

December 12, 2013

**STATEMENT BEFORE THE NEW YORK STATE ASSEMBLY COMMITTEE ON
ECONOMIC DEVELOPMENT AND THE NEW YORK STATE ASSEMBLY COMMITTEE
ON SMALL BUSINESS**

Good afternoon, Chairman Schimminger, Chairman Scarborough and Members of the Committee. I am Dennis Rosen, Chairman of the New York State Liquor Authority (SLA). Thank you for inviting me here today to speak before these Committees.

BACKGROUND ON THE SLA

The SLA regulates approximately 70,000 licenses and permits to businesses across the State each year, including 31,000 bars, taverns and restaurants; 15,500 licensed grocery stores; 2,900 liquor stores; and over 500 manufacturers. In 2013, the SLA has, so far, collected \$65,321,990 in total revenue, an increase of 20% from \$54,337,912 in calendar year 2010. This includes \$56,310,883 in licensing revenue, an increase of 22% from 2010, in addition to \$9,011,107 in fines, an increase of 13% from 2010. The SLA's enacted budget for State Fiscal Year 2010-11 was \$22,335,000 with 155 full time equivalent positions. For State Fiscal Year 2013-14, the SLA's budget is \$18,893,000 with 127 full time positions.

While the SLA's primary mission is to protect public health and safety, it also plays a vital role in economic development throughout the State. Today, I would like to share with your Committees some of the progress this administration has made over the past three years in processing license applications faster, supporting New York's rapidly growing alcohol manufacturing sector, and cracking down on serious violations of the Alcoholic Beverage Control Law ("ABCL").

LICENSING IMPROVEMENTS

The SLA has continued to streamline its processing of license applications and improve its responsiveness to applicants. At the end of 2010, the SLA had a backlog of 750 pending applications, with average review times of 102 days. Today, that backlog is down to 174 applications, a 30% improvement from 2010, while licenses are being reviewed in 71 days, a 31 day improvement. For new small businesses, these efficiencies mean the time it takes to receive a license for a liquor store has decreased by 40%, restaurant and bar licenses by 24%, grocery store licenses by 37%, and manufacturing licenses, including wineries, breweries and distilleries, by 30%.

In 2010, the ABCL was amended to allow new license applicants outside of New York City to receive temporary permits while their applications are pending. This provision, which was originally subject to a one-year sunset, has been extended for an additional year, which has been an extraordinary benefit to license applicants. In 2013, the SLA has, so far, issued 1,808 first-time 90 day permits, a 60% increase from the 1,138 permits issued in 2010. This statistic is extremely important - because the average processing time for these permits is only about seven

days. In 2013, over 1,800 new small businesses were able to open their doors and sell alcohol in just one week after applying. The SLA also issues 30 day extensions of the temporary permits if a business's license application is still pending when its temporary permit expires. The number of extender temporary permits issued is down 40%, from 4,221 in 2010 to 2,543 in 2013. The decrease is a direct result of the SLA reviewing applications more efficiently. While the argument has been raised that there is less need for temporary licenses given the recent progress at the SLA, I strongly disagree. Getting these businesses up and running quickly, again often within a week of applying, greatly enhances their chances of succeeding.

The SLA is one of six state agencies that has participated in the Governor's statewide small business outreach initiative, a program designed to help small business owners start and grow their businesses. Outreach sessions have taken place across the State, assisting thousands of entrepreneurs in Albany, Binghamton, Buffalo, Rochester, Syracuse, Watertown, Utica, Westchester, Nassau County, Suffolk County, and the five boroughs of New York City. At these sessions, the SLA has provided information on the licensing process, licensees' duties and responsibilities, as well as information related to recent changes in our procedures designed to streamline the application process. Attendees of these sessions were also able to discuss their individual needs with SLA representatives.

In 2012, the SLA released the Liquor Authority Mapping Project (LAMP), an application that maps and details important information for 54,000 active and pending licenses utilizing Geographic Information System ("GIS") technology. LAMP, which is available on the SLA website, provides never before available information to applicants, and provides data to community boards and the public on licenses within their neighborhoods that was previously available only through a FOIL request.

Also, as part of a statewide e-Licensing initiative, on Monday November 18th, the SLA went live with an online application for one-day Special Event Permits. Applicants may now apply for, and pay for these permits, electronically using a credit card. 100 online Special Event Permit applications have already been filed. The SLA is the first state agency to go live with an application under the new e-Licensing platform.

WINE, BEER, AND SPIRITS SUMMIT

New York State's liquor manufacturing sector has also experienced unprecedented growth over the past three years, particularly with respect to small craft manufacturers. Since taking office, Governor Cuomo has worked to develop this industry, a major driver of job creation and economic development that accounts for more than \$22 billion in annual total economic impact in New York and supports tens of thousands of jobs. In October 2012, the Governor hosted the State's first ever Wine, Beer and Spirits Summit, where he announced a new marketing campaign to promote New York-produced wine, beer, cider and spirits, as well as a series of regulatory reforms to significantly reduce their business costs.

As a result of the Summit, the SLA implemented several regulatory reforms including: eliminating the prohibition on holding more than one manufacturer's license on the same premises; expanding opportunities for New York's craft manufacturers to sell and provide

samples of their products at special events; allowing craft manufacturers to sell by the bottle when they conduct tastings; reducing marketing permit fees for alcohol suppliers from \$250 per year to \$125 per year; and allowing the issuance of one day special event permits to craft brewers and cider producers. The Governor also created a “one stop shop” to provide New York’s wine, beer, cider and spirits producers with a single point of government contact for assistance regarding regulations, licensing, state incentives and other questions. These, and other legislative and policy improvements, that I will briefly discuss, have helped stimulate tremendous growth of New York’s small, farm-based manufacturers.

NEW LEGISLATION

In July 2011, the Governor signed legislation to reduce the regulatory burdens on farm wineries. The legislation allows farm wineries to operate up to five branch stores, cut paperwork burdens, reduced capital costs for wineries by clarifying provisions related to “custom crush” wine production, allows wineries to participate in more charitable events, and consolidated winery license categories. Wineries and farm wineries have experienced remarkable growth over the past three years, with the number of wineries in New York State increasing by 33% percent (from 55 in 2011 to 73 today) and farm wineries increasing by 40% (from 195 in 2011 to 273 today). In addition, farm winery branch stores have increased by 76%, from 29 in 2011 to 51 today.

In July 2012, the Governor signed legislation to help New York’s craft breweries and create a new Farm Brewery license. Under the new law, to obtain a Farm Brewery license, a brewer must use locally-grown, New York farm products in the production of its beer, with specific requirements starting at 20% and increasing over time. Licensees can also open restaurants and retail shops, sell their products at special events and farmers markets, and serve beer by the glass, which has the highest return for brewers in terms of sales. Farm Brewers can also produce cider and operate five branch offices, where they can sell their products and other New York State labeled beer, wine, and liquor.

This new license went into effect in January 2013 and has been very well-received. In October 2013, after less than one year, there were already 14 newly-licensed local Farm Breweries. Today there are 21, with sixteen applications in the pipeline. This legislation also protected an important tax benefit for all small craft New York breweries, and exempted breweries that produce small batches of beer from paying an annual SLA fee for each batch. The number of microbreweries across the state has risen by 130% over the past three years, from 40 in 2011 to 92 today.

In October 2012, Governor Cuomo signed legislation to allow farm distilleries to sell their products at the New York State Fair, county fairs, and not-for-profit farmers' markets. This new law provides distilleries with the same access to marketing opportunities previously provided to wineries, farm wineries, and farm breweries. Since 2011, the number of farm distilleries in New York State has increased by 320%, from 10 in 2011 to 42 today. In addition, the number of distilleries and refineries has increased by 136% since 2011, from 14 in 2011 to 33 today.

Hard cider producers and wholesalers have also experienced significant growth, increasing by 340%, from five in 2011 to 22 today. In October 2013, the Governor signed legislation to create a Farm Cider license with privileges similar to the other farm licenses. Farm Cideries will be allowed to offer tastings of, and sell not only cider, but also beer, wine, and spirits made from New York products. These businesses, like farm wineries, breweries and distilleries, will become destination tourism locations that drive environmentally-friendly economic development within their communities and across the state.

The legislation also responded to the needs of the industry by changing the statutory definition of hard cider in order to permit greater flexibility in the manufacturing process. In addition, if a cider producer's product meets the definition of both hard cider and wine, the law affords the *producer* the choice of whether the product will be marketed and sold as wine or cider, based on their individual business and marketing needs.

UNDERAGE DRINKING

In addition to continually improving our licensing process, the SLA is also focused on educating licensees on their responsibilities and cracking down on serious violations of the law. As you know, the pervasiveness of underage drinking is problematic, with tragic consequences far too often the result. Tackling underage drinking requires a comprehensive approach, and the SLA is committed to doing our part, both by penalizing licensees who break the law and providing incentives for education and training. In 2010, the SLA successfully prosecuted 1,036 sales to minor violations. Prosecutions have increased by 65%, so far, in 2013, with a total of 1,717. This has been accomplished without adding additional staff, but, rather, through a combination of better partnerships with local law enforcement, more aggressive prosecutions, and better use of agency personnel.

Maintaining a strong relationship with local police departments is a priority for the SLA, as many of the disciplinary actions we bring come from their referrals. Our Enforcement Bureau works with law enforcement agencies throughout the state, taking part in joint task forces and operations such as the Multi Agency Response to Chronic Hotspots ("MARCH" Program) in New York City, and Operation IMPACT (Integrated Municipal Police Action Community Team), which includes federal, state and local law enforcement agencies that collaborate to address problems in high crime areas. The SLA is also a partner in the New York State Intelligence Center ("NYSIC"), the central source for the collection and analysis of criminal intelligence. In addition, the Enforcement Bureau conducts training for police departments, licensees, servers and other industry members.

In 2011, the SLA initiated, for the first time in its history, major underage decoy operations throughout the State using our own underage units. These operations target specific areas, with operatives blanketing scores of premises over several days. While the agency continues to conduct routine details with local police departments, conducting its own operations has provided greater flexibility and unprecedented results.

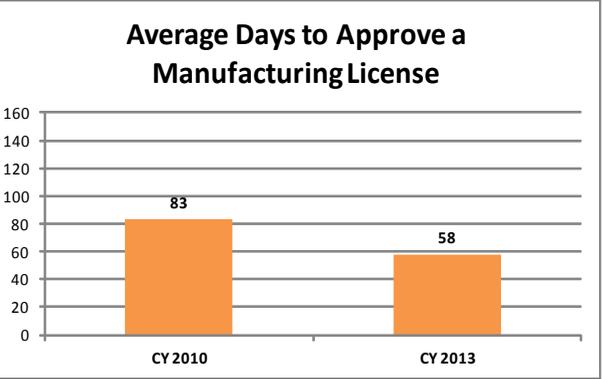
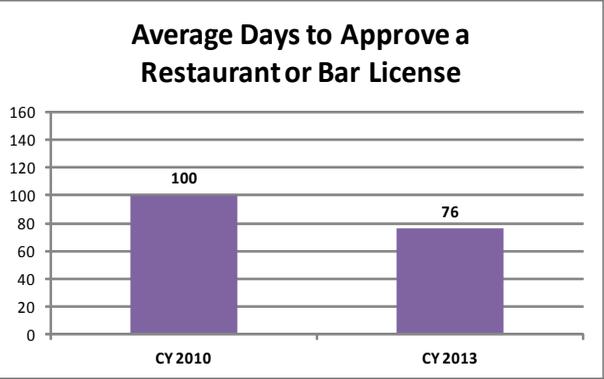
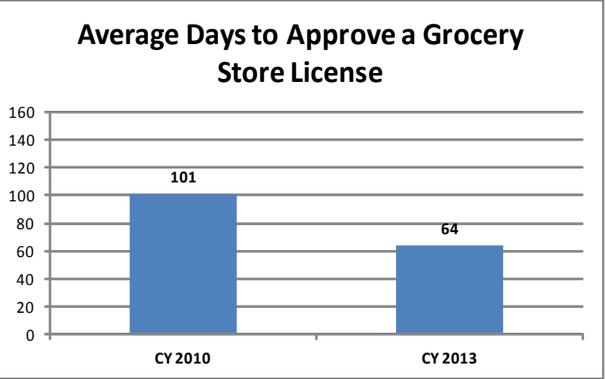
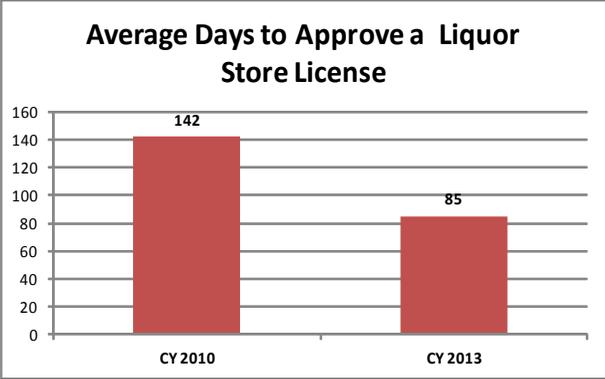
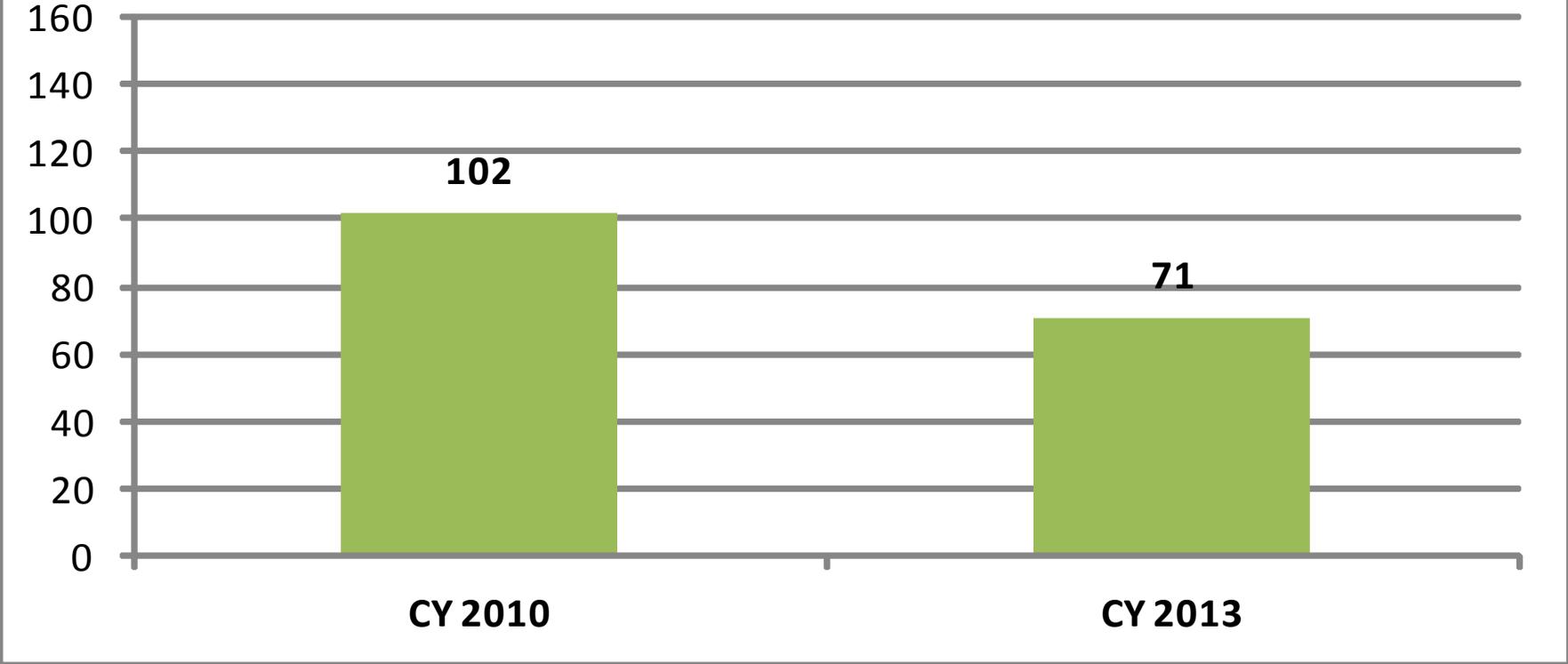
On October 21, 2013, Governor Cuomo announced the largest underage sting operation ever conducted by the SLA. Over seven days from October 3rd to October 11th, SLA

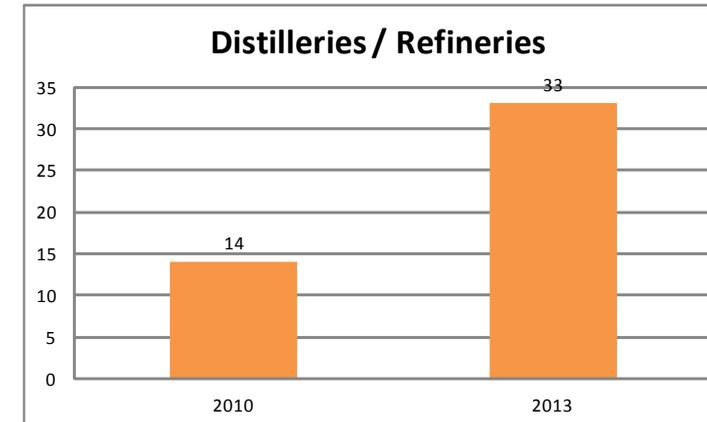
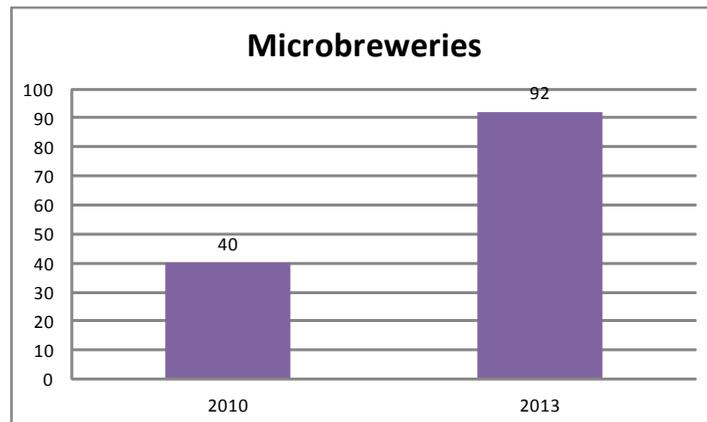
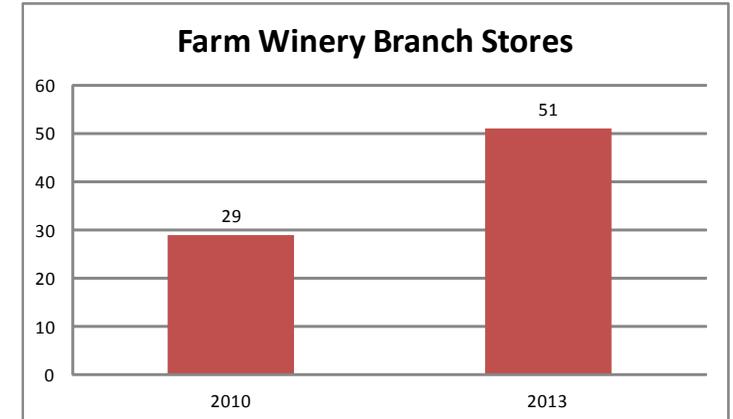
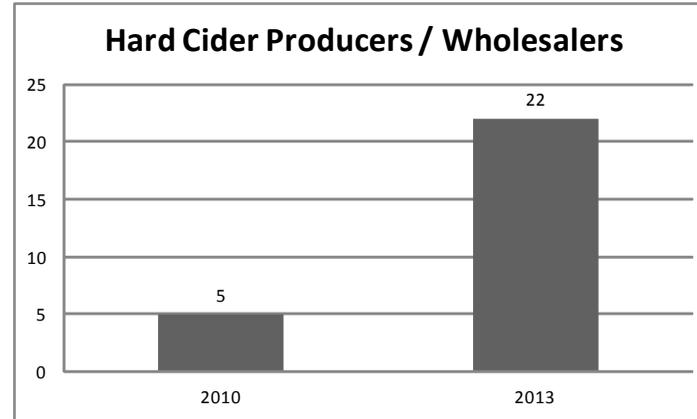
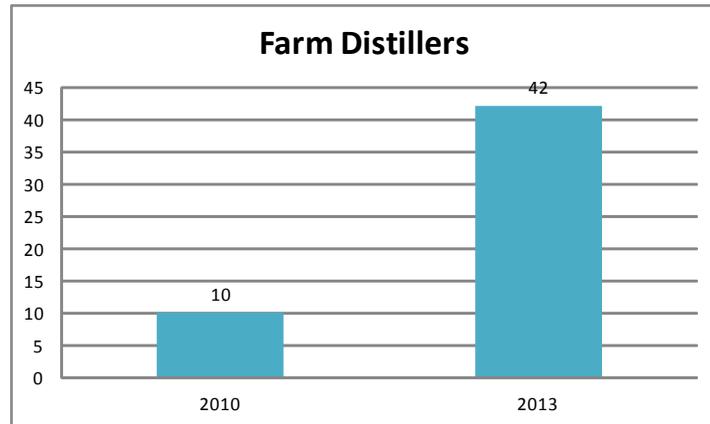
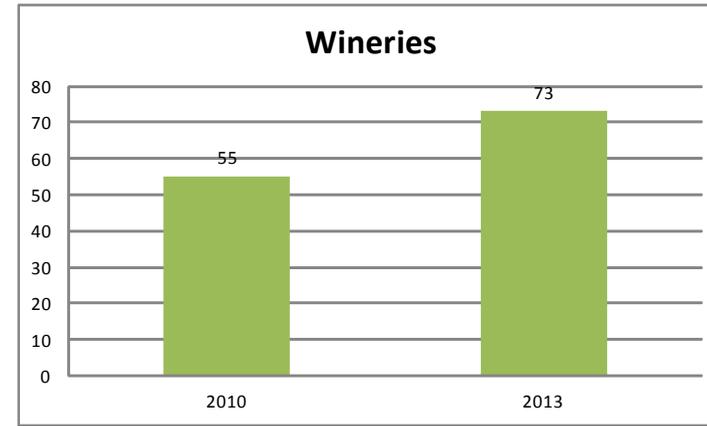
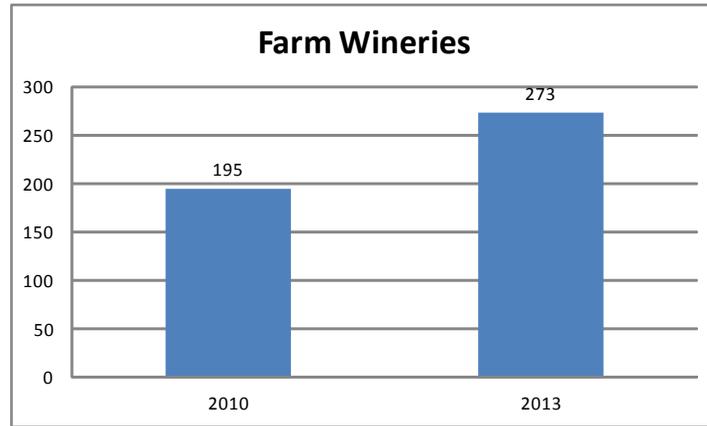
Investigators sent volunteer minors into 250 licensed groceries and liquor stores in all five boroughs of New York City. In total, the undercover minors were able to purchase alcohol at 76 premises. Licensees in these and other cases face fines of \$2,500 to \$3,500 for first time offenses. Repeat offenders face increased penalties, as well as the potential suspension or termination of their licenses. Our goal is to level the playing field for honest small businesses while making it clear that licensees will not profit from breaking the law.

Certifying and promoting the Alcohol Training Awareness Programs (ATAP) is part of our effort to educate licensees and stop underage drinking and sales to intoxicated persons. A recent statutory change reduces fines for licensees charged with serving a minor or an intoxicated person if the sale was made by an individual who previously completed ATAP training. If the business had not been convicted of a violation within the past five years, its maximum penalty would only be \$1,000. In addition, licensees whose employees have not completed the training may also receive a 25% reduction in the standard penalty if, within 90 days of the conviction, all of their servers are ATAP trained. Since 2011, over 20,000 licensees and their employees have completed ATAP training.

The SLA will continue to serve the people of New York State by further reducing application review times, assisting startup businesses, and regulating, without unduly interfering with, this tremendously important industry. The SLA also remains committed to doing our part to combat underage drinking. Thank you again for the opportunity to speak today.

Average Days to Approve All License Categories





Adjudicated Sales to Minor Violations

