

# GOVERNOR'S MONTHLY REPORT

## February 2016

(Revised 7/13/17)



### STATE OF ARIZONA DEPARTMENT OF LIQUOR LICENSES AND CONTROL

John Cocca, Director  
800 W. Washington Street, 5<sup>th</sup> Floor  
Phoenix, Arizona 85007  
Office 602-542-9020      Fax 602-542-6799

The information reported in this document is used to keep the Governor and staff apprised of accomplishments, key issues, and upcoming events as they relate to the Department of Liquor Licenses and Control, and its three divisions (Licensing, Administration, and Investigations) on a monthly basis.

**GRANTS & FUNDING**  
**LIQUOR ENFORCEMENT & EDUCATION OUTREACH GRANT**  
**CUB (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 the department to investigate reported complaints of liquor licensed businesses suspected of one or more underage liquor law violations. When there is reasonable suspicion to believe that a liquor-licensed establishment is selling liquor to underage customers, the department will send in a CUB to attempt to purchase liquor. CUBs are between the ages of sixteen (16) and nineteen (19) who 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 CUBs performing CUB operations for the department. DLLC provides CUB program training to all Arizona law enforcement agencies, allowing the program to operate statewide.

In February 2016, DLLC conducted investigations of five (5) liquor-licensed establishments in Phoenix, Tempe, Glendale, and Scottsdale. Two (2) CUBs were used. Three (3), or sixty (60.0%) percent, of these establishments sold alcohol to a CUB resulting in six (6) administrative violations and six (6) criminal violations. All five (5) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand eight hundred seventy-seven (3,877) establishments have been investigated and one thousand two hundred twenty-nine (1,229) or thirty-two (31.7%) percent have sold to CUB buyers resulting in two thousand nine hundred fifty-four (2,954) administrative violations and two thousand three hundred sixty-five (2,365) criminal violations.

**CUB Program Statistics**

<b>Calendar Year</b>	<b>Locations Investigated</b>	<b># Sold to CUB</b>	<b>% of Locations that Sold to CUB</b>	<b>Administrative Violations</b>	<b>Criminal Violations</b>
<b>2003</b>	122	33	29	70	71
<b>2004</b>	217	55	25	122	136
<b>2005</b>	337	108	32	342	283
<b>2006</b>	475	148	31	409	317
<b>2007</b>	450	108	24	200	201
<b>2008</b>	572	172	30	416	349
<b>2009</b>	392	115	29	234	229
<b>2010</b>	169	96	57	207	129
<b>2011</b>	234	62	26	143	69
<b>2012</b>	215	82	38	225	193
<b>2013</b>	310	98	32	220	143
<b>2014</b>	181	76	42	179	122
<b>2015</b>	186	68	37	168	107
<b>2016</b>	17	8	47	19	16

An Underage Drinking Hotline is in operation for concerned citizens to call when underage drinking, service, or sales are suspected. With each complaint DLLC launches an investigation. The Underage Drinking Hotline number is 1-877-NOT-LEGL or 1-877-668-5345.

## OUTREACH

### Community & Agency Outreach

Community and agency outreach meetings and presentations create opportunities to increase DLLC's efficiency and relevancy, encourage agency collaborative efforts, and promote safe and legal alcohol distribution, sales, and consumption.

#### **Community and agency outreach during the month:**

- Business Review Training Workshop – director, deputy director, and assistant director of licensing
- Meeting with Senator Barto – director and assistant director of licensing
- Meeting with Arizona Restaurant & Hospitality Association and Beverage Alcohol Community Information Council (BACIC) – director and deputy director
- Meeting with Southern Wine & Spirits re: product placement – director
- Meeting with Governor's Office of Highway Safety director – director
- Meeting with Scottsdale Police Department – director
- Waste Management Phoenix Open – director and deputy director attended
- Program Inventory Work Group – director attended
- Charlie Johnston Select Artists – director attended
- West Valley Chief of Police meeting – director attended
- Meeting with Arizona Licensed Beverage Association (ALBA) and Arizona Food Marketing Alliance (AFMA) lobbyists – director and assistant director of licensing
- Meeting with Chandler Police Department – director
- Meeting with Country Thunder Group – director and deputy director
- Meeting with Chandler downtown businesses – director
- Meeting with Mesa Police Department – director
- Meeting with Arizona Department of Gaming re gambling investigation – deputy director
- Meeting with General Manager re: Valley Ho Hotel Information – director
- Lake Havasu City LGB Training – assistant director of licensing

#### **Law Enforcement Special Detail:**

- CUB – Investigator Palubeskie conducted two, Investigator Swift assisted
- Waste Management Phoenix Open – all Officers
- National Liquor Law Enforcement Association (NLLEA) Conference – Investigator Webb attended
- Title 4 Training at Mesa Police Department Regional Academy for 20 Officers – Investigator Parris
- Title 4 Training at Northern Arizona Regional Training Academy (NARTA) for 15 Officers – Investigator Webb
- Winery and Vineyard Law for 50 Civilians – Investigator Miller
- Navajo County Sheriff's Office Title 4 Training (two classes) for 10 Officers – Investigator Carruthers
- Navajo County Sheriff's Office Fake ID Training (two classes) for 10 Officers – Investigator Carruthers
- Mohave County Local Governing Body Training for 17 Civilians – Investigator Miller and Investigator Parris
- Trade Practice, Title 4 Training Management, Stats, Letters to Producers answering requests, and In-House Training – Investigator Miller
- Completed 36 Site Inspections, Title 4 Training Management and Complaint Hotline – Ms. Strickland
- Vehicle and RV maintenance – Investigator Trevizo
- Out-of-area complaints – entire division

## SUCCESS STATISTICS INVESTIGATIONS

It is the responsibility of the Investigations Division to ensure that all licensees adhere to A.R.S. Title 4 (Arizona liquor law) and all Arizona Administrative Code Rules established by the DLLC.

Investigators completed two hundred twenty-two (222) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred forty-nine (149) criminal charges and forty-five (45) administrative violations. The following success statistics were completed by a nonsupervisory staff of eleven (11) full time sworn officers who uphold a statewide officer-to-liquor license ratio of 1:1,100.

Total investigative actions taken this month were one thousand three hundred fourteen (1,314), which is an increase of twenty-four (24.4%) percent when compared to the one thousand fifty-six (1,056) investigative actions taken in February 2015.

<b>Achievements:</b>	<b>Current Month</b>	<b>Total FY 2016</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2015</b>
Routine Liquor Inspections Completed	222	1,771	216	2,710
Criminal Citations Issued	93	264	23	660
Criminal Counts Charged	149	445	103	1,300
Administrative Counts Charged	45	673	88	1,140
Hidden Ownerships Completed	0	14	0	16
Site Inspections Completed	23	241	17	272
Non-Actioned (Criminal) Complaints	35	292	17	423
Actioned (Administrative) Complaints	6	69	3	96
Compliance Case Reports Submitted	26	257	28	423
On-view Violation Case Reports	16	161	15	256
Law Enforcement Liaison Completed	70	506	70	786
Tax Deficiency Charges	3	213	90	374
MVD Affidavit/Suspension	5	33	26	140
<b>Underage Investigations Statistics:</b>				
Citations Issued to Underage Persons	86	209	9	505
Total Underage Violations	148	422	31	1,087
<b>Total Achievements:</b> (including police report reviews and completed protests not listed above)	1,314	9,450	1,056	13,373

Compared to February 2015, the number of citations DLLC investigators issued to underage persons increased by seventy-seven (77) citations and the total number of underage violations increased by one hundred seventeen (117) violations.

**SUCCESS STATISTICS**  
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	1	0	1	14	33	37

Of the citations issued to underage persons, forty-three (43.0%) percent were within one year and thirty-eight (38.4%) percent were within two years of the legal drinking age.

Statute/ Definition	Number of Counts Charged This Month	Number of Counts Charged in FY 2016	1 Year Ago This Month	Number of Counts Charged in FY 2015
<b>A.R.S. § 4-241(A)</b> Failure to request ID from underage; accepting unauthorized forms of ID	3	36	6	77
<b>A.R.S. § 4-241(L)</b> Underage who uses false ID to buy alcohol	7	13	0	128
<b>A.R.S. § 4-241(M)</b> Underage who solicits another person for alcohol	0	9	3	30
<b>A.R.S. § 4-241(N)</b> Underage who uses of false ID to gain entry to a liquor business	4	32	0	12
<b>A.R.S. § 4-241(P)</b> Person purchasing alcohol for underage	0	0	0	6
<b>A.R.S. § 4-244(9)</b> Furnishing alcohol to an underage; underage in possession/consumption	40	135	18	499
<b>A.R.S. § 4-244(20)</b> Consuming spirituous liquor in public place, thoroughfare or gathering	0	7	0	24
<b>A.R.S. § 4-244(41)</b> Underage with alcohol in system	74	128	4	291
<b>A.R.S. § 13-2907.01</b> False reporting to law enforcement agencies	0	1	0	5
<b>A.R.S. § 13-3613</b> Contributing to delinquency and dependency of a child	0	0	0	4
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver license	13	39	0	75
<b>A.R.S. § 28-3478.3</b> Using another person's driver license	7	23	1	24

The number of underage violations issued in February 2016 increased by one hundred sixteen (116) compared with February 2015.

## SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred seventy (170) active Series 11 (hotel/motel) licenses and three thousand five hundred eighty-six (3,586) active Series 12 (restaurant) licenses statewide. Compared to February 2015, the number of hotel/motel with restaurant licenses increased by three (3) or two (1.8%) percent, and the number of restaurant licenses increased by one hundred eighty-five (185) or five (5.4%) percent.

DLLC employs two (2) full time auditors. With a combined total of three thousand seven hundred fifty-six (3,756) restaurant-type licenses, the statewide auditor-to-liquor license ratio is: 1:1,878.

<b>Audit Status</b>	<b>Current Month</b>	<b>This Month Last Year</b>
<b>Audits closed</b>	8	8
<b>Audits initiated</b>	8	8
<b>Audits in progress</b>	16	16
<b>Open cases w/projected ratio of &gt;37%</b>	12	8
<b>Open cases w/projected ratio between 30 to 37%</b>	3	8
<b>Open cases w/projected ratio of &lt;30%</b>	1	0
<b>Locations granted 1 year to continue operation</b>	0	0
<b>Locations being monitored</b>	92	70

During February 2016, eight (8) audits were completed in Maricopa, Mohave, Pima, and Yavapai Counties, which resulted in actionable violations in four (4) of those cases. On February 29, 2016, there were sixteen (16) audits in progress and ninety-two (92) locations being monitored.

<b>Audit Action</b>	<b>Current Month</b>	<b>Total FY 2016</b>	<b>This Month Last Year</b>	<b>Total FY 2015</b>	<b>Total 2003 To Present</b>
<b>Audits completed</b>	8	62	8	91	872
<b>Audits passed</b>	8	49	6	56	488
<b>Audits failed</b>	0	10	2	25	299
<b>Inconclusive</b>	0	3	0	10	79
<b>Other charges only</b>	0	0	0	0	6

In February 2016, audit fines assessed from violations totaled four thousand four hundred fifty (\$4,450) dollars. Compared to February 2015, total audit fines assessed from violations decreased by seven thousand four hundred seventy-five (\$7,475) dollars.

**SUCCESS STATISTICS**  
Liquor License Audits (continued)

**Audit Revenue 2-year Comparison**

Audit Action	Current Month	Total FY 2016	1 Year Ago This Month	Total FY 2015
Fines Assessed	\$4,450	\$23,275	\$11,925	\$71,350

Audit statistics since FY 2007 are noted below:

Year	Audits Completed	Revenues Collected	Average Fine per Audit
FY 2007	27 audits	\$13,000	\$481
FY 2008	61 audits	\$36,500	\$598
FY 2009	103 audits	\$81,275	\$789
FY 2010	87 audits	\$81,750	\$940
FY 2011	82 audits	\$84,400	\$1,029
FY 2012	90 audits	\$64,355	\$715
FY 2013	84 audits	\$47,625	\$567
FY 2014	92 audits	\$49,625	\$539
FY 2015	91 audits	\$47,725	\$524
FY 2016	62 audits	\$48,275	\$779

**Online Sampling Requests:**

DLLC developed and instituted online sampling requests. 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 the month of February 2016, there were seven hundred fifteen (715) sampling requests entered into and approved by the on-line system. Of these sampling requests forty-seven (47) were cancelled. In FY 2016, the online system has saved over one thousand three hundred fifty-four (1,354.80) staff hours.

## SUCCESS STATISTICS COMPLIANCE

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

Achievements	Current Month	Total FY 2016	1 Year Ago This Month	Total FY 2015
Revocations	1	2	0	0
Suspensions	0	0	0	2
Surrenders	2	13	0	10
Divestitures	1	5	2	7
Administrative Complaints	1	5	0	2
Decisions & Orders	0	2	1	1
Cases Received	30	746	118	843
Cases Completed	3	233	35	198
Cases in Progress	27	513	83	645
Warning Letter Issued	1	17	2	22
Cases Sent to OAH	2	3	2	7

### Economic Impact:

Fines collected during the month totaled thirty-one thousand seven hundred fifty (\$31,750) dollars from thirty-three (33) adjudicated compliance actions. Compared to last month, January 2016, this represents a forty-six (46.3%) percent decrease in collected revenues and a thirty-three (32.7%) percent decrease in the number of compliance actions processed. Compared to February 2015, this represents a twenty (19.9%) percent decrease in collected revenues and a twenty-one (21.4%) percent decrease in the number of compliance actions processed.

A penalty payment plan gives licensees the option to pay fines in installments rather than in one lump sum. DLLC and the licensee agree to the terms of the payment plan during the negotiation process. Although the payment plan may reduce DLLC's monthly collection of fine revenues in the short term, the long term outcome is intended to keep establishments in business by easing the financial burden of fines.

Fiscal Year	Compliance Actions	Revenues Collected	Average Fine Per Action
2005-2006	500	\$689,475	\$1,379
2006-2007	429	\$627,975	\$1,464
2007-2008	334	\$582,350	\$1,744
2008-2009	584	\$886,440	\$1,518
2009-2010	415	\$705,725	\$1,701
2010-2011	425	\$598,509	\$1,408
2011-2012	479	\$428,445	\$894
2012-2013	440	\$673,710	\$1,531
2013-2014	500	\$473,910	\$948
2014-2015	561	\$516,365	\$920
2015-2016	366	\$373,375	\$1,020



**SUCCESS STATISTICS**  
Compliance (continued)

**Adjudicated Underage Violations:**

Statute	Adjudicated This Month	TOTAL FY 2016	1 Year Ago This Month	TOTAL FY 2015
<b>A.R.S. § 4-241(A)</b> Failure to request ID from underage; accepting unauthorized forms of ID; failure to follow the identification procedure prescribed by statutes	3	47	8	92
<b>A.R.S. § 4-241(L)</b> Underage who uses false ID to buy alcohol	0	0	0	0
<b>A.R.S. § 4-241(M)</b> Underage who solicits another person for alcohol	0	0	0	0
<b>A.R.S. § 4-241(N)</b> Underage who uses of false ID to gain entry to a liquor business	0	0	0	0
<b>A.R.S. § 4-241(P)</b> Person purchasing alcohol for underage	0	0	0	0
<b>A.R.S. § 4-244(1)</b> Unlicensed Resale	0	6	0	20
<b>A.R.S. § 4-244(9)</b> Furnishing alcohol to an underage; underage in possession/consumption	3	45	7	89
<b>A.R.S. § 4-244(16)</b> Knowingly allow furnishing liquor to underage	0	0	0	0
<b>A.R.S. § 4-244(22)</b> Underage on premises without parent (on-sale); consume without permission of premises owner	0	6	0	6
<b>A.R.S. § 4-244(41)</b> Underage with alcohol in system	0	0	0	0
<b>A.R.S. § 4-244(42)</b> Employee of licensee to accept gratuity to allow underage inside of bar/sell alcohol	0	1	0	0
<b>A.R.S. § 13-2907(01)</b> False reporting to law enforcement agencies	0	0	0	0
<b>A.R.S. § 28-3478(1)</b> Unlawful use of driver license	0	0	0	0
<b>A.R.S. § 28-3478(3)</b> Using another person's driver license	0	0	0	0

During FY 2016, fines from adjudicated underage violations total eighty-two thousand three hundred seventy-five (\$82,375) dollars.

**Compliance Statistics Resulting From Underage Violations:**

Fiscal Year	Fines Collected	Licenses Suspended	Licenses Revoked
<b>2011</b>	\$214,500	2	0
<b>2012</b>	\$82,265	1	0
<b>2013</b>	\$125,500	4	1
<b>2014</b>	\$80,625	1	2
<b>2015</b>	\$82,375	0	0
<b>2016</b>	\$82,375	0	0

## SUCCESS STATISTICS STATE LIQUOR BOARD

The State Liquor Board operates independently from the Director of the Department of Liquor Licenses and Control and is responsible for hearing liquor license applications that have been protested by the public, the governing body of a city, town or county, or the Department Director. Additionally, the Board may hear appeals and overturn or amend decisions of the Director.

<b>Achievements:</b>	<b>Current Month</b>	<b>Total FY 2016</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2015</b>
<b>Hearings Scheduled</b>	3	20	2	57
<b>Licenses Granted</b>	0	1	0	20
<b>Licenses Denied</b>	1	4	0	11
<b>Continuances Granted</b>	1	4	2	11
<b>Continuances Denied</b>	0	0	0	1
<b>Licenses Withdrawn</b>	1	7	0	13
<b>Appeals Heard</b>	0	0	0	0
<b>Rehearings Requested</b>	0	1	0	1
<b>Hearings Cancelled by Director</b>	0	2	0	3

There were three (3) hearings scheduled before the State Liquor Board in February. One (1) Series 6 Bar liquor license person transfer application was denied. One (1) Series 10 Beer and Wine Store liquor license application was withdrawn. One (1) Appeal of Director's Decision and Order was continued.

### STATE LIQUOR BOARD MEMBERS AND TERMS

Cyndy Valdez (R)	Chair Pima County Wholesaler	Term Expires January 16, 2017
Bill Du Pont (D)	Vice Chair Pima County Neighborhood Association	Term Expired January 18, 2016
Vikki Scarafiotti (D)	Maricopa County No Financial Interest	Term Expires January 16, 2017
Michael Troyan (I)	Maricopa County Retailer	Term Expires January 15, 2018
Vacant	No Financial Interest	Term Expired January 19, 2015
Vacant	No Financial Interest	Term Expired January 18, 2016
Vacant	No Financial Interest	Term Expires January 15, 2018

## SUCCESS STATISTICS LICENSING DIVISION

The Licensing Division is responsible for processing new license applications, permits, renewals, and maintaining up-to-date and accurate information on active licenses. Compared to this month last year, February 2015, the number of new liquor licenses issued in Arizona increased thirty-eight (38.1%) percent and the number of active licenses increased one (1.1%) percent. Also, compared with February 2015, monthly licensing revenues have decreased eight (7.5%) percent from five hundred fifty-five thousand four hundred five (\$555,405) dollars during this time last year to five hundred thirteen thousand six hundred nineteen (\$513,619) dollars during the current month.

In February 2016, twelve (12) exempt locations were approved which brings the total active exempt locations in Arizona to eighty-nine (89). An exempt location is an establishment that has: (1) met the criteria established in A.R.S. §4-244.05 and A.A.C. R19-1-324; (2) made application for the exemption; (3) been inspected by a DLLC investigator; and (4) been issued a one-year exemption which allows patrons to bring and consume beer and wine on the premises.

Licensing	Current Month	Total FY 2016	1 Year Ago This Month	Total FY 2015
<b>New Licenses Issued</b>	116	1,014	84	1,559
<b>Renewed Licenses</b>	572	8,235	540	11,952
<b>Lottery Licenses Issued</b>	1	11	1	16
<b>Collected Lottery Revenues</b>	\$155,850	\$2,053,500	\$239,100	\$1,208,300
<b>Number of Active Liquor Licenses</b>	12,102*	12,102*	11,973*	12,052*
<b>Exempt Locations Issued</b>	12	69	12	84
<b>Number of Exempt Locations</b>	89**	89**	91**	86**
<b>Collected Licensing Revenues</b> (including lottery revenues)	\$513,609	\$5,832,679	\$555,405	\$7,884,153

\*This number fluctuates daily depending on renewals, new applications, suspensions and revocations.

\*\*This number fluctuates daily depending on renewals and new applications.

### Collected Revenue by Fee Type in February 2016

Fair Market Value	155,850
Applications	15,625
License Fees	204,870
Out-of-State	0
Agent Change	3,450
Fines	31,375
Special Event	8,600
Club	5,725
Penalties	10,200
Copy Fees	6,965
Non-Use Surcharge	9,000
Audit Surcharge	15,090
Enforcement K Surcharge	20,790
Enforcement L Surcharge	20,070
Miscellaneous	15

**TOTAL REVENUES COLLECTED**    **\$507,625**  
**(fingerprints)**                    **5,984**  
**TOTAL REPORT**                    **\$513,609**

**LEAN TRANSFORMATION  
STATEWIDE LICENSING INITIATIVE**

In FY 2015, DLLC issued one thousand five hundred forty-one (1,541) new licenses. Beginning in FY 2016, all DLLC license applications will be included in the continuous improvement process. Customer service representatives (CSRs) have received training and resource materials to ensure that consistent licensing policies and procedures are used when processing applications. A standardized process will help reduce CSR errors, improve processing time, and improve customer satisfaction rates.

In February 2016, eighty-two (82) New and Transfer licenses were issued. The time to issue a license ranged from seventy (70) days to one hundred sixty-two (162) days. Thirty (30) or thirty-seven (37%) percent of the licenses were issued after one hundred five (105) days due to extenuating circumstances\*.

Seventy (70) applications were accepted in February 2016. Sixty-six (66) or ninety-four (94%) percent of the applications were received and accepted the same day. Four (4) or six (6%) percent of the applications were accepted within one (1) to three (3) days.

**DLLC Process Improvement  
February 1-29, 2016**

Monthly Measurement	Results
LAG Metric (Goal: 80 days) (Average number of days to issue a liquor license from the date an application is received)	104 days
LEAD Metric (Goal: 5 days) (Average number of days from the date an application is received to the date the application is accepted and entered into LCS)	0
Touch Time (Average number of minutes a CSR "touches" an application during the process)	49 minutes

\*Extenuating circumstances most commonly include:

- protests by local government, individual within 1-mile radius of business, or department, which require a board hearing;
- delay in licensee completing construction/build-out;
- incomplete application requirements; and/or
- delays due to erroneous information on application.

## WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

### Legislation\*

**SB1381 WINE; DIRECT SHIPMENT.** SB1381 allows a winery to apply for a direct shipment license administered by the Department of Liquor Licenses and Control (DLLC). Licensees may sell and ship wine to consumers for personal use. The provisions of the bill are as follows:

1. Allows the Director of the DLLC (Director) to issue a direct shipment license to any winery that holds a TTB basic permit and current license to produce wine issued in this or any other state.
2. Permits a licensee to accept orders from Arizona consumers, fulfill sales and directly ship a maximum of 18 9-liter cases of wine annually to purchasers, if:
  - (a) the wine is for personal use only and not for resale;
  - (b) the licensee verifies that the purchaser is of legal age by using a service or obtaining a copy of valid photo identification;
  - (c) delivery is to a resident or business address but not a Department licensed premise;
  - (d) the shipping containers conspicuously display the words *contains alcohol, signature of person age 21 or older required for delivery*;
  - (e) the purchaser could have lawfully carried wine into or within this state;
  - (f) delivery is made by a person who is 21 or older; and
  - (g) payment for the wine is collected no later than the time of delivery.
3. Establishes, for assessment of TPT and luxury taxes, that all wine sold under a direct shipment license is deemed to be sold in this state.
4. Requires a direct shipment licensee to:
  - (a) pay all applicable TPT and luxury taxes to DOR;
  - (b) file an annual report, prescribed by and submitted to the Director, detailing wine shipments to purchasers in this state;
  - (c) allow the Director or DOR to audit wine shipment records; and
  - (d) consent to the jurisdiction of the Department, other agencies, courts and related laws, rules and regulations of this state.
5. Specifies that an application for a direct shipment license must include the applicant's:
  - (a) name, address and telephone number;
  - (b) TPT number issued by DOR for payment of TPT and luxury taxes levied on wine sold to Arizona purchasers; and
  - (c) in-state farm winery, producer or limited producer license number or an active out-of-state wine producer license to produce wine;
  - (d) and a copy of a TTB basic permit.
6. Stipulates that a direct shipment license is valid for three years, is non-transferrable and is renewable before expiration.
7. Authorizes the Director to prescribe the direct shipment form and charge a fee for:
  - (a) license applications to be used for administrative costs; and
  - (b) license renewals to be used for administrative, auditing and enforcement costs.
8. Requires the Director, upon action by the Office of Administrative Hearings, to:
  - (a) suspend or revoke a license;
  - (b) refuse renewal of a license; or
  - (c) impose a civil penalty of \$250 for each violation.

\* Source: Arizona State Legislature Web Applications (<https://apps.azleg.gov>).

## WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

### Legislation (SB1381 continued)

9. Authorizes the State Liquor Board, upon appeal by a licensee, to affirm, modify or reverse the finding or decision of the Director.
10. Exempts from local governing body hearing requirements issuance of a direct shipment license by the Director.
11. Designates as a Class 2 misdemeanor the knowing sale and shipment of wine to a purchaser in this state without a current direct shipment or farm winery license.
12. Requires a common carrier, except railroads, to:
  - (a) keep records of wine shipped to purchasers in this state, including the shipper's name and address, recipient's name and address, delivery dates and shipment weight; and
  - (b) remit the records, on request, to the Department.
13. Exempts farm winery licensees from all provisions of the bill.
14. Eliminates issuance of new producer-to-wholesaler direct shipment licenses for qualified distillers, vintners, brewers, rectifiers, blenders or other producers of spirituous liquor.
15. Grandfathers, except for qualifying farm wineries, the active status and renewal eligibility of existing direct shipment licensees under current statutory framework.
16. Requires the Director to begin issuing direct shipment license by January 1, 2017.
17. Becomes effective on the general effective date.

**SB1373 LIQUOR OMNIBUS.** SB1373 passed out of the Senate and was transmitted to the House with the following amendments:

#### *Amendments Adopted by Committee on Commerce and Workforce Development*

1. Prohibits DLLC from issuing a Permit if, at the time the license application is received by the director, the restaurant applicant or licensee premises are within 300 horizontal feet of a church, public or private school building with kindergarten programs or any grades 1 through 12; or a fenced recreational area next to such a school building.
2. Requires the Director to determine that, before issuing a Permit, the public convenience requires issuance of the Permit and the best interest of the community will be served.
3. Requires the Director to consider the same criteria for issuing a Permit as would apply for issuing the underlying liquor license.
4. Prohibits an establishment from selling an amount of alcoholic beverage through the Permit that exceeds 10 percent, by retail price, of total liquor sold by the establishment at any point in any year.
5. Removes provision limiting the amount of time a licensing may be protested to the Director to the sooner of either: 60 days after the filing of the application or 15 days after the governing body makes a recommendation to the Director.
6. Restores the ability of a governing body to protest an acquisition of control over an existing license within 60 days based on the capability, reliability and qualifications of the licensee.
7. Restores the requirement that the director forward a notice of an acquisition of control or request of preinvestigation to the local governing body.

## WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

### Legislation (SB1373 continued)

8. Restores the requirement that the director conduct a preinvestigation before the assignment, sale or transfer of control of a license or licensee upon request.
9. Redefines repeated acts of violence for licensed premises with a permanent occupancy of less than 200 to mean 2 or more acts of violence within 7 days or 3 or more acts of violence within 30 days.

#### *Amendments adopted by Committee of the Whole*

1. Defines *permanent occupancy* for the purposes of *repeated acts of violence*.
2. Changes stipulation on farm winery alternating proprietorships.
3. Specifies limitations on restaurant license exemptions.
4. Removes an exemption from consumption prohibitions in motor vehicles.
5. Adds to the definition of *open container*.
6. Makes technical changes.

**HB2030 LIQUOR PREMISES; FIREARMS; RETIRED OFFICERS.** HB2030 passed the House with a floor amendment, adding clarification, and was transmitted to the Senate.

**HB2031 LIQUOR PURCHASES; OTHER STATE IDENTIFICATION.** HB2031 passed the House with a floor amendment, adding an emergency clause, and was transmitted to the Senate.

**HB2182 LIQUOR; SAMPLING; ELIGIBILITY; SQUARE FOOTAGE.** HB2182 passed the House with a floor amendment, requiring a beer and wine store less than 5,000 square feet in area to dedicate at least 75% of retail shelf space to the sale of spirituous liquor in order to be eligible for sampling privileges, and was transmitted to the Senate.

**HB2215 CURRENT, STRIKE EVERYTHING AMENDMENT, ALCOHOLIC BEVERAGES, DEPARTMENT OF LIQUOR LICENSES AND CONTROL, ARIZONA STATE LIQUOR BOARD.** The House Committee on Commerce adopted the strike-everything amendment. HB2215 instructs the Director of the Department of Liquor Licenses and Control (Director) to report the use of monies collected through surcharges to the Arizona State Liquor Board (Board). HB2215 passed the House and was transmitted to the Senate.

### **PROVISIONS**

1. Requires the Director to report the use of monies collected through enforcement surcharges on license renewals to the Board.
2. Makes technical changes.

**HB2261 ELECTRONIC BENEFIT TRANSFERS; PROHIBITIONS; VIOLATIONS.** HB2261 passed the House and was transmitted to the Senate.

END OF DLLC FEBRUARY 2016 REPORT TO THE GOVERNOR