

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

ANNUAL REPORT FISCAL YEAR 2013/14

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ABC MISSION

The mission of the Department of Alcoholic Beverage Control (ABC) is to administer the provisions of the ABC Act in a manner that fosters and protects the health, safety, welfare, and economic well-being of the people of the State.

Upon the repeal of Prohibition in 1933 and the return of the legal sale of alcoholic beverages to California, taxation and regulation of the manufacture, distribution, and sale of alcoholic beverages were given to the State Board of Equalization. In 1955, an amendment to the State Constitution became effective removing the authority from the State Board of Equalization and placing it in the new ABC.

California Constitution, Article XX, Section 22, vests ABC with the exclusive right and power to license and regulate the manufacture, importation, and sale of alcoholic beverages within the State. As of the end of fiscal year 2013/14, ABC was authorized 427 positions and organized into three major divisions and 24 district offices to meet its constitutional mandate to regulate the 87,112 ABC licensed businesses in California at that time.

ABC licensed outlets comprise approximately 8 percent of all the State's businesses; and they generated over \$500 million a year in sales and excise taxes alone. California wine is world renowned and the restaurant and hospitality industry is the State's number one employer providing over a million jobs.

BUDGET

ABC's enacted budget appropriations authority for fiscal year 2013/14 was just under \$57 million, remaining relatively consistent with the previous fiscal year. Changes were made throughout the fiscal year due in part to increases in Federal and State grant reimbursements as well as budget revisions in projected operational and personnel services costs.

See Appendix A for more detailed information on the ABC budget.

LICENSING

The ABC licensing function is to thoroughly investigate all applicants and proposed business locations to ensure they meet the minimum qualifications of the ABC Act. The licensing investigation is conducted to protect public welfare and safety concerns. Issues examined during a licensing investigation may include police problems, over concentration of licensed premises in the area, and the possible impact the proposed business will have on nearby residences, churches, schools, and hospitals.

The number of permanent licenses issued by ABC for this fiscal year increased by seven percent and the average number of days to process applications received increased by nine days. There are many common external factors impacting the amount of time and effort required to investigate and issue a license including: how quickly the applicant provides information to ABC; the applicant's qualifications; proposed business location, license type; and local land-use requirements. In addition, those licenses that are protested or otherwise objected to by members of the public may be entitled to a hearing to voice their concerns lengthening the licensure process.

During this fiscal year ABC experienced a 23 percent decrease in the number of protests received over last fiscal year. We believe this change is due in part to the enactment of AB 593, (Chapter 502, Statutes of 2013) which no longer allows for protestants to file their objections of licenses in the form of petitions. All protest must now be submitted to the department individually. This change in public input was intended to reduce licensing staff workload in terms of investigative effort, reporting detail, and management review.

The combined number of temporary one-day licenses issued to non-profit organizations and caterer's events authorized increased by approximately 19.6 percent compared to the prior fiscal year. In addition the number of priority applications for full liquor licenses sold by the State increased by approximately 16 percent and the total number of applications for permanent licenses went up by an overall rate of two percent.

ABC denied 11 applications for permanent licenses this fiscal year although this number does not take in to account the 940 applications that are withdrawn by applicants before receiving a formal denial. Significant resources and effort are dedicated by licensing staff in terms of completing a denial investigation and subsequent report preparation.

See Appendix B for more detailed information on licensing statistics.

ENFORCEMENT

Violations of the ABC Act and other penal provisions at ABC licensed premises may result in the filing of a criminal complaint, an administrative action against the license, or both. To determine if a criminal or administrative violation has occurred, ABC conducts an investigation. The vast majority of enforcement investigations conducted by ABC result from complaints received from either local law enforcement agencies, the general public and other ABC licensees or their employees. ABC also engages in proactive inspections at ABC licensed businesses before complaints are received to further its goal of voluntary compliance.

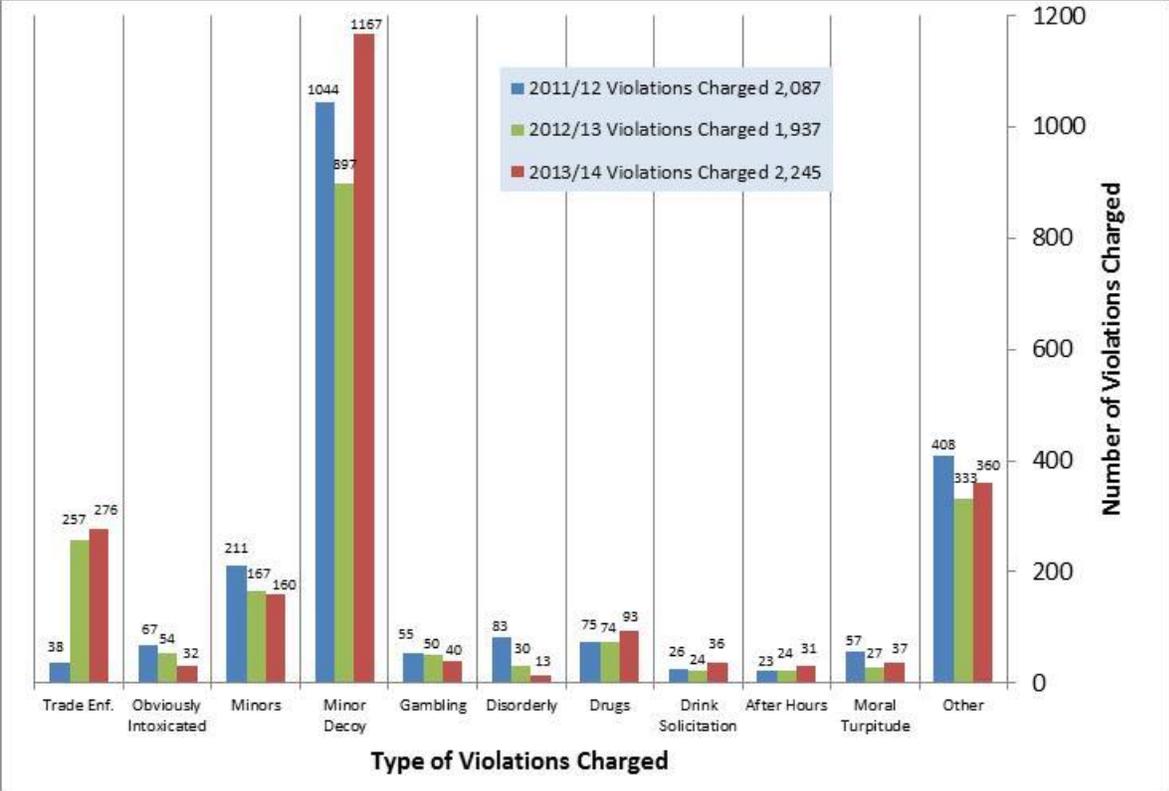
ABC peace officers conducting criminal and administrative investigations have the responsibility to make necessary physical arrests, preserve all available evidence and prepare written reports. The officers then present the case to the appropriate local District Attorney or City Attorney for possible criminal prosecution against the individuals involved in the crimes, as well as, to ABC leadership for possible administrative action against the licensed premise where the violations occurred. Enforcement investigations conducted by ABC include but are not limited to: sales of alcoholic beverages to minors; obviously intoxicated persons; sales without a license; sales of illegal drugs; drunk in public; solicitation of prostitution; gambling; and receiving stolen property at ABC licensed businesses.

Overall enforcement investigations completed during this reporting period increased approximately five percent from the prior year. In addition, ABC continued its increased focus on trade enforcement violations resulting in a nearly eight percent rise in the number of administrative enforcement actions being filed over the previous reporting period in this area. These violations are more often complex investigations that require increased time and resources compared to other violations. Although more resource intensive, trade enforcement regulation is critical to the goal of the ABC Act to maintain a fair marketplace throughout the State.

Criminal arrests by ABC peace officers increased eight percent over the prior fiscal year however, are still eight percent below the pre-recession era levels experienced in fiscal year 2007/08. With the 12 additional peace officer positions included in the fiscal year 2014-2015 budget, ABC anticipates a continued increase in enforcement activity as positions are filled.

During this reporting period, ABC charged 2,245 separate violations by licensees or their employees and represents a 16 percent increase from the prior fiscal year. The increase can be attributed to the additional grant funding received from the State's Office of Traffic Safety and the National Highway Traffic Safety Administration targeting enforcement efforts to prevent youth access to alcohol.

The graph below illustrates the number and type of violations charged by ABC during this reporting period as well as the prior two fiscal years.



See Appendix C for more detailed information on enforcement investigation statistics and violations charged.

ENFORCEMENT PENALTIES

ABC may impose a disciplinary penalty on a license for failing to comply with the laws, rules and conditions governing a license. Warning letters are issued when there is sufficient evidence to indicate a violation has occurred but has not risen to the level of an administrative action against the license. These warning letters serve to advise licensees of issues occurring at their licensed premises, with the goal of achieving voluntary compliance. For more serious violations, ABC may suspend or revoke a license. Both a suspension and revocation may be stayed by ABC. A stayed suspension or revocation is similar to probation; if there are no further violations during a specified time period the penalty will not go into effect. If there are further violations, the penalty will go into effect as a result of the new violation. This fiscal year, ABC imposed 702 suspensions, both stayed and served. This represents an overall increase of 16 percent from the prior fiscal year.

In certain circumstances, licensees may be allowed to pay a fine instead of serving a suspension. In fiscal year 2013/14, ABC collected 1,052 fines, totaling \$3,150,412. This represents a 19 percent increase in the amount of revenue collected from fines

compared to the prior fiscal year. The amount of a fine is based on a licensee's revenues from the sale of alcoholic beverages; thus, the fine amounts vary with economic trends. Additionally, whether a licensee can pay a fine is discretionary on the part of ABC. Depending on the facts and circumstances of a violation, ABC may determine that an actual suspension is necessary to further compliance. As this determination is fact specific, there can be significant differences in how many fines are allowed and collected each year.

During this fiscal year, ABC determined it was necessary to revoke 23 licenses which is a nine percent increase over the prior fiscal year. In addition, ABC stayed 177 revocations which is a 37 percent increase over the prior fiscal year. The increases in both revocation and stayed revocation actions taken by ABC is reflective of the Department's increased focus on investigating those complaints that could have the greatest public safety impact.

See Appendix D for more detailed information on enforcement penalty statistics.

APPENDIX A: BUDGET

	<i><u>Governor's Proposed Budget</u></i>	<i><u>Enacted Budget</u></i>	<i><u>Amount Expended</u></i>
Licensing	\$27,861,000	\$28,329,827	\$28,185,945
Enforcement	\$28,970,000	\$28,571,970	\$25,475,291
Local Assistance	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Administration	\$ 4,166,000	\$ 4,244,471	\$ 4,244,471
Distributed Administration	\$ -4,166,000	\$ -4,244,471	\$ -4,244,471
Reimbursements	<u>\$ -1,047,000</u>	<u>\$ -3,248,895</u>	<u>\$ -2,059,299</u>
TOTAL	\$56,831,000	\$59,901,797	\$58,720,535

APPENDIX B: LICENSING

Number of permanent licenses issued and average number of days from application to issuance, by license type:

<i>License Type</i>	<i>Number Issued</i>	<i>Days</i>
01 Beer Manufacturer	9	53
02 Winegrower	768	122
03 Brandy Manufacturer.....	8	166
04 Distilled Spirits Manufacturer	22	156
05 Distilled Spirits Manufacturer Agent	5	115
06 Still	33	160
07 Rectifier	8	81
09 Beer and Wine Importer	188	121
10 Beer & Wine Importers General	32	134
11 Brandy Importer	1	112
12 Distilled Spirits Importer	109	106
13 Distilled Spirits Importer's General	29	110
14 Public Warehouse	43	116
15 Customs Broker.....	2	541
16 Wine Broker	14	66
17 Beer & Wine Wholesaler	466	97
18 Distilled Spirits Wholesaler.....	125	103
20 Off-Sale Beer & Wine.....	1,457	113
21 Off-Sale General	1,260	136
22 Wine Blender.....	10	313
23 Small Beer Manufacturer	150	172
24 Distilled Spirits Rectifier's General.....	1	128
27 California Winegrower Agent.....	1	78
29 Winegrape Growers Storage License	4	54
40 On-Sale Beer	91	110
41 On-Sale Beer & Wine Eating Place.....	3,342	109
42 On-Sale Beer & Wine Public Premises	210	128
44 On-Sale Beer Fishing Party Boat.....	2	56
45 On-Sale Beer and Wine Boat.....	2	82
47 On-Sale General Eating Place	1,693	156
48 On-Sale General Public Premise	267	148
49 On-Sale General Seasonal	2	68
51 Club.....	6	128
52 Veterans' Club.....	1	107

54	On-Sale General Boat.....	9	113
55	On-Sale General Airplane	2	301
57	Special On-Sale General	13	188
59	On-Sale Beer and Wine Seasonal	1	126
61	On-Sale Beer Public Premises.....	1	52
62	On-Sale General Dockside.....	1	54
64	Special On-Sale General Theater	7	73
67	On-Sale Wine, Bed & Breakfast	4	94
68	Portable Bar	128	152
70	On-Sale General Restrictive Service.....	43	121
71	Special On-Sale General License.....	2	38
75	On-Sale General Brew-Pub	18	182
80	Special On-Sale General Bed and Breakfast Inn	4	64
85	Limited Off-Sale Wine License	46	77
86	Instructional Tasting License.....	219	163

Total Permanent Licenses Issued: 10,859

Average Number of Days for Processing All Applications:.....125*

*Common external factors impacting the number of days to issue a license include those related to premises construction, escrow delay and tax delinquency, compliance with local land-use requirements, protests against issuance, etc.

Number of permanent licenses renewed, by license type:

<i>License Type</i>	<i>Number</i>
01 Beer Manufacturer	33
02 Winegrower	3,618
03 Brandy Manufacturer.....	40
04 Distilled Spirits Manufacturer	91
05 Distilled Spirits Manufacturer Agent	19
06 Still	137
07 Rectifier	31
08 Wine Rectifier.....	1
09 Beer & Wine Importer.....	1,322
10 Beer & Wine Importers General	221
11 Brandy Importer	15
12 Distilled Spirits Importer	639
13 Distilled Spirits Importer's General	135
14 Public Warehouse	287
15 Customs Broker	27
16 Wine Broker	59
17 Beer & Wine Wholesaler	2,682
18 Distilled Spirits Wholesale.....	688



19	Industrial Alcohol Dealer	4
20	Off-Sale Beer & Wine	13,596
21	Off-Sale General	12,798
22	Wine Blender.....	74
23	Small Beer Manufacturer	334
24	Distilled Spirits Rectifier's General	3
27	California Winegrowers Agent.....	2
29	Winegrape Growers Storage License	50
40	On-Sale Beer	805
41	On-Sale Beer & Wine Eating Place.....	20,480
42	On-Sale Beer & Wine Public Premises	1,250
43	On-Sale Beer And Wine – Train.....	1
44	On-Sale Beer & Wine Fishing Party Boat.....	33
45	On-Sale Beer & Wine Boat	42
47	On-Sale General Eating Place	13,945
48	On-Sale General Public Premises.....	2,754
49	On-Sale General Seasonal	21
50	On-Sale General Club.....	48
51	Club.....	799
52	Veterans' Club.....	306
53	On-Sale General Train	7
54	On-Sale General Boat.....	174
55	On-Sale General Airplane	34
56	On-Sale General Vessel, 1,000 Ton	15
57	Special On-Sale General	256
59	On-Sale Beer & Wine Seasonal.....	20
60	On-Sale Beer Seasonal	19
61	On-Sale Beer Public Premises.....	14
62	On-Sale General Dockside	12
63	On-Sale Special Beer & Wine, Hospitals	61
64	Special On-Sale General Theater	72
67	Special On-Sale Wine Bed And Breakfast Inn	134
68	Portable Bar	950
69	Special On-Sale Beer & Wine Theatre.....	5
70	On-Sale General Restrictive Service.....	221
75	On-Sale General Brew-Pub	100
76	On-Sale General Maritime Museum Association.....	1
80	Special On-Sale General Bed And Breakfast Inn.....	48
83	On-Sale General Caterer's License	6
85	Limited Off-Sale Wine License	50
86	Instructional Tasting License.....	215

TOTAL PERMANENT LICENSES RENEWED79,804

Number of penalties imposed for late renewal of permanent licenses:...7,845

Total amount collected from late renewal penalties:\$1,488,516

Number of certificates issued pursuant to Business and Professions Code section 25503.42:0

Number of permanent licenses automatically canceled for non-payment of renewal fee, by license type:

<i>License Type</i>	<i>Number</i>
02 Winegrower	52
07 Rectifier	1
09 Beer & Wine Importer.....	49
10 Beer & Wine Importer's General	6
12 Distilled Spirits Importer	38
13 Distilled Spirits Importer's General	7
14 Public Warehouse	2
16 Wine Broker	6
17 Beer & Wine Wholesaler	110
18 Distilled Spirits Wholesaler.....	42
20 Off-Sale Beer & Wine.....	185
21 Off-Sale General	17
22 Wineblender.....	1
23 Small Beer Manufacturer	4
29 Winegrape Grower Storage.....	2
40 On-Sale Beer	30
41 On-Sale Beer & Wine Eating Place.....	667
42 On-Sale Beer & Wine Public Premises	36
44 On-Sale Beer Fishing Party Boat	2
47 On-Sale General Eating Place	35
48 On-Sale General Public Premises.....	8
51 Club.....	7
52 Veterans Club	2
54 On-Sale General Boat.....	3
56 On-Sale General Vessel	1
57 Special On-Sale General.....	1
64 Special On-Sale General Theater	1
67 Special On-Sale Wine Bed & Breakfast Inn	1
68 Portable Bar	4
75 On-Sale General Brew-Pub	4
80 Special On-Sale General Bed And Breakfast Inn.....	1
85 Limited Off-Sale Wine License.....	3

TOTAL NUMBER CANCELED FOR NON-PAYMENT1,328

Number of temporary licenses, permits and authorizations issued, by type:

Temporary Permits & Interim Permits	3,220
Special Daily License Beer & Wine	11,882
Special Daily License General	16,894
Catering Authorizations.....	16,019

APPENDIX C: ENFORCEMENT

Enforcement investigations conducted (Department-generated):.....3,551

Enforcement investigations conducted as response to reports received from allied law enforcement agencies:1,308

Criminal arrests:

	<u>Underage Alcohol-related</u>	<u>Other</u>	<u>TOTAL</u>
ABC	2,183	1,463	3,646
Joint (with allied law enf.)	<u>162</u>	<u>187</u>	<u>349</u>
TOTAL:	2,345	1,650	3,995

Numbers of violations charged, by violation type:

Business Practices	276
Service of Alcohol to Obviously Intoxicated Persons.....	32
Sales of Alcohol to Minors	160
Sales of Alcohol to Minors through the Minor Decoy Program	1,167
Illegal Gambling.....	40
Disorderly Premises/Disruptive Premises.....	13
Drugs.....	93
Illegal Solicitation of Drinks.....	36
Sales or Service during Restricted Hours.....	31
Moral Turpitude	37
Condition Violations, Receiving Stolen Property, Hidden Ownerships and other Miscellaneous Violations..	360
TOTAL	2,245

APPENDIX D: ENFORCEMENT PENALTIES

Formal warning letters issued to permanent license holders:.....553

Number of fines imposed as a result of disciplinary action, by license type:

<i>License Type</i>	<i>Number</i>
02 Winegrower	6
04 Distilled Spirits Manufacturer	1
05 Distilled Spirits Manufacturer Agent	1
10 Beer and Wine importer's General	1
13 Distilled Spirits Importer's General	2
14 Public Warehouse	1
17 Beer & Wine Wholesaler	2
18 Distilled Spirits Wholesaler.....	7
20 Off-Sale Beer & Wine.....	283
21 Off-Sale General	421
23 Small Beer Manufacturer	9
28 Out-of-State Distilled Spirits Shipper's Certificate	1
40 On-Sale Beer	4
41 On-Sale Beer & Wine Eating Place.....	147
42 On-Sale Beer & Wine Public Premise	13
47 On-Sale General Eating Place	148
48 On-Sale General Public Premises.....	55
51 Club.....	1
52 On-Sale Beer Seasonal	3
70 On-Sale General Restrictive Service.....	1
75 On-Sale General Brew-Pub	5
TOTAL FINES IMPOSED.....	1,112

Total amount of fines collected as a result of accusations:.....\$3,150,412

Number of permanent licenses revoked as a result of disciplinary action, by license type:

<i>License Type</i>	<i>Number</i>
17 Beer & Wine Wholesaler.....	1
20 Off-Sale Beer & Wine.....	2
21 Off-Sale General	4
40 On-Sale Beer	7
41 On-Sale Beer & Wine Eating Place.....	3
42 On-Sale Beer & Wine Public Premises	3

47	On-Sale General Eating Place	3
TOTAL REVOKED		23

Number of permanent licenses revoked as a result of disciplinary action, with revocation stayed, by license type:

<i>License Type</i>	<i>Number</i>	
01 Beer Manufacturer	1	
02 Winegrower	1	
20 Off-Sale Beer & Wine	41	
21 Off-Sale General	52	
40 On-Sale Beer	9	
41 On-Sale Beer & Wine Eating Place.....	14	
42 On-Sale Beer & Wine Public Premises	10	
47 On-Sale General Eating Place	18	
48 On-Sale General Public Premises.....	32	
TOTAL REVOKED WITH REVOCATION STAYED.....		177

Number of permanent licenses suspended as a result of disciplinary action, including suspensions stayed, by license type:

<i>License Type</i>	<i>Number</i>
02 Winegrower	9
04 Distilled Spirits Manufacturer	3
13 Distilled Spirits Importer's General	3
14 Public Warehouse	2
18 Distilled Spirits Wholesaler.....	7
20 Off-Sale Beer & Wine	160
21 Off-Sale General	205
23 Small Beer Manufacturer	1
26 Out-of-State Beer Manufacturer's Certificate	1
28 Out-of-State Distilled Spirits Shipper's Certificate	8
40 On-Sale Beer	7
41 On-Sale Beer & Wine Eating Place.....	125
42 On-Sale Beer & Wine Public Premises	19
47 On-Sale General Eating Place	83
48 On-Sale General Public Premises.....	57
49 On-Sale General for Seasonal Business.....	1
51 Club.....	4

52	Veteran's Club.....	4
57	Special On-Sale General	1
75	On-Sale General Brew-pub.....	1
85	Limited Off-Sale Retail Wine	1
TOTAL SUSPENDED (including stayed)		702