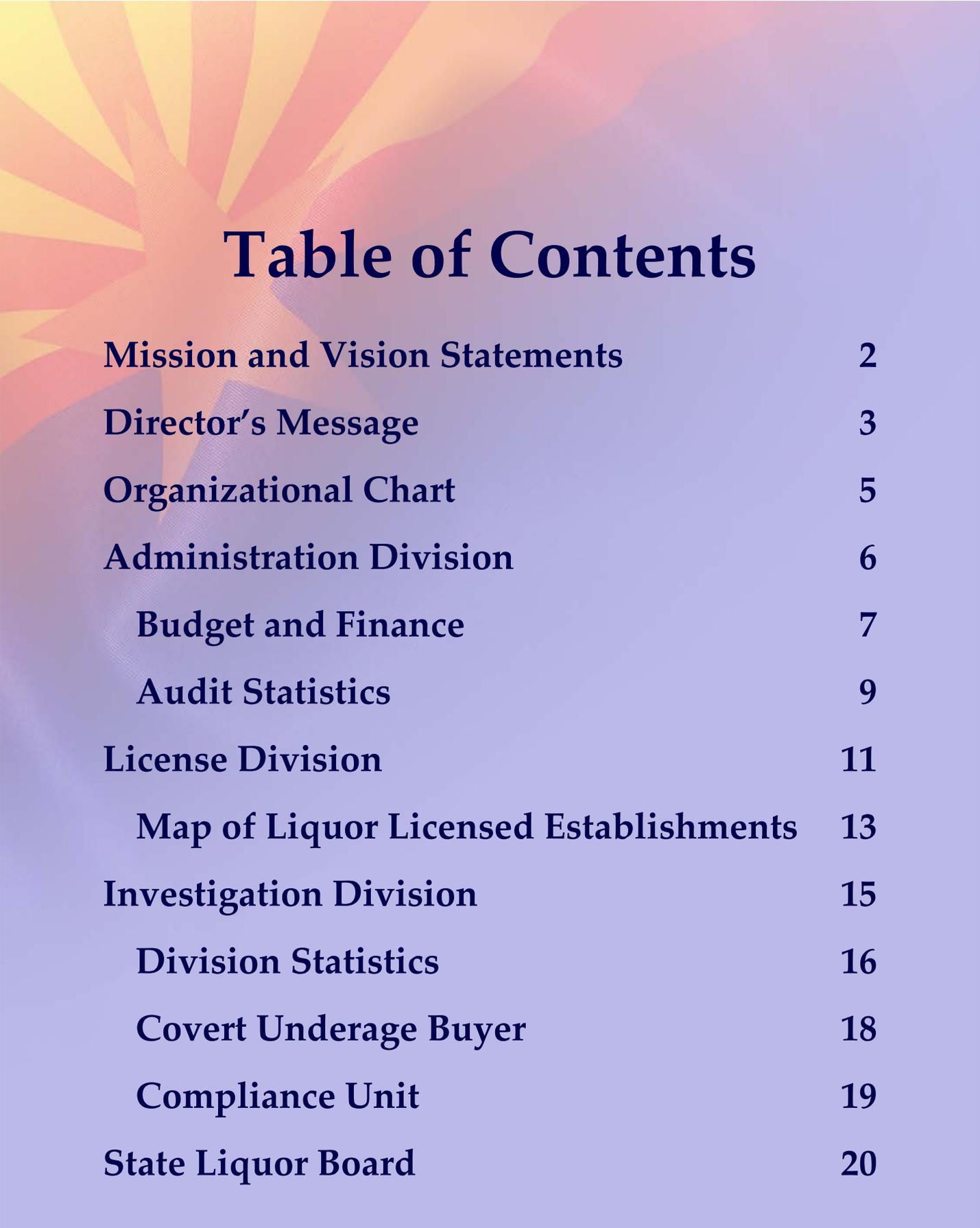




**FY 2016**  
**Annual Report**  
**July 1, 2015 - June 30, 2016**

STATE OF ARIZONA  
DEPARTMENT OF LIQUOR LICENSES AND CONTROL  
800 West Washington Street, 5<sup>th</sup> Floor  
Phoenix, Arizona 85007  
Phone: (602) 542-5141 • Fax: (602) 542-5707  
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Liquor laws for the State of Arizona are found in Arizona Revised Statutes, Title 4 and Arizona Administrative Code, Title 19. Liquor is regulated by the State of Arizona Department of Liquor Licenses and Control (DLLC). Focused primarily on liquor licensing and enforcement, DLLC staff is guided by the following mission and vision statements.

## Mission Statement

*To protect public safety and support economic growth through the responsible sale and consumption of liquor, and to efficiently license qualified applicants.*

## Vision Statement

*Our agency continuously improves human resources, operations, and communications to achieve a level of public service and safety that exceeds expectations.*



# A Message from the Director

On behalf of the Arizona Department of Liquor Licenses and Control (“DLLC”), I present the *2016 Annual Report*. Using the most recent 5-years of statistical data, this report will illustrate agency activities in fiscal year 2016 and, where possible, compare them to years previous.

Arizona’s liquor industry is thriving and contributes significantly to the State’s economy. Our staff strives to maximize the number of people who are positively impacted by alcohol sales. This is accomplished by issuing liquor licenses to qualified applicants and increasing liquor law compliance.

In FY 2016, the agency’s civilian and law enforcement staff of 37 issued, renewed and monitored compliance of more than 17,000 liquor licensees (see page 11). Due to complex liquor laws, the public is best served by DLLC staff who are specifically trained to provide exceptional customer service to liquor-licensed businesses and surrounding communities. Ultimately, businesses want to flourish, and communities want to be safe. Our mission aligns with both of these goals.

In FY 2016, the Department of Liquor made these public service improvements:

- Accept credit cards for walk-in clients.
- Continue to find ways to reduce the average time needed to issue a liquor license.
- Saved taxpayers \$8,446 by identifying ways to reduce the use of office supplies, staff time, and postage expenses.
- Reduction of time and mailing expenses for participants in the 2016 liquor license lottery by offering automated online entry and acceptance.
- Extended the hours of operation for the License Division by 5 hours per week.



To reduce liquor law violations, increase the understanding of liquor laws, and keep licensees in compliance.

- Staff conducted classroom training events on various liquor law compliance topics to approximately 2,400 sworn officers, liquor industry professionals, and community leaders.

New laws implemented in FY 2016 responded to the expansion and growth of the wine industry.

- On or before January 1, 2017, wineries located within the United States may apply for a license to ship wine they produce to Arizona residents for personal use (not for resale).

We thank you for the opportunity to serve the citizens of Arizona!



Form 129

INVESTIGATOR'S DAILY REPORT

To the Superintendent, Holbrook, Arizona, April 11, 1939.  
Department of Liquor Licenses and Control,  
Phoenix, Arizona

Dear Sir:

This report is for the period between the hours of  
9:00 A.M., April 11, 1939, and 1:00 A.M., April 12, 1939.

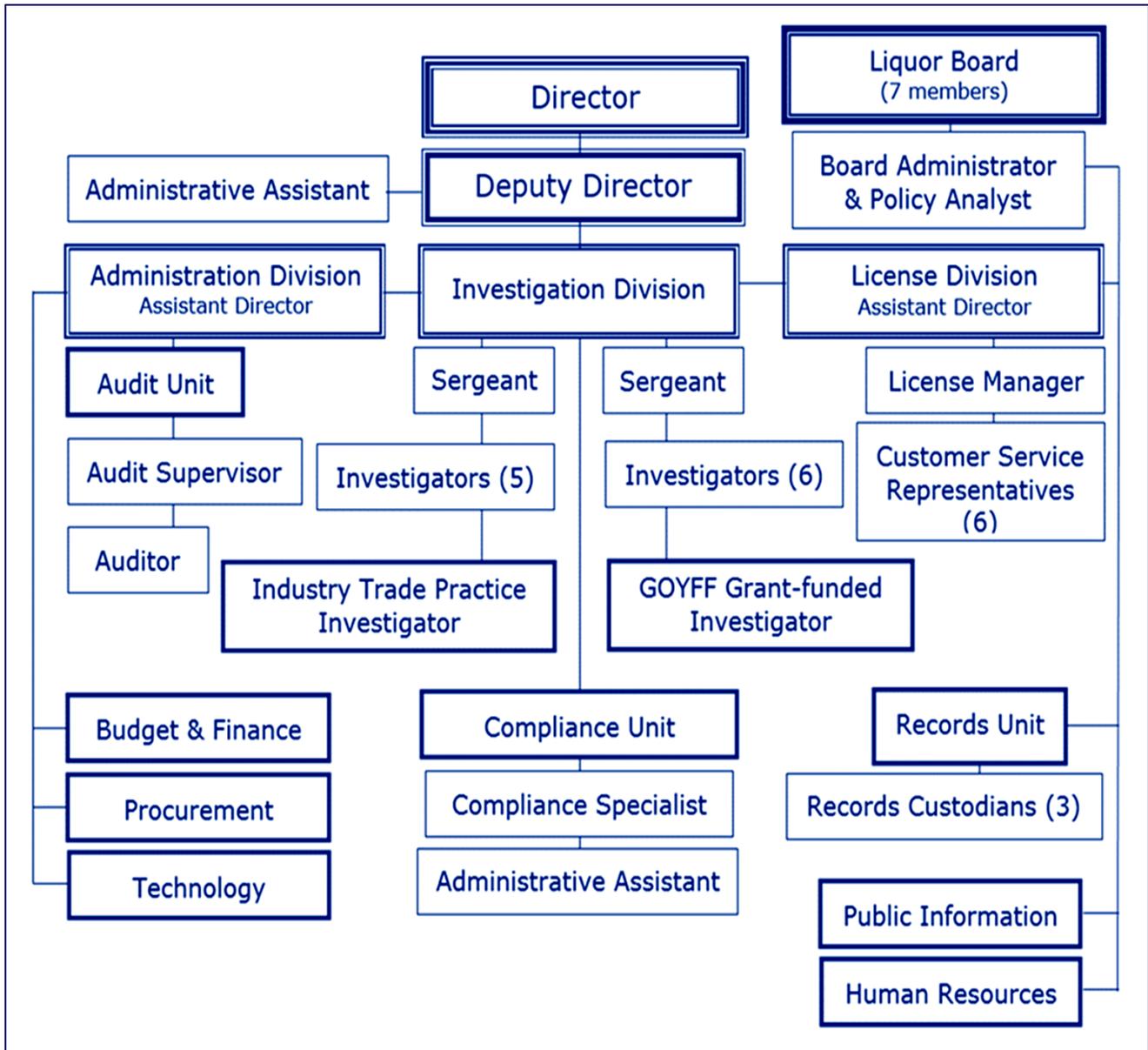
In the town (or towns) of Holbrook, Arizona and St. Johns, Arizona, Apache County

Out of Holbrook 9:00 A.M. to St. Johns arrived St. Johns 10:45 A.M. I went to the sheriff's office and conferred with John Nunn, Sheriff, he informed me that he arrested Leandro Jaramillon - Commercial Street License No 1000 about two weeks before for selling liquor to minors. The Judge dismissed the case on the grounds that the bartender was a new man and this was his first day on duty. The Sheriff and I visited all of the liquor dealers in town of St. Johns and found the places in good clean order. Out of St. Johns at 1:30 P.M. with Sheriff Nunn to Springerville arrived 2:10 P.M. We visited all of the liquor dealers in Springerville and found their places in good condition. Out of Springerville 5:00 P. M. to Holbrook, I stopped in Concho and visited the liquor houses and found everything in order. I arrived in Holbrook 9:45 P. M. I visited the liquor houses in Holbrook and found them in order. I discontinued at 1:00 A. M.

Signed Arden McFadden, Agent.

Investigator's Report from 1939

# Organizational Chart



# Administration Division

The Administration Division is responsible for Audit, Budget and Finance, Procurement and Technological Improvement.

## **Audit**

The Audit Unit monitors and performs audits of two types of liquor-licensed establishments: hotel/motel with restaurant (series 11) and restaurants (series 12). Audits are conducted to ensure restaurants are not operating as bars and are maintaining a 40:60 food-to-liquor sales ratio which is required by Title 4.

## **Budget and Finance**

The Budget and Finance Unit tracks incoming revenues which include funding allocated to DLLC, grants awarded to the Investigation Division, license fees, and fines. This unit coordinates revenue disbursement to the state, Arizona's fifteen (15) counties, and the agency's vendors. In addition, this unit coordinates accounts payable and payroll processing.

## **Procurement**

The Procurement Unit coordinates with ADOA in obtaining and evaluating resources and supplies with a goal of improving the cost efficiency of DLLC operations.

## **Technological Improvement**

The Technological Improvement Unit provides desktop support and expertise in maximizing the utility of DLLC's technology resources.

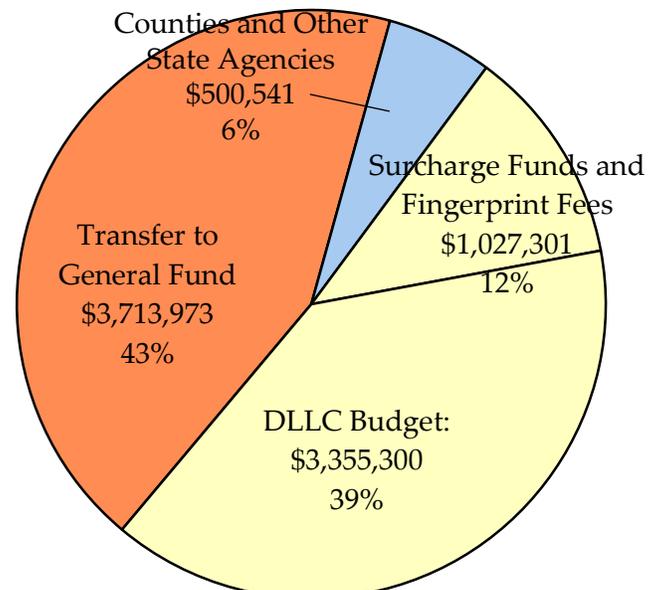
# Budget and Finance

## DISBURSEMENT OF REVENUE Five Year History

Source of Revenue	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Licenses, Permits and Fees	5,354,472	5,441,301	5,775,695	5,698,767	5,750,294
Fair Market Value Fees (liquor license lottery)	99,166	349,950	0	1,547,625	2,207,600
Fines (liquor law violations)	417,920	600,435	495,685	472,490	466,575
Penalty Fees (late renewals)	118,050	116,550	111,150	107,700	108,450
Fingerprint Fees	69,702	59,280	66,220	65,208	64,196
<b>TOTAL REVENUE COLLECTED</b>	<b>\$6,059,310</b>	<b>\$6,567,516</b>	<b>\$6,448,750</b>	<b>\$7,891,790</b>	<b>\$8,597,115</b>
Disbursement of Revenue	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Fair Market Value (liquor license lottery)	99,166	349,950	0	1,547,625	2,207,600
Disbursements to Counties and Other State Agencies	531,277	565,697	561,531	554,728	500,541
Disbursements to DLLC: Surcharge Funds and Fingerprint Fees	994,744	994,526	1,019,205	1,012,228	1,027,301
License and Permit Fees	3,897,454	3,932,010	4,251,240	4,197,019	4,286,648
Fines (liquor law violations)	417,920	600,435	495,685	472,490	466,575
Penalty Fees (late renewals)	118,747	116,550	111,150	107,700	108,450
<b>TOTAL TRANSFERS</b>	<b>\$6,059,308</b>	<b>\$6,559,168</b>	<b>\$6,438,811</b>	<b>\$7,891,790</b>	<b>\$8,597,115</b>

### DISBURSEMENT OF REVENUE

DLLC is an appropriated self-funded agency. In FY 2016, DLLC collected \$8,597,115 in revenue and its appropriated budget was \$3,355,300. Disbursement of revenue to Counties, other State agencies, and DLLC is required by Title 4 (see chart, right, and table on page 8).



**DISBURSEMENT OF REVENUE**  
**Disbursement Required by Title 4**  
**Five Year History**

<b>Disbursement of DLLC Revenue</b>					
<b>Counties</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Apache	3,816	4,750	4,566	2,852	6,468
Cochise	25,341	24,678	23,667	28,374	25,380
Coconino	47,265	50,421	49,286	53,195	61,836
Gila	12,435	16,222	11,649	14,231	13,519
Graham	5,167	5,783	4,650	6,634	5,994
Greenlee	3,208	1,800	1,367	1,378	1,972
La Paz	8,167	9,100	11,458	6,299	10,194
Maricopa	51,000	60,000	51,000	57,000	15,000
Mohave	47,682	47,553	50,095	41,175	50,147
Navajo	17,333	14,716	15,983	13,646	14,286
Pima	60,000	81,000	57,000	63,000	24,000
Pinal	41,204	30,133	38,253	34,017	37,809
Santa Cruz	13,562	11,453	14,187	16,015	11,041
Yavapai	65,215	64,570	75,687	73,136	75,902
Yuma	26,482	26,711	33,408	29,276	31,041
<b>Other Agencies</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Dept. of Health Services (Special Event Fees)	57,850	61,857	64,725	66,725	71,200
Dept. of Economic Security Division of Developmental Disabilities	45,550	54,950	54,550	47,775	47,225
<b>DLLC</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Audit Surcharge	164,220	166,800	170,680	169,080	173,190
Enforcement Surcharge K	405,090	409,080	416,780	414,995	421,995
Enforcement Surcharge L	356,430	358,740	365,525	362,945	367,920
Fingerprint Fees	69,004	59,906	66,220	65,208	64,196
<b>TOTAL DISBURSEMENT TO COUNTIES, OTHER AGENCIES AND DLLC</b>	<b>\$1,526,021</b>	<b>\$1,560,223</b>	<b>\$1,580,736</b>	<b>\$1,566,956</b>	<b>\$1,530,315</b>

# Audit Statistics

At year end, there were 173 active Series 11 (hotel/motel) licenses and 3,577 active Series 12 (restaurant) licenses statewide. DLLC employs two (2) full time auditors. With a total of 3,750 restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,875.

## Five Year History

<b>Number of Active Restaurant-Type Licenses</b> <small>(Snapshot data on June 30)</small>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Hotel/motel w/Restaurant (series 11)	163	164	166	166	173
Restaurant (series 12)	3,208	3,293	3,368	3,434	3,577
Total restaurant licenses	3,371	3,457	3,534	3,600	3,750
Total liquor licenses	11,619	11,930	11,939	12,052	12,174
<b>Action</b> <small>(Cumulative data)</small>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Total audits completed	90	84	92	91	98
Total audits passed	58	64	69	56	74
Total audits failed	23	17	17	25	16
Total audits inconclusive/audit not performed	9	3	6	10	7
Locations granted one year to continue operation	3	2	3	7	1
<b>Cases Open for Audit</b> <small>(Snapshot data on June 30)</small>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Audits in progress	13	16	16	16	16
Open cases w/projected ratio of >37%	8	12	8	14	9
Open cases w/projected ratio between 30 to 37%	5	4	6	2	7
Open cases w/projected ratio of <30%	0	0	2	0	0
Locations being monitored	92	69	76	83	99
<b>Source of Revenue</b> <small>(Cumulative data)</small>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Assessed fine revenue	\$72,730	\$55,425	\$50,300	\$71,350	\$45,525
Collected fine revenue	\$64,355	\$47,625	\$49,625	\$47,725	\$73,700

# ONLINE AUDIT SERVICES

## Sampling Requests

DLLC developed and instituted online sampling requests in FY 2014. After the requesting licensee enters the date, time and location, the system then verifies whether: (1) there are other sampling events at the same location on the same date, (2) the requestor has not exceeded twelve (12) allowed sampling events per location per year, and (3) the location meets the requirements of a sampling location. If the system determines the sampling request meets all of the requirements, the sampling event is booked, an email along with a "Notice of Sampling" credential is instantly emailed to the distributor, and a notification email is sent to the retail location.

During FY 2016, there were 9,317 online sampling requests. The automated online sampling request system saved the department four hundred sixty-six (466) staff hours.

<b>Sampling Requests</b> (Cumulative data)	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Total sampling requests	330	7,385	9,317
Total sampling requests cancelled	26	263	325
Total time savings in hours	17	369	466

## Annual Production Reporting

In FY 2015, DLLC instituted online annual production reporting for farm wineries (in-state and out-of-state), microbreweries (in-state and out-of-state), craft distilleries (in-state and out-of-state), limited out-of-state wineries and remote tasting rooms.

<b>Annual Production Reporting</b> (Cumulative data)	<b>FY 2015</b>	<b>FY 2016</b>
Total licenses within reporting categories	1,012	856
Percentage of applicable licensees who used online reporting	73%	96%
Total time savings in hours	107	137



Photo courtesy of Southwest Wine Center, Yavapai College



Photo courtesy of Thumb Butte Distillery

# License Division

The License Division is responsible for issuing liquor licenses to qualified applicants and providing exceptional customer service to the public. Seven (7) Customer Service Representatives help licensees complete the paperwork required to operate a liquor-licensed business in Arizona. Personal assistance was provided to more than 3,500 walk-in applicants and licensees in FY 2016.

Within the License Division is the Records Unit. A staff of three (3) Records Custodian ensure the state’s liquor records are safe, legible, and readily accessible. Records Custodian are responsible for processing payments, the secure transfer of records between local governments and the state, and creating electronic business forms and instructions.

## LICENSE TRANSACTIONS Five Year History

Action	FY 2012	FY 2013	FY 2014	FY 2015	FY2016
New liquor licenses issued*	1,778	1,560	1,629	1,581	1,476
Special event permits issued	2,308	2,198	2,497	2,688	3,614
Liquor licenses renewed	11,582	11,104	11,645	11,952	11,977
Interim permits issued	543	509	525	619	422
Active licenses on June 30	11,619	11,930	11,939	12,066	12,174

\*Includes transfer licenses.



## TYPES OF LIQUOR LICENSES

Each license series has specific privileges. Privileges include liquor production, distribution, and/or retail sales. In addition, retail sales privileges may be permanent or temporary and may allow carry-out, on-site consumption, or residential delivery service.

Series	License Type
01	In-state producer
02	Out-of-state producer
2D	Out-of-state craft distillery
2L	Limited out-of-state winery
2M	Out-of-state microbrewery
2W	Out-of-state farm winery
03	Microbrewery
04	Wholesaler
05	Government
06	Bar (all spirituous liquor)
07	Beer and wine bar (beer and wine only)
08	Conveyance (airplanes, trains, boats)
09	Liquor store (all spirituous liquor)
09S	Liquor store sampling privileges
10	Beer and wine store (beer and wine only)
10S	Beer and wine store sampling privileges
11	Hotel/Motel (with restaurant)
12	Restaurant
12G	Restaurant growler privileges
13	Farm winery
14	Private club
15	Special Event (temporary license)
16	Fair/Festival (temporary license)
17	Direct shipment
17W	Direct shipment wine (issuance begins 1/1/17)
18	In-state craft distillery
19	Remote tasting room
20	Alternating proprietorship
21	Custom crush

County Name	County Code
Apache	01
Cochise	02
Coconino	03
Gila	04
Graham	05
Greenlee	06
Maricopa	07
Mohave	08
Navajo	09
Pima	10
Pinal	11
Santa Cruz	12
Yavapai	13
Yuma	14
La Paz	15

Licenses are issued by License Type and County. The license number indicates the license type, county, and sequence in which the license was issued, for example:

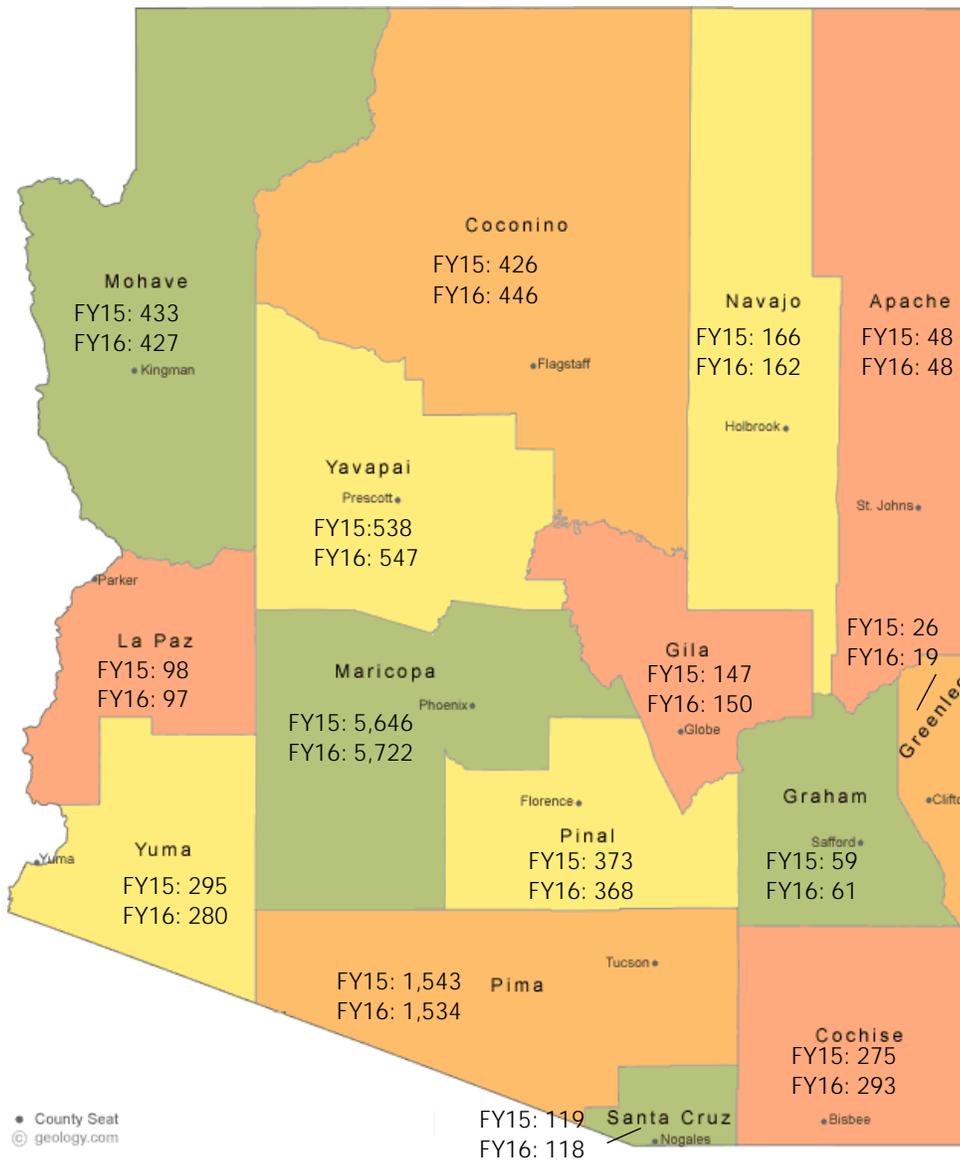
**Sample License Number: 06031050**

06 = Series 6 Bar License

03 = Coconino County

1050 = Sequential numbering

# Liquor Licensed Establishments Regulated by DLLC



**Total Active Licenses  
at Year End FY 2016:  
12,174\***

Although the number of total active licenses varies little from year to year, the types and locations of in-state licenses may vary considerably. Compared to FY 15, the number of microbrewery (series 03) licenses increased 16.3%; the number of conveyance (series 08) licenses decreased 14.3%; and the number of direct shipment (series 17) licenses decreased 8.0% (see county map, left, and license count chart on page 14).

\*There were 12,174 active licenses on June 30, 2016. This number fluctuates daily depending on renewals, new applications, suspensions and revocations.

● County Seat  
© geology.com

# LICENSE COUNT

## By County and Type

June 30, 2016\*

	Counties	Apache	Cochise	Coconino	Gila	Graham	Greenlee	La Paz	Maricopa	Mohave	Navajo	Pima	Pinal	Santa Cruz	Yavapai	Yuma	Out-of-State	TOTALS
Series	Type	01	02	03	04	05	06	15	07	08	09	10	11	12	13	14	17	
01	In-state producer			1					6									7
02	Out-of-state producer																1,864	1,864
03	Microbrewery		2	9	1				49	6	2	18		1	11	1		100
04	Wholesaler		1	5	3	1			74	3	2	10		2	2	3		106
05	Government		3	7		2	1	1	47	4		15	2	1	2	4		89
06	Bar	17	65	53	39	14	4	15	605	44	32	199	62	14	66	40		1,270
07	Beer and wine bar	2	25	60	13	4	1	10	386	43	15	160	32	7	44	25		827
08	Conveyance			3					11			3			1			18
09	Liquor store	14	40	53	26	14	5	17	764	50	42	263	70	14	56	54		1,482
10	Beer and wine store	7	59	89	21	16	3	30	1,272	121	26	285	98	28	106	70		2,231
11	Hotel/Motel		4	22	1				97	2	1	26	1	2	10	5		171
12	Restaurant	5	47	131	31	7	3	16	2,288	121	31	502	86	30	189	65		3,573
13	Farm winery		31	1	3				8	2	1	6	1	13	32	1		99
14	Private club	3	13	10	9	2	2	7	99	29	10	43	16	1	21	12		277
17	Direct shipment		1		1				3	1				1			39	46
18	Craft distillery		1	2	1				7	1		4		2				18
19	Remote tasting room		1		1			1	5					1	4			12
20	Alternating proprietorship														2			2
21	Custom crush								1					1	1			3
<b>TOTALS</b>		<b>48</b>	<b>293</b>	<b>446</b>	<b>150</b>	<b>60</b>	<b>19</b>	<b>97</b>	<b>5,722</b>	<b>427</b>	<b>162</b>	<b>1,534</b>	<b>368</b>	<b>118</b>	<b>547</b>	<b>280</b>	<b>1,903</b>	<b>12,174</b>

\*There were 12,174 active licenses on June 30, 2016. This number fluctuates daily depending on renewals, new applications, suspensions and revocations.

Out-of-State Licenses		FY 2015	FY 2016
02	Out-of-state producer	1,632	1,141
2D	Out-of-state craft distillery	*	9
2L	Limited out-of-state winery	193	162
2M	Out-of-state microbrewery	*	33
2W	Out-of-state winery	*	519
17	Direct shipment	49	39
<b>Total out-of-state licenses</b>		<b>1,874</b>	<b>1,903</b>
<b>Percentage of total active licenses</b>		<b>15.5%</b>	<b>15.6%</b>

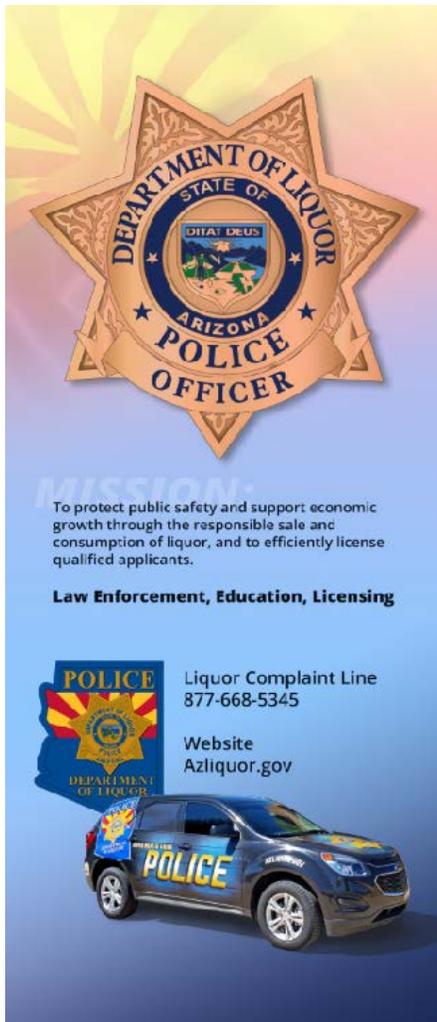
\*In FY 2015, out-of-state producer, craft distillery, microbrewery, and winery licenses were reported together.

# Investigation Division

It is the responsibility of the Investigation Division to ensure licensees statewide comply with Arizona Revised Statutes Title 4 (Arizona liquor law) and Arizona Administrative Code Rules established by DLLC. The division includes Investigations, Industry Trade Practice, Title 4 Training, and Compliance.

The primary functions of the Investigation Division are to:

- ★ Enforce Title 4 and Title 13 criminal laws to ensure compliance with statutes.
- ★ Investigate complaints regarding liquor-licensed establishments received from community members and local law enforcement personnel.



- ★ Conduct background investigations of liquor license applicants to determine if they have met Title 4 qualifications to possess a liquor license.
- ★ Conduct routine liquor-licensed business inspections to educate and prevent future violations.
- ★ Conduct Covert Underage Buyer (CUB) details to determine if a licensed establishment is in compliance with Title 4 regarding the sale and service of liquor only to persons age 21 or older.
- ★ Review police reports submitted by local law enforcement agencies to assess compliance and when one or more violations are found, submit reports to DLLC's Compliance Unit for accountability.
- ★ Work with community members to ensure that licensed establishments positively impact neighborhoods.
- ★ Work with licensees and their staff regarding Fake IDs and changes to Title 4 and A.A.C. Title 19 to ensure compliance.
- ★ Track industry trade practices to ensure compliance with Title 4 and A.A.C. Title 19.
- ★ Collaborate with law enforcement agencies statewide on the application of Title 4, with emphasis on the Administrative Law process.

- ★ Develop and implement enforcement plans for the sale and service of liquor at large scale, public "special events" where attendance of more than 1,000 people is expected.
- ★ Educate students about legal, physical, and emotional outcomes that can occur when alcohol is consumed by persons under the age of 21.

## INVESTIGATION DIVISION ACTIVITY

### Five Year History

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Officer-to-liquor license ratio:	1:830	1:782	1:851	1:1,095	1:1,274 <sup>‡</sup>
<b>Citations</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Total Citations Issued (Number of citations issued by an investigator for administrative, criminal and underage violations)	1,809	1,279	735*	660	435
Citations Issued to Underage (Number of citations written to underage persons who were found in violation of Title 4)	918	458	981	505	350
<b>Violations</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Criminal Counts Charged (Number of counts charged by an investigator when person is in violation of Title 4, Title 13 or Title 28)	NA <sup>†</sup>	NA <sup>†</sup>	1,244*	1,300	729
Administrative Counts Charged (Number of administrative counts charged by an investigator when a liquor law violation was found at a liquor-licensed establishment)	1,666	1,996	1,473	1,140	852
Underage Violations (Number of counts charged by an investigator for a liquor law violation involving an underage person)	1,715	845	1,312	1,087	691
<b>Compliance</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Routine Liquor Inspections (Number of establishments randomly inspected to ensure they are operating in compliance with Title 4)	2,503	2,900	3,434	2,710	2,386
Actioned (Administrative) Complaints (Number of administrative citations issued and scheduled for an administrative hearing)	72	118	120	96	87
Compliance Case Reports Submitted	888	705	648	423	345
Non-Actioned (Criminal) Complaints (Number of incoming complaints to the Investigation Division reporting a liquor law violation)	454	531	507	423	421
<b>Investigation</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Hidden Ownerships Completed	25	22	24	16	16
Site Inspections Completed	760	343	297	272	346
Law Enforcement Liaison Completed	985	497	836	786	747
On-View Violation Case Reports	758	498	341	256	218
<b>Training</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Law Enforcement Training Events	33	11	21	71	37
Community Training Events	9	10	65	12	29

<sup>‡</sup> Ratio based on staff of ten (10) nonsupervisory full time sworn officers

<sup>†</sup> Not reported in FY 2012 and FY 2013 Annual Reports

\* Redefined and corrected data reported in FY 2014 Annual Report

## EDUCATION • COMMUNICATION • ENFORCEMENT

DLLC's "education, communication and enforcement" model of regulation reaches law enforcement professionals, liquor regulators, and industry leaders throughout Arizona and tribal nations. In FY 2016, DLLC was awarded a \$41,000 grant from the Governor's Office of Highway Safety (GOHS) to fund overtime for Covert Underage Buyer (CUB) operations, equipment, and training supplies. This grant allows DLLC officers to facilitate free training about liquor laws and spotting fake IDs.

Responsible operators want to be in compliance with Arizona liquor laws. The challenge is in understanding and applying liquor laws to daily business when the laws change each year. Training creates an opportunity for liquor officers and business owners to talk one-on-one. The table below illustrates the variety of education topics and audiences in FY 2016.

Law Enforcement Training Events	Number of Events	Number of Attendees
Title 4	21	223
Fake ID	15	158
Liquor Law Updates	1	20
Special Events	5*	16
Community Training Events	Number of Events	Number of Attendees
Title 4	4	536
Alcohol Myths & Fakes	1	35
Title 4/Fake ID	1	11
Introduction to Liquor Enforcement	1	8
Special Events	5	234
Industry Training Events	Number of Events	Number of Attendees
New Liquor Law and Rule Review	1	45
Supplier/Producer Training	2	192
Winery and Vineyard Law	1	50
Wholesaler Liquor Law Training and Update	4	556
Off-Premise Sampling for Producer and Wholesale	1	18
Trade Practice / Title 4 / Special Event	1	23
Government Training Events	Number of Events	Number of Attendees
Local Governing Body / License Type, Process, Event	7	219
TOTAL TRAINING EVENTS	66	2,344

\* There were five total Special Events training events, which were attended by law enforcement and community members.

# Covert Underage Buyer Program

In an effort to curb the sale of liquor to underage persons, the Covert Underage Buyer (CUB) program was instituted in May of 2003. This program provides the resources necessary for DLLC to investigate reported complaints of liquor-licensed businesses suspected of underage liquor law violations. When DLLC has reasonable suspicion a liquor-licensed establishment is selling liquor to underage customers, the agency will send in a CUB to attempt to purchase liquor.

CUB's are between the ages of sixteen (16) and nineteen (19) and are carefully trained by DLLC investigators to understand and follow state laws, including DLLC's CUB investigations guidelines and personal and public safety measures. Currently there are two (2) officers and a total of seven (7) trained CUB's performing CUB operations for the department. DLLC provides CUB program training to all Arizona law enforcement agencies, allowing the program to operate statewide. During FY 2016, DLLC collaborated with local law enforcement agencies in six (6) counties.

## CUB PROGRAM STATISTICS

	FY 2016	May 2003 to June 2016
Locations Investigated	119	3,910
Number That Sold to CUB	49	1,242
Percentage of Establishments That Sold to CUB	41.2%	31.8%
Administrative Citations Issued	126*	2,989
Criminal Citations Issued	84*	2,389

\*Sometimes DLLC will issue one type of citation and the collaborating agency will issue the other.



# Compliance Unit

The Compliance Unit governs the dispute-resolution process and imposes disciplinary action against licensees for violations of state liquor laws. The Compliance Unit is responsible for determining an appropriate course of disciplinary action that may consist of verbal or written warnings, consent agreements, or referral for a full administrative hearing.

## COMPLIANCE UNIT ACTIVITY Five Year History

Case Type	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Revocations	0	1	1	0	2
Suspensions	4	4	1	2	0
Surrenders	2	18	6	10	20
Divestitures	3	9	2	7	6
Administrative Complaints	5	7	5	2	8
Decisions and Orders	3	3	6	1	2
Cases Received	888	708	856	843	985
Cases Completed	199	151	183	198	281
Cases in Progress at Year End	688	557	672	645	704
Warning Letter Issued	17	25	41	22	28
Cases Sent to the Office of Administrative Hearings	7	7	7	7	5

DLLC's Compliance Unit collected fines of \$506,325 from 482 compliance actions processed and adjudicated during FY 2016.

## Compliance Statistics Resulting From Underage Violations

Fiscal Year	Fines Collected	Licenses Suspended	Licenses Revoked
2012	\$82,265	1	0
2013	\$125,500	4	1
2014	\$80,625	1	2
2015	\$82,375	0	0
2016	\$99,000	0	0

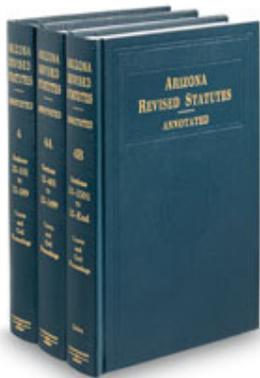
# State Liquor Board

The State Liquor Board ("Board") operates independently from the Director of DLLC. However, the Board is housed within the department and is provided one staff member who prepares and maintains hearing notices, agendas, orders, minutes, and records. When a liquor license application is publicly protested or receives a recommendation of disapproval by the local government or DLLC director, Board members will hear protests and appeals. The Board will then vote to grant or deny issuance of the liquor license.

## LIQUOR BOARD ACTIONS Five Year History

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Hearings Scheduled (Number of matters scheduled to be heard before the Board)	60	51	42	57	25*
Licenses Granted	18	21	13	20	1
Licenses Denied	8	9	9	11	4
Continuances Granted (Number of times the hearing or the Board's decision was postponed to a subsequent hearing)	20	10	11	11	4
Applications Withdrawn (Applicants may withdraw their applications.)	11	7	5	11	8
Appeals Heard (Applicants and licensees have the right to appeal a decision made by the Director or the Board.)	0	0	2	0	3
Rehearings Requested (A rehearing of a case may be requested by the Board, the applicant, or an interested party.)	2	2	1	1	1
Hearings Cancelled (If the reason for the protest is clearly removed or satisfied, the Director may request the Board to cancel the hearing.)	4	1	1	3	3

\* Four (4) Board meetings were cancelled in FY 2016 because there were no matters set for hearing.



The Board consists of seven members who are appointed by the governor pursuant to A.R.S. § 4-111(A)-(F) and A.R.S. § 38-211. Five of the Board members shall not be financially interested directly or indirectly in a business licensed to deal with spirituous liquors. Two members shall be engaged in business in the spirituous liquor industry, at least one of whom shall currently be a retail licensee or employee of a retail licensee. One member shall be a member of neighborhood association recognized by a county, city or town. No more than four members may be of the same political party. No more than two members may be appointed from the same county.

Members serve for three year terms which expire on the third Monday in January of the third year of service. The governor may remove any member of the Board for cause. No member may represent a licensee before the Board or DLLC for a period of one year after the conclusion of the member's service on the Board.

### **STATE LIQUOR BOARD MEMBERS AND TERMS**

<b>Cyndy A. Valdez (R)</b>	Chair Pima County Wholesaler	Term Expires January 16, 2017
<b>Michael J. Troyan (I)</b>	Vice Chair Maricopa County Retailer	Term Expires January 15, 2018
<b>Vikki R. Scarafiotti (D)</b>	Maricopa County No Financial Interest	Term Expires January 16, 2017
<b>Sergio A. Arellano (R)</b>	Pima County No Financial Interest	Term Expires January 21, 2019
<b>Troy L. Campbell (R)</b>	Coconino County No Financial Interest	Term Expires January 15, 2018
<b>Vacant</b>	Neighborhood Association	
<b>Vacant</b>		



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