

Division of Alcoholic Beverage Control
Senate Hearing To Examine the State Liquor Authority

March 1, 2024

Testimony of Lily Fan, Chair and Commissioner of the State Liquor Authority

Good morning, Chairman Comrie, Chairman Skoufis, and distinguished members of the Legislature. My name is Lily Fan, and I currently serve as Chair and Commissioner of the State Liquor Authority. Prior to my elevation to the fulltime Chair position by Governor Hochul with support of the State Senate in June 2023, I served for 5 years as a per diem Commissioner on the 3-member board, which governs the licensing policies and enforcement decisions relating to the alcoholic beverage industry. I am here today with my Chief of Staff William Crowley, who is an 18-year veteran at our Division; and our Acting Director of Administration, Casey Bullis, who has been with us for 7 years.

In 2023, the Division of Alcoholic Beverage Control collected a total of **\$57.4 million**. All revenue collected by our Division is remitted to the state's General Fund. The Governor's 2025 Executive Budget includes **\$16.5 million** in appropriations for the Division.

Our Division currently has 119 full-time employees and 35 hourly staff statewide. The Division oversees approximately 59,000 licenses; including approximately 23,000 bars, taverns and restaurants; 16,000 grocery stores; 3,400 liquor and wine stores; 900 wholesalers and over 1,200 manufacturers. In 2023, we issued around 18,000 event permits and 17,000 temporary permits. Collectively, these businesses generated **\$282 million** in excise taxes for the state in 2023 and provided hundreds of thousands of jobs.

On the manufacturing side, our state currently ranks in the top five in the US for the number of craft beverage producers in every category: #1 in cider, #2 in both beer and distilled spirits and #4 in wine. More broadly, craft beverages and agritourism contribute heavily to New York's tourism sector, which is the 3rd largest employer in the State. Perhaps shockingly, the alcoholic beverage industry in New York State generated nearly **\$79 billion** in direct spending in 2022.

License Application Processing Time

Since before the pandemic, our Division has had a backlog of applications. When I was confirmed as Chair by the New York State Senate eight months ago, the Division was facing a backlog in the thousands and processing time of over 9 months. As you know, eliminating this backlog and reducing processing time is a priority for this administration and our division.

- **Licensing Bureau Staffing**

Governor Hochul has taken decisive steps to address the longstanding backlog. In her Fiscal Year 2023 Budget – recognizing the pain these long wait times had caused small-business owners –

the Governor, in partnership with the Legislature – provided an additional 39 Full Time employees for our Licensing Bureau. While our agency is not immune to the recruitment challenges faced by every industry, since July 2023, with our acting Director of Administration’s hard work, we have brought on 15 additional licensing examiners. Civil Service’s new NYHELPS program will hopefully also aid in transitioning some of our capable hourly staff to full-time positions. Attrition is definitely a challenge for our Division. With the support of our host agency the Office of General Services, the Division of the Budget, and Civil Service, we continue to pursue reorganization of our Licensing Bureau to ensure that we are retaining knowledgeable examiners who are focused on customer service, speed, and precision.

- Backlog Committee

Our agency is also creating new processes and devoting dedicated staff to attack the existing backlog. On November 28, 2023, the SLA Board approved a delegation to create a Backlog Committee that includes senior staff and licensing examiners to attack the problem. The committee’s work supports and aligns with the goals of the 2014 legislative amendment revising the ABC law’s mission to support economic development.

The Committee began work immediately, developing a pared-down checklist and training for Committee staff, determining criteria for program eligibility, and creating a dedicated email for communicating with applicants. We have established new procedures for internal tracking and reporting on applications eligible for the program, and created new “conditional” and “final” approval letters for applications granted under the program—all in an effort to get applications reviewed faster and licenses issued than ever before.

The Committee began reviewing applications on January 10th, and as of February 29th the Committee has reviewed 400 applications in total. In 7 weeks, we have addressed 7% of the backlog. More importantly, since we started, our capacity has increased by 11% each week as the Committee staff numbers increase and they become more familiar with the new review process. The Committee staff is now able to review 5 to 6 applications each per day, up from 1-3 using our prior procedure.

The Committee is authorized for six months and likely it will be necessary to reauthorize. We are confident that in the near future, licensing response time will return to a reasonable wait of 3 to 4 months.

- Temporary permits As Relief

In addition to providing more resources, the Governor, through her ongoing partnership with the Legislature, has enacted important legislative changes allowing more businesses to open expeditiously. Approximately 70% of applicants qualify for temporary permits that allow them to sell and serve alcoholic beverages while their licenses are pending. In December of 2021, the Governor signed a law providing new restaurants in New York City eligibility for a temporary permit for the first time. These permits are allowing businesses to open their doors in less than 30 days on average - provided the statutory 500 Foot Law hearing isn’t required. The number of temporary permits issued exploded to 17,000 in 2023. To address this flood in a timely manner, half of our licensing staff time was taken up by issuing and renewing temporary permits, which

added to the backlog of the general application pool. In September 2023, the Full Board voted to allow applicants to apply for temporary renewals for up to 90 days at a time, which has been instrumental in keeping the amount of paperwork involved for both permittees and our Licensing Bureau down.

Additionally, following the passage of legislation championed by the Governor that went into effect in 2022 – all new craft manufacturers are now also eligible for temporary permits to serve and begin manufacturing their products while their full license applications are pending. These permits allow our craft manufacturing businesses to start operating and bringing in revenue in a matter of weeks after applying, ensuring New York remains a national leader in craft beverage production.

Commission Report

On May 1, 2023, the SLA released a report from the “Commission to Study Reform of the Alcoholic Beverage Control Law” as directed by the enacted FY 2023 Budget. While our agency does not take a formal position on the policies advanced or rejected by the Commission Members, we believe this report can serve as a guide to implementing important and necessary changes to the law.

Two recommendations were signed into law this past October, expanding Sunday hours for liquor stores and grocery stores. Other recommendations are still being evaluated and considered. It is heartening to know the Governor recognizes that change is necessary and that the administration and legislature continue to look for ways to improve the ABC laws together.

Technology

In our strong desire to be as responsive and helpful as we can to our businesses large and small, we’re continuing to modernize and streamline. To that end, we’re implementing technology and increasing transparency.

Thanks to the funding provided by the Governor in partnership with the Legislature, the Division last October replaced our 25-year-old licensing and compliance databases with a new software program “LEAP”, which is a comprehensive, modern database designed to automate many of our processes and speed up review times.

While the first phase of the LEAP launch primarily involves internal processes – applicants for now are still sending paper applications and licensing fee checks to a lockbox and Licensing clerical staff continues to manually enter data into the new system – we are working towards a system in which applicants will be able to apply and pay fees online for many license types, making the process far more efficient. In addition, when the system is fully implemented – our new database will drastically reduce deficiencies in applications – which is a major culprit in delays.

Another tool we’re employing and improving is an interactive GIS mapping program called “LAMP”. This is a user-friendly program that displays key information for active and pending licenses across the state. LAMP maps key information for over 50,000 active and pending licenses and is updated daily to allow applicants, community boards, law enforcement and the

public to search, analyze and visualize licensing and disciplinary data previously available only through a formal FOIL request.

During the pandemic, the Division migrated its brand label permits to an online system. It saves time—approvals are typically a week or less—and it costs New York taxpayers nothing.

Our wholesale IT systems are also rolling out updated systems for our price posting and delinquent list maintenance functions. Once these are fully implemented, this effort will better enable industry members' compliance. The new systems will accommodate old and new license number formats as well as to ensure a robust service platform for industry members and staff alike. To ensure a smooth transition, internal staff trainings are currently ongoing and our IT contractors anticipate full deployment in the next several weeks.

Transparency

Given the governor's focus on better customer service, our team strives to improve on an already open line of communication with the public, with a gentler tone and the most accurate data. Through the use of Open Data, the Division supplies information to the public based on active, inactive, and pending licenses. Those data range from principal names to business addresses to license expiration dates, all to provide the public with current information for learning information about a business. It works hand in hand with LAMP.

Additionally, the Division processes more than 2000 FOIL requests per year, ranging from simple principal verifications to data intensive requests that help everyone from journalists to applicants. Our new FOIL platform has been up and running for a month and has already received 250 FOIL requests -- 95% of these have been fully responded to as a new staff team was formed to help tackle the staggering amount of requests.

Update on Enforcement

The Division's enforcement resources are focused on cracking down on serious violations of the law and helping to educate licensees on their responsibilities. It is important to note that all of our enforcement is complaint-based—the vast majority of charges brought by the Division stems from referrals from our partners in local law enforcement and other municipal agencies.

In 2023, the Division brought proceedings against 1288 licensees, covering all 62 counties. There are currently 791 open investigations across the state in 59 counties. The Division's Enforcement teams conducted 59 underage operations in 2023, visiting 588 licensed premises and charging 113 licensed premises with sales to minors as a result of these operations. In 2023, the Division collected \$3,044,500 in civil penalties, in addition to revoking and canceling 105 licenses and issuing 5 emergency orders of summary suspension.

Conclusion

I am proud of the work that our Division has accomplished over the last eight months and am enthusiastic to continue working with the Legislature to implement necessary changes to deliver results for our applicants, licensees, and the communities where these businesses operate. We have done a lot in this short time and we are crystal clear on the fact there is a lot more work to

do and changes to implement. I also want to take this opportunity to thank all the industry members and stakeholders who have submitted testimony and have traveled here to speak for their interests and represent their constituents. These are all friends of ours and we continue to work together to improve our commodity's competitiveness within our State and beyond.

Thank you for the opportunity to speak with you today. I am grateful for your attention today to the work and challenges of our Division. I am happy to take your questions.

