requirements to obtain a license or permit. Staff reviews all license and permit applications, and prepares detailed reports to ensure that either the Licensing Board or the Members of the Authority are able to make a proper determination on each application. Specific units, within the Licensing Bureau, are as follows.

INTAKE UNIT The intake and data entry of applications is the first step in the licensing process. This function was centralized in Albany in 2011 to reduce the backlog and redirect staff resources in New York City and Buffalo. This Unit reviewed and processed 6,605 applications in 2012.

LICENSING UNIT After intake is completed, new and change applications are distributed to staff in all three (3) zones for appropriate review and analysis. Applications include those for manufacturing, retail and wholesale. This activity generated \$13.3 million in revenue in 2012.

RENEWAL UNIT Centered in Albany, it was merged with the Licensing Unit in 2011 to better cross-train and utilize staff where needed. The Authority, on average, processes 33,000 license and permit renewals per year. Renewals generated \$35 million in revenue in 2012.

PERMIT UNIT Processes all permits, including Temporary Beer and Wine Permits (“TPAs”) [e.g., special time limited events such as family gatherings, concerts, New Years Eve parties], Caterer’s Permits [e.g., allows catering at locations other than licensed premises], Transportation Permits, Solicitor’s Permits and other miscellaneous permits [e.g. allow permittees to sell alcoholic beverages that come into their possession]. This function was centralized in Albany in 2011 to reduce backlog and redirect staff resources in New York City and Buffalo. This Unit processed 16,564 TPA’s, 11,980 Catering Permits, and 7,774 other miscellaneous permits in 2012. This activity generated \$4.9 million in revenue in 2012.

PHONE UNIT (AKA CALL CENTER) The Authority made significant changes to its customer service approach by implementing a Voice Over Internet Protocol (“VOIP”) call tree and call center. The call center reduced interruptions to licensing staff, strengthened internal controls and provided callers with immediate, consistent answers. The call center responded to nearly 100,000 calls in 2012. In 2012, the call center was merged into the call center operated by Department of Taxation and Finance, resulting in greater efficiency.

ORGANIZATIONAL STRUCTURE

LICENSING BUREAU

Overall in 2012, the Licensing Bureau issued over 46,000 licenses, license change requests and permits and issued 36,179 license renewals. As noted in the 2010 Annual Report, the Authority confronted a backlog of over 3,100 license applications in 2009; by the end of 2012, the backlog was reduced to 221. By instituting changes to business processes, updating technology, centralizing functions and reorganizing the Licensing Bureau, not only has the backlog been reduced but application review and processing time have been reduced to an average of 75 days.

2012 LICENSING STATISTICS					
LICENSES		On	Off		
		<u>Premises</u>	<u>Premises</u>	<u>Wholesale</u>	<u>Sub-Totals</u>
Zone 1	Received	2,769	1,892	90	4,751
	Approved	2,463	1,763	89	4,315
Zone 2	Received	907	421	220	1,548
	Approved	862	425	227	1,514
Zone 3	Received	532	339	34	905
	Approved	<u>421</u>	<u>297</u>	<u>31</u>	<u>749</u>
			Statewide Total	Received	7,204
				Approved	6,578
PERMITS		<u>Brand Label</u>	<u>ST Permits</u>	<u>Other</u>	<u>Sub-Totals</u>
		Zone 1	Processed	2,063	1,413
Zone 2	Processed	475	1,060	849	2,384
Zone 3	Processed	199	481	247	927
				Statewide Total	7,774
RENEWALS		Statewide Total			
		36,179			
SPECIAL EVENT PERMITS			<u>TPA's</u>	<u>Caterer's</u>	<u>Totals</u>
			16,564	11,980	28,544
LICENSE CHANGES			Zone 1	Processed	1,896
			Zone 2	Processed	1,122
			Zone 3	Processed	543
			Statewide Total		3,561

ORGANIZATIONAL STRUCTURE

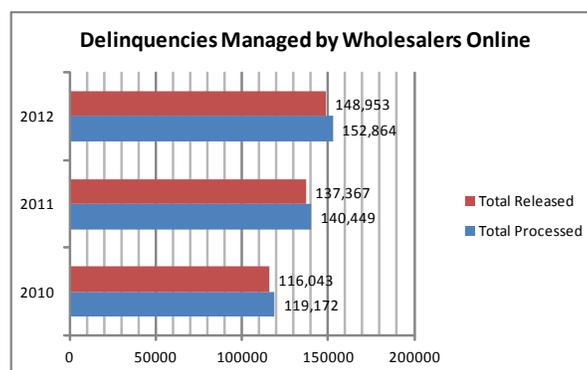
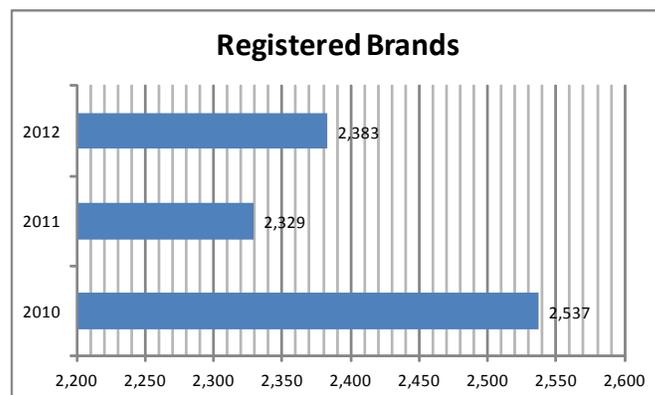
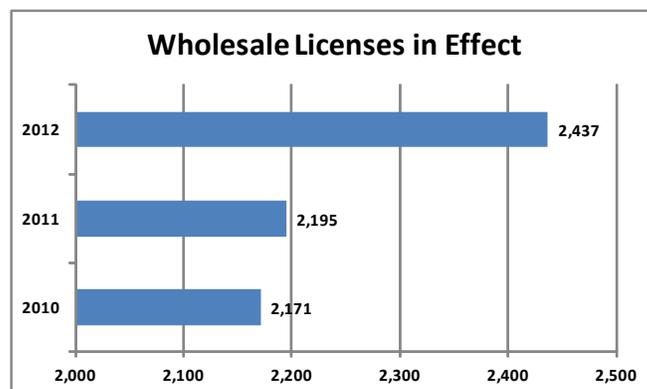
WHOLESALE BUREAU

The State Liquor Authority regulates the distribution and sale of alcoholic beverages through a tiered system of three (3) independent components: manufacturers, wholesalers and retailers. The Wholesale Bureau provides on-going assistance and guidance to the industry on trade practices and policy issues. The Wholesale Bureau specifically handles the following:

WHOLESALE PRICE POSTING The Alcoholic Beverage Control Law requires wholesalers of wine and spirits to post their prices monthly with the Authority to enable it to detect patterns that might indicate collusive practices or tied houses (i.e., the control of a licensee at one level of the three-tier system by a licensee at another level). These statutory provisions were enacted to eliminate predatory pricing schemes that encouraged irresponsible sales practices and forced many licensees out of business. Wholesalers provide this information to the Authority through an electronic price filing system.

BRAND LABEL REGISTRATION The Alcoholic Beverage Control Law requires that all brand labels for beer, low-alcohol wine, liquor, hard cider and wine products be registered and approved by the Authority before they are sold in New York State.

CASH ON DELIVERY (“COD”) LISTING The Alcoholic Beverage Control Law requires the monitoring of delinquent retail accounts. The Wholesale Bureau tracks these accounts via the COD List and delinquent retail accounts must pay cash for their purchases from wholesalers. The intent of the statute is to avoid a wholesaler illegally favoring one retailer over another, or controlling a retailer by providing unlimited credit. If this protection were not in place, one consequence would likely be the creation of tied houses and retailers being forced to purchase all or most of their products from one wholesaler.



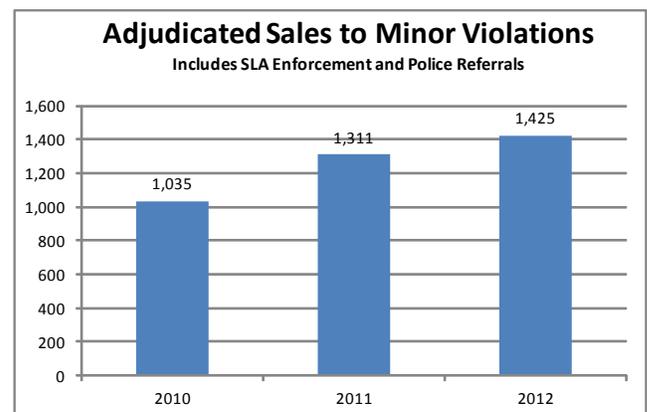
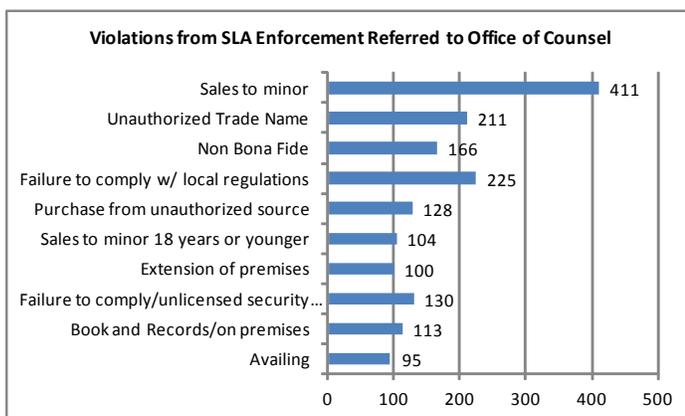
ORGANIZATIONAL STRUCTURE

ENFORCEMENT BUREAU

The Enforcement Bureau is responsible for investigating possible violations of the Alcoholic Beverage Control Law, rules and regulations relating to the manufacturing, wholesale, retail, transportation, and storage of alcoholic beverages. The Enforcement Bureau works with law enforcement agencies and community groups across the state, performs undercover investigations, and conducts trainings for police departments, licensees, and servers.

In 2012, cracking down on underage sales continued to be a top priority for the State Liquor Authority. Enforcement investigators conducted 100 Underage Compliance Details, including joint efforts with law enforcement entities. These details visited 1,208 licensed premises and resulted in 411 sales to minor violations. In addition to charges originating from State Liquor Authority Enforcement, an additional 1,298 charges were brought based on referrals received from local police departments.

SLA Underage Details	
<i>SLA Underage Compliance Initiatives 2012:</i>	100
<i>Licensed Premises Visited during SLA details:</i>	1,208
<i>Sales to Minor Violations during SLA details:</i>	411



ORGANIZATIONAL STRUCTURE

ENFORCEMENT BUREAU

The Authority continued to foster its relationships with law enforcement agencies and licensees throughout the state. These activities included:

INTEGRATED MUNICIPAL POLICE ACTION COMMUNITY TEAMS (“IMPACT”) The Authority collaborated with multiple police agencies designed to support strategic crime-fighting and violence reduction initiatives at 17 sites across the state. Staff also attended statewide IMPACT meetings in which agencies shared criminal intelligence. This enhanced the Authority’s efforts to aggressively investigate and prosecute violations that jeopardize the public health and safety.

MULTI-AGENCY RESPONSE TO COMMUNITY HOTSPOTS (“MARCH”) PROGRAM The Authority worked closely with the New York City Police Department (“NYPD”) through the MARCH program to monitor potentially problematic licensed premises. The MARCH program is directed by the New York City Criminal Justice Coordinator’s office, coordinated by the NYPD, and includes investigators from the Authority, the Fire Department of the City of New York, the New York City Department of Buildings and the New York City Department of Health. In 2012, The Authority participated in 72 MARCH details; making visits to 289 licensed premises, resulting in 543 Alcoholic Beverage Control Law violations.

ALCOHOL TRAINING AWARENESS PROGRAM PARTICIPATION (“ATAP”)

The Enforcement Bureau oversees the certification and monitoring of the Alcohol Training Awareness Program (“ATAP”) in which licensees and servers are trained in the appropriate and lawful sales of alcoholic beverages. Educating licensees regarding their responsibilities has proven to be an effective tool to reduce underage drinking and sales to intoxicated persons. There are currently 14 approved ATAP classroom programs, and five (5) approved online programs. During 2012, the 19 State Liquor Authority Certified ATAP Training Programs held 378 classroom training sessions and 4,512 on-line sessions which resulted in 8,940 students certified.

ORGANIZATIONAL STRUCTURE

COUNSEL'S OFFICE

The Counsel's Office is responsible for providing a full range of legal services to the State Liquor Authority.

Specific Duties include:

- Prosecuting licensees in administrative proceedings for violations; representing the Authority in administrative review proceedings; and defending the Authority in litigation.
- Responding to requests regarding interpretations and applications of the law, and reviewing information from the Enforcement Bureau, and other law enforcement agencies for rapid enforcement action, including emergency orders of summary suspension where there is an imminent threat to the public health, safety or welfare.
- Advising Authority staff/units on legal and compliance issues; developing rules, regulations and policy directives; and preparing and commenting on legislation.
- Attending meetings of the Full Board; acting as legal advisor to, and advising the Members of the Authority on requests for declaratory rulings.

LEGAL MATTERS SUBMITTED TO THE SLA BOARD			
Year	Calendared Items	Non-Calendared Items	Total
2010	2,729	920	3,649
2011	3,298	927	4,225
2012	3,284	789	4,073

HEARING BUREAU

The Hearing Bureau is comprised of part-time Administrative Law Judges (“ALJs”). Licensees charged with violations, such as sales of alcoholic beverages to underage purchasers, have the right to a fair and impartial hearings. The Hearing Bureau conducts all such disciplinary proceedings. All cases are prosecuted by the Counsel's Office. Additionally, the Hearing Bureau holds hearings: 1) which review Licensing Board decisions denying licenses; and 2) pertaining to license applications when such hearings are mandated by statute, primarily “500 Foot Rule Hearings” which afford a forum for public comments regarding applications for bar, restaurant or cabaret licenses in a municipalities of 20,000 or more people where there are already three (3) or more “on-premises” liquor licensees within 500 feet of the applied for premises.

Hearings are formal, “of record” adjudicatory proceedings of the Authority. Hearings are governed by the State Administrative Procedures Act (“SAPA”) and by Executive Order 131, which require that they be conducted in a manner that is impartial, efficient, timely, expert and fair. After a hearing is held, the ALJ makes findings of fact and renders a written determination. The hearing record, including a transcript (or an audio recording) of testimony taken at a hearing, constitutes the basis upon which all succeeding reviews, including reviews by the Members of the Authority, or on appeal to the courts of the State of New York, are heard.

In 2012, the Hearing Bureau held 614 disciplinary hearings – 536 in New York City (Zone 1), 32 in Albany (Zone 2), and 46 in Buffalo (Zone 3). In addition, the Hearing Bureau held 782 500-Foot Hearings – 665 in New York City (Zone 1), 30 in Albany (Zone 2), and 87 in Buffalo (Zone 3).

ORGANIZATIONAL STRUCTURE

SECRETARY'S OFFICE

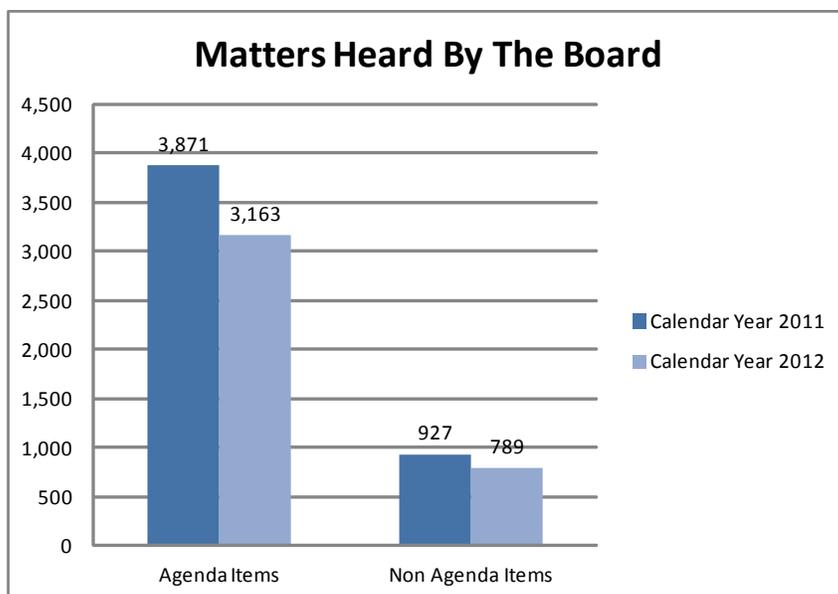
The Secretary's Office oversees the preparation of the agendas for the "Full Board" meetings of the Members of the State Liquor Authority. The Office receives matters from the Licensing Bureau, Counsel's Office and Hearing Bureau, as well as miscellaneous matters presented by other units within the Authority.

In 2012, there were 25 regular Full Board Meetings and 10 special meetings in New York City. Members of the public who wished to attend or participate could do so in person in the NYC office or from the Authority's offices in Albany and Buffalo through video conferencing. All Full Board meetings were also webcast live and archived on the Authority's website. In all, there were a total of 3,163 items scheduled for the Full Board to review; of those, 2,930 were new submissions while the remaining 233 had been re-scheduled from previous meetings.

The Secretary's Office is also responsible for implementing all disciplinary determinations made by the Board and processing/collecting returned checks. Specifically:

DISCIPLINARY DETERMINATIONS

In 2012, the Secretary's Office collected a total of \$7,541,960 in payments consisting of civil penalties and bond claims. Furthermore, in 2012, individual members of the Authority, on a rotating basis, were delegated to make final determinations on routine disciplinary matters meeting certain prescribed criteria. These matters are referred to as "non-agenda items," as an individual Member of the Authority makes a determination on the appropriate penalty. The Secretary's Office processed 789 such determinations which generated \$1,284,650 in fines, 19 Adjudicated Letters of Warning and five license cancellations.



COLLECTING/PROCESSING RETURNED CHECKS Notifications are immediately sent to applicants and licensees for prompt payment on all returned checks. Applicants for licensees who fail to remit payment are forwarded to the License Bureau for disapproval, and licensees who fail to remit payment are forwarded to Counsel's Office for the commencement of disciplinary proceedings. In 2012, the total amount of returned checks was \$235,290.55 (82% of the monies were replaced with 18% uncollectable and the accompanying applications subsequently disapproved). The amount of refunds statewide due to applicants for disapproved applications and licensees, and unused portions of their license periods, was over \$3.9 million dollars paid through the Office of the State Comptroller ("OSC") and Statewide Financial System ("SFS").

ORGANIZATIONAL STRUCTURE

SECRETARY'S OFFICE

DISCIPLINARY PENALTIES IMPOSED BY THE SLA BOARD (BY PENALTY DUE DATE)

Year	Monetary Penalties	Revocations and Cancellations	Suspensions	Number of Days (Suspensions)
2010	\$7,341,625	499	167	2,489
2011	\$7,958,599	525	116	2,050
2012	\$7,031,175	456	92	2,030

HOW TO CONTACT THE LIQUOR AUTHORITY

ENFORCEMENT If you would like to make a complaint or have questions on enforcement issues, please call (518) 474-3114 and select option 2 or send an email to: Enforcement@sla.ny.gov	OFFICE OF THE SECRETARY If you have questions regarding the Full Board Calendar or questions regarding fines or penalties imposed by the Board, please call (518) 474-3114 and select option 4 or send an email to: Secretarys.Office@sla.ny.gov
LICENSING If you have questions concerning how to obtain a license or permit, please call (518) 474-3114 and select option 1 or send an email to: Licensing.Information@sla.ny.gov	TECHNOLOGY If you have questions or suggestions regarding the Agency's use of technology, please call (518) 474-3114 and select option 5 or send and email to: Web.Master@sla.ny.gov
WHOLESALE If you are a manufacturer, wholesaler, retailer or other interested party with questions concerning trade practice, price schedules, brand label registrations or delinquent/credit statutes, please call (518) 474-3114 and select option 1 or send an email to: Wholesale.Bureau@sla.ny.gov	PUBLIC AND LEGISLATIVE AFFAIRS If you are a memeber of the media with questions regarding the State Liquor Authority, please call (518) 474-3114 and select option 3 or send an email to: Press.Office@sla.ny.gov
FOIL If you would like to make a Freedom of Information request, please call (518) 474-3114 and select option 3 or send an email to: FOIL@sla.ny.gov	LEGAL If you have a legal question, please call (518) 474-3114 and select option 4 or send an email to: Legal@sla.ny.gov

ZONE OFFICES AND THEIR DESIGNATED COUNTIES

ZONE 1 317 Lenox Ave. New York, NY 10027	ZONE 2 80 S. Swan St. Albany, NY 12210-8002	ZONE 3 535 Washington St. Buffalo, NY 14203
Bronx Kings Nassau New York Queens Richmond Suffolk Westchester	Albany Broome Cayuga Chenango Clinton Columbia Cortland Delaware Dutchess Essex Franklin Fulton Greene Hamilton Herkimer Jefferson Lewis Madison Montgomery Oneida Onondaga Orange Oswego Otsego Putnam Rensselaer Rockland St. Lawrence Saratoga Schenectady Schoharie Sullivan Ulster Washington Warren	Allegany Cattaraugus Chautauqua Chemung Erie Genesee Livingston Monroe Niagara Ontario Orleans Schuyler Seneca Steuben Tioga Tompkins Wayne Wyoming Yates



New York State Liquor Authority
Division of Alcoholic Beverage Control
80 South Swan Street, Suite 900
Albany, New York 12210
<http://sla.ny.gov>