

# GOVERNOR'S MONTHLY REPORT

## January 2016

(Revised 7/13/17)



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

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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 January 2016, DLLC conducted investigations of twelve (12) liquor-licensed establishments in Phoenix, Glendale, and Queen Creek. Two (2) CUBs were used. Five (5), or forty-two (41.7%) percent, of these establishments sold alcohol to a CUB resulting in thirteen (13) administrative violations and ten (10) criminal violations. All twelve (12) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand eight hundred seventy-two (3,872) establishments have been investigated and one thousand two hundred twenty-six (1,226) or thirty-two (31.7%) percent have sold to CUB buyers resulting in two thousand nine hundred forty-eight (2,948) administrative violations and two thousand three hundred fifty-nine (2,359) 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>          | 12                            | 5                    | 42                                     | 13                               | 10                         |

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:**

- State of the State address – director attended
- East Valley Chiefs meeting – director attended
- Arizona Wine and Spirits Wholesalers of America (AWSWA) meeting – director attended
- Meeting with Arizona Licensed Beverage Association (ALBA) and Beverage Alcohol Community Information Council (BACIC) – director attended
- Meetings with Scottsdale Police Department – director attended
- Turnaround Management Association panel – director attended
- West Valley Chiefs meeting – director attended
- Meeting with Arizona Licensed Beverage Association (ALBA) to discuss immediate redeemable coupons – director attended
- Meeting with Sevilla Neighborhood Association to discuss neighborhood issues – director attended
- Meeting with Arizona Association of Chiefs of Police (AACOP) – director attended
- Meeting with Barrett-Jackson – director attended
- Arizona Food Marketing Alliance (AFMA) reception – director, deputy director and assistant director of licensing attended
- Meeting with Young's Market – director and deputy director attended
- Meeting with Direct to Consumer stakeholders – deputy director attended
- Valley Police Training Coordinator meeting – deputy director attended
- Lean Transformation training – deputy director attended

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

- CUB – Investigator Palubeskie conducted two, Investigator Swift and Investigator Turner assisted
- Governor's Office of Highway Safety (GOHS) Conference – Investigator Webb attended
- Waste Management Phoenix Open – all Officers
- Barrett Jackson – Sergeant Kuhl, Investigator Swift and Investigator Webb
- Title 4 Training at Casino Del Sol for 22 Civilians – Investigator Zacarias
- Title 4 Training and Update at Maricopa County Sheriff's Office Academy for 16 Officers – Investigator Webb
- Basic Laws Pre-Event Training for 420 Civilians (security, servers and bartenders) – Investigator Miller, Investigator Swift assisted
- Wholesaler Liquor Law Training and Update for 308 Civilians – Investigator Miller
- Series 16 Licenses Training for 16 Civilians – Investigator Turner
- ACJIS Web Based Training – Investigator Carruthers trained Investigator Webb
- Served subpoenas – Investigator Carruthers
- Trade Practice, Title 4 Training Management, Stats, Letters to Producers answering requests, and In-House Training – Investigator Miller
- Completed 34 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 thirty-three (233) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in fifty (50) criminal charges and one hundred (100) 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 1:1,094.

Total investigative actions taken this month were one thousand one hundred eighty-four (1,184), which is an increase of six (6.4%) percent when compared to the one thousand one hundred thirteen (1,113) investigative actions taken in January 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   | 233                  | 1,549                | 62                           | 2,710                |
| Criminal Citations Issued  | 25                   | 171                  | 115                          | 660                  |
| Criminal Counts Charged  | 50                   | 296                  | 231                          | 1,300                |
| Administrative Counts Charged  | 100                  | 628                  | 79                           | 1,140                |
| Hidden Ownerships Completed  | 0                    | 14                   | 2                            | 16                   |
| Site Inspections Completed   | 25                   | 218                  | 29                           | 272                  |
| Non-Actioned (Criminal) Complaints   | 51                   | 257                  | 34                           | 423                  |
| Actioned (Administrative) Complaints   | 8                    | 63                   | 13                           | 96                   |
| Compliance Case Reports Submitted  | 34                   | 231                  | 39                           | 423                  |
| On-view Violation Case Reports   | 22                   | 145                  | 21                           | 256                  |
| Law Enforcement Liaison Completed  | 66                   | 436                  | 69                           | 786                  |
| Tax Deficiency Charges   | 10                   | 210                  | 19                           | 374                  |
| MVD Affidavit/Suspension   | 12                   | 28                   | 9                            | 140                  |
|  |                      |                      |                              |                      |
| <b>Underage Investigations Statistics:</b>   |                      |                      |                              |                      |
| Citations Issued to Underage Persons   | 16                   | 123                  | 91                           | 505                  |
| Total Underage Violations  | 46                   | 274                  | 196                          | 1,087                |
|  |                      |                      |                              |                      |
| <b>Total Achievements:</b> (including police report reviews and completed protests not listed above) | 1,184                | 8,136                | 1,113                        | 13,373               |

Compared to January 2015, which in large part is due to Super Bowl events, the number of citations DLLC investigators issued to underage persons decreased eighty-two (82.4%) percent and the total number of underage violations decreased seventy-seven (76.5%) percent.

**SUCCESS STATISTICS**  
Investigations (continued)

| Current Month      | Younger than<br>Age 15 | Age |    |    |    |    |    |
|--------------------|------------------------|-----|----|----|----|----|----|
|                    |                        | 15  | 16 | 17 | 18 | 19 | 20 |
| Age of minor cited | 0                      | 0   | 0  | 0  | 2  | 7  | 7  |

Of the citations issued to underage persons, forty-four (43.8%) percent were within one year and forty-four (43.8%) 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><br>Failure to request ID from underage; accepting unauthorized forms of ID | 5                                   | 33                                  | 10                    | 77                                  |
| <b>A.R.S. § 4-241(L)</b><br>Underage who uses false ID to buy alcohol                               | 1                                   | 6                                   | 30                    | 128                                 |
| <b>A.R.S. § 4-241(M)</b><br>Underage who solicits another person for alcohol                        | 0                                   | 9                                   | 6                     | 30                                  |
| <b>A.R.S. § 4-241(N)</b><br>Underage who uses of false ID to gain entry to a liquor business        | 8                                   | 28                                  | 4                     | 12                                  |
| <b>A.R.S. § 4-241(P)</b><br>Person purchasing alcohol for underage                                  | 0                                   | 0                                   | 0                     | 6                                   |
| <b>A.R.S. § 4-244(9)</b><br>Furnishing alcohol to an underage; underage in possession/consumption   | 13                                  | 95                                  | 89                    | 499                                 |
| <b>A.R.S. § 4-244(20)</b><br>Consuming spirituous liquor in public place, thoroughfare or gathering | 1                                   | 7                                   | 2                     | 24                                  |
| <b>A.R.S. § 4-244(41)</b><br>Underage with alcohol in system  | 9                                   | 54                                  | 57                    | 291                                 |
| <b>A.R.S. § 13-2907.01</b><br>False reporting to law enforcement agencies                           | 1                                   | 1                                   | 2                     | 5                                   |
| <b>A.R.S. § 13-3613</b><br>Contributing to delinquency and dependency of a child                    | 0                                   | 0                                   | 0                     | 4                                   |
| <b>A.R.S. § 28-3478.1</b><br>Unlawful use of driver license   | 6                                   | 26                                  | 22                    | 75                                  |
| <b>A.R.S. § 28-3478.3</b><br>Using another person's driver license                                  | 4                                   | 16                                  | 6                     | 24                                  |

## SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred sixty-nine (169) active Series 11 (hotel/motel) licenses and three thousand five hundred sixty-five (3,565) active Series 12 (restaurant) licenses statewide. Compared to January 2015, the number of hotel/motel with restaurant licenses increased by two (2) or one (1.2%) percent, and the number of restaurant licenses increased by one hundred fifty-eight (158) or five (4.6%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand seven hundred thirty-four (3,734) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,867.

| <b>Audit Status</b>                                   | <b>Current Month</b> | <b>This Month Last Year</b> |
|---|----------------------|-----------------------------|
| <b>Audits closed</b>                                  | 11                   | 8                           |
| <b>Audits initiated</b>                               | 11                   | 8                           |
| <b>Audits in progress</b>                             | 16                   | 16                          |
| <b>Open cases w/projected ratio of &gt;37%</b>        | 12                   | 11                          |
| <b>Open cases w/projected ratio between 30 to 37%</b> | 4                    | 5                           |
| <b>Open cases w/projected ratio of &lt;30%</b>        | 0                    | 0                           |
| <b>Locations granted 1 year to continue operation</b> | 1                    | 1                           |
| <b>Locations being monitored</b>                      | 89                   | 77                          |

During January 2016, eleven (11) audits were completed in Maricopa and Pima Counties, which resulted in actionable violations in six (6) of those cases. On January 31, 2016, there were sixteen (16) audits in progress and eighty-nine (89) 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>   | 11                   | 54                   | 8                           | 91                   | 864                          |
| <b>Audits passed</b>      | 8                    | 41                   | 5                           | 56                   | 480                          |
| <b>Audits failed</b>      | 2                    | 10                   | 3                           | 25                   | 299                          |
| <b>Inconclusive</b>       | 1                    | 3                    | 0                           | 10                   | 79                           |
| <b>Other charges only</b> | 0                    | 0                    | 0                           | 0                    | 6                            |

In January 2016, audit fines assessed from violations totaled four thousand seven hundred fifty (\$4,750) dollars. Compared to January 2015, total audit fines assessed from violations increased by four thousand seven hundred fifty (\$4,750) dollars.

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

**Audit Revenue 2-year Comparison**

| <b>Audit Action</b>   | <b>Current Month</b> | <b>Total FY 2016</b> | <b>1 Year Ago This Month</b> | <b>Total FY 2015</b> |
|-----------------------|----------------------|----------------------|------------------------------|----------------------|
| <b>Fines Assessed</b> | \$4,750              | \$18,825             | \$0                          | \$71,350             |

**Audit statistics since FY 2007 are noted below:**

| <b>Year</b>    | <b>Audits Completed</b> | <b>Revenues Collected</b> | <b>Average Fine per Audit</b> |
|----------------|-------------------------|---------------------------|-------------------------------|
| <b>FY 2007</b> | 27 audits               | \$13,000                  | \$481                         |
| <b>FY 2008</b> | 61 audits               | \$36,500                  | \$598                         |
| <b>FY 2009</b> | 103 audits              | \$81,275                  | \$789                         |
| <b>FY 2010</b> | 87 audits               | \$81,750                  | \$940                         |
| <b>FY 2011</b> | 82 audits               | \$84,400                  | \$1,029                       |
| <b>FY 2012</b> | 90 audits               | \$64,355                  | \$715                         |
| <b>FY 2013</b> | 84 audits               | \$47,625                  | \$567                         |
| <b>FY 2014</b> | 92 audits               | \$49,625                  | \$539                         |
| <b>FY 2015</b> | 91 audits               | \$47,725                  | \$524                         |
| <b>FY 2016</b> | 54 audits               | \$44,075                  | \$816                         |

**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 January 2016, there were one thousand forty-six (1,046) sampling requests entered into and approved by the new on-line system. Of these sampling requests nineteen (19) were cancelled. In FY 2016, the online system has saved one thousand fifty (1,050.00) 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             | 1             | 0                     | 0             |
| Suspensions               | 0             | 0             | 0                     | 2             |
| Surrenders                | 4             | 11            | 0                     | 10            |
| Divestitures              | 0             | 4             | 0                     | 7             |
| Administrative Complaints | 0             | 4             | 0                     | 2             |
| Decisions & Orders        | 1             | 2             | 0                     | 1             |
| Cases Received            | 44            | 716           | 89                    | 843           |
| Cases Completed           | 8             | 230           | 18                    | 198           |
| Cases in Progress         | 36            | 486           | 71                    | 645           |
| Warning Letter Issued     | 1             | 16            | 3                     | 22            |
| Cases Sent to OAH         | 1             | 1             | 1                     | 7             |

### Economic Impact:

Fines collected during the month totaled fifty-nine thousand one hundred twenty-five (\$59,125) dollars from forty-nine (49) adjudicated compliance actions. Compared to last month, December 2015, this represents a one hundred three (103.4%) percent increase in collected revenues and a twenty (19.5%) percent increase in the number of compliance actions processed. Compared to January 2015, this represents a ninety-three (93.4%) percent increase in collected revenues and a seven (6.5%) percent increase 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   | 333                | \$341,625          | \$1,026                 |



**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 | 8                      | 44            | 6                     | 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  | 8                      | 42            | 5                     | 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             | 2                     | 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  | 1                      | 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 thousand one hundred twenty-five (\$80,125) 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> | \$80,125        | 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                    | 22                   | 3                            | 57                   |
| <b>Licenses Granted</b>               | 0                    | 1                    | 1                            | 20                   |
| <b>Licenses Denied</b>                | 0                    | 4                    | 2                            | 11                   |
| <b>Continuances Granted</b>           | 1                    | 4                    | 0                            | 11                   |
| <b>Continuances Denied</b>            | 0                    | 0                    | 0                            | 1                    |
| <b>Licenses Withdrawn</b>             | 2                    | 7                    | 0                            | 13                   |
| <b>Appeals Heard</b>                  | 0                    | 1                    | 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 January. Two (2) Series 07 Beer and Wine Bar liquor license applications were withdrawn. One (1) Appeal of Director's Decision and Order was continued.

### STATE LIQUOR BOARD MEMBERS AND TERMS

|                       |  |                               |
|-----------------------|--|-------------------------------|
| Cyndy Valdez (R)      | Chairman<br>Pima County<br>Wholesaler                    | Term Expires January 16, 2017 |
| Bill Du Pont (D)      | Vice Chairman<br>Pima County<br>Neighborhood Association | Term Expired January 18, 2016 |
| Vikki Scarafiotti (D) | Maricopa County<br>No Financial Interest                 | Term Expires January 16, 2017 |
| Michael Troyan (I)    | Maricopa County<br>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, January 2015, the number of new liquor licenses issued in Arizona increased thirteen (12.5%) percent and the number of active licenses increased one (0.9%) percent. Also, compared with January 2015, monthly licensing revenues have increased fifty-six (56.2%) percent from four hundred eighteen thousand one hundred thirty-one (\$418,131) dollars during this time last year to six hundred fifty-three thousand eighty-one (\$653,081) dollars during the current month.

In January 2016, nine (9) exempt locations were approved which brings the total active exempt locations in Arizona to ninety (90). 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>  | 135           | 898           | 120                   | 1,559         |
| <b>Renewed Licenses</b>   | 803           | 7,663         | 743                   | 11,952        |
| <b>Lottery Licenses Issued</b>                                      | 1             | 10            | 0                     | 16            |
| <b>Collected Lottery Revenues</b>                                   | \$162,950     | \$1,897,650   | \$35,375              | \$1,208,300   |
| <b>Number of Active Liquor Licenses</b>                             | 12,039*       | 12,039*       | 11,926*               | 12,052*       |
| <b>Exempt Locations Issued</b>                                      | 9             | 57            | 8                     | 84            |
| <b>Number of Exempt Locations</b>                                   | 90**          | 90**          | 88**                  | 86**          |
| <b>Collected Licensing Revenues</b><br>(including lottery revenues) | \$653,081     | \$5,319,070   | \$418,131             | \$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 January 2016

|                         |         |
|-------------------------|---------|
| Fair Market Value       | 162,950 |
| Applications            | 14,600  |
| License Fees            | 264,725 |
| Out-of-State            | 0       |
| Agent Change            | 2,550   |
| Fines                   | 49,375  |
| Special Event           | 6,050   |
| Club                    | 10,050  |
| Penalties               | 19,200  |
| Copy Fees               | 6,656   |
| Non-Use Surcharge       | 20,500  |
| Audit Surcharge         | 14,610  |
| Enforcement K Surcharge | 38,290  |
| Enforcement L Surcharge | 38,230  |
| Miscellaneous           | 15      |

|                                 |                  |
|---------------------------------|------------------|
| <b>TOTAL REVENUES COLLECTED</b> | <b>\$647,801</b> |
| <b>(fingerprints)</b>           | <b>5,280</b>     |
| <b>TOTAL REPORT</b>             | <b>\$653,081</b> |

**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. Process improvement is tracked with the LAG Metric, LEAD Metric, and Touch Time.

In January 2016, one hundred three (103) New and Transfer licenses were issued. The time to issue a license ranged from sixty-four (64) days to two hundred ninety-four (294) days. Forty-five (45) or forty-four (44%) percent of the licenses were issued after one hundred five (105) days due to extenuating circumstances\*. Of these forty-five (45) applications, five (5) were placed on inactive status before the license was issued.

**DLLC Process Improvement  
January 1-31, 2016**

| Monthly Measurement  | Results    |
|--|------------|
| LAG Metric (Goal: 80 days)<br>(Average number of days to issue a liquor license from the date an application is received)                                    | 109 days   |
| LEAD Metric (Goal: 5 days)<br>(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<br>(Average number of minutes a CSR "touches" an application during the process)  | 53 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.

\*\*All applications were received and accepted the same day.

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

### Appointment of DLLC Assistant Director of Licensing

Director John Cocca appointed Lee Hill to be Assistant Director of Licensing in January 2016. Ms. Hill is responsible for the liquor license application, issuance, and renewals, to ensure the licensing procedures have been followed as provided by statute. Three areas of primary focus include: (1) to simplify paperwork; (2) reduce processing time; and (3) improve liquor law compliance with input from liquor industry stakeholders.

Ms. Hill will continue directing communications between the department, licensees, stakeholders, law enforcement and government agencies, media and the public, including legislative matters. To assure easy and quick public access to agency staff and provide business-friendly information are primary communication objectives. The agency's communication tools include robust industry website searches, online reporting, industry notices, news releases, online training and public events.

Ms. Hill is also responsible for the Human Resource Unit which provides the agency with civilian and law enforcement recruitment, hiring, retention, compensation, educational opportunities, state benefits and retirement from state employment.

Ms. Hill is a member of the Arizona Public Information Officer's Association, Public Relations Society of America, and National Council of State Liquor Administrators.

### Legislation\*

The Fifty-second Legislature convened its Second Regular Session on January 11, 2016. Bills dropped early in the session include the following:

**HB2030 LIQUOR PREMISES; FIREARMS; RETIRED OFFICERS.** HB 2030 clarifies that an honorably retired law enforcement officer who meets specific criteria may possess a firearm while in a licensed establishment that sells, serves or furnishes liquor. The new provisions would: (a) permit an honorably retired law enforcement officer who has been issued a certificate of firearms proficiency by the Department of Public Safety (DPS) to carry a weapon on the licensed premises of an on-sale retailer; (b) narrow the violation for a licensee or employee who knowingly allows a person to remain on the licensed premises of an on-sale retailer while carrying a firearm to exclude any person who is an honorably retired law enforcement officer; and (c) maintain the prohibition on consuming alcohol while carrying a firearm.

**HB2031 LIQUOR PURCHASES; OTHER STATE IDENTIFICATION.** HB 2031 modifies the list of acceptable identification required for the sale of alcohol by removing the requirement for out-of-state driver and nonoperating licenses to be reissued after a person turns 21 years of age. The new provisions would outline valid forms of identification for purposes of selling, purchasing or serving alcohol as follows:

- (a) An unexpired driver or nonoperating license issued by the State of Arizona that either:
  - (i) Was reissued after the person's 21st birthday;
  - (ii) Is within 30 days of the person's birthday.
- (b) An unexpired driver's license issued by another state, the District of Columbia, a territory of the United States or Canada,
- (c) Identification issued by another state, the District of Columbia, a territory of the United States or Canada that is substantially parallel to a nonoperating license issued by the State of Arizona.

**HB2182 LIQUOR; SAMPLING; ELIGIBILITY; SQUARE FOOTAGE.** HB 2182 strikes the requirement that a beer and wine store be 5,000 square feet in area in order to be eligible for sampling privileges.

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

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

### Legislation (continued)

**HB2261 ELECTRONIC BENEFIT TRANSFERS; PROHIBITIONS; VIOLATIONS.** HB 2261 establishes a penalty for the unlawful use of cash assistance electronic benefit transfer (EBT) cards at specific locations. The new provisions would:

- (a) Make it a Class 1 misdemeanor (up to six months in jail, \$2,500 fines plus surcharges) for any of the following businesses to operate on their licensed premises an automatic teller machine (ATM) or a point-of-sale terminal (POS terminal) that accepts cash assistance EBT cards and processes cash assistance EBT card transactions:
  - (i) A liquor store;
  - (ii) A commercial horse racing or dog racing facility;
  - (iii) An adult oriented entertainment establishment (AOB).
- (b) Prohibit the use of cash assistance EBT cards at medical marijuana dispensaries. Make a violation a Class 1 misdemeanor.
- (c) Remove municipal licensing and permitting requirements for AOBs.
- (d) Clarify that having an ATM or POS terminal that accepts cash assistance EBT cards at an AOB is a license violation, instead of both a license and a permit violation.

**HB2372 LIQUOR LICENSES; STORES; PROXIMITY; EXCEPTION.** HB 2372 permits a grocery store within 300 feet of a church, a school or any fenced recreational area adjacent to that school, to receive a liquor license if the store meets all of the following requirements:

- (a) Has at least 4,500 square feet of retail space.
- (b) Derives less than 50% of its gross revenue, excluding sale of gasoline and diesel fuel, from the sale of spirituous liquor.
- (c) Offers fresh produce for sale.

**SB1373 LIQUOR OMNIBUS.** SB1373 makes various changes related to liquor licenses and the Arizona Department of Liquor Licenses and Control. The provisions of the bill are as follows:

#### *Restaurant Licenses*

1. Allows a restaurant applicant or licensee to apply for a permit to sell beer dispensed at the time of sale for off-sale consumption if the container:
  - (a) Has a maximum capacity of one gallon;
  - (b) Is sealed;
  - (c) Displays a government warning label;
  - (d) Is composed of approved material; and
  - (e) Does not hold beer dispensed through a drive-through or walk-up service window.
2. Mandates that a permit allowing a restaurant to sell beer for off-sale consumption be noted on the license and in the DLLC records.
3. Permits the Director to charge a fee for processing the application for a permit allowing a restaurant to sell beer for off-sale consumption and a renewal fee.

#### *Prospective Licensed Establishments*

4. Limits the amount of time a licensing may be protested to the Director to the sooner of either:
  - (a) 60 days after the filing of the application; or
  - (b) 15 days after the governing body makes a recommendation to the Director.
5. Transfers, from the Board to the Director, license approval authority, if the governing body of the proposed licensee makes no recommendation.

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

### Legislation (SB1373 continued)

#### *Changes in Control*

6. Removes 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. Eliminates the requirement that the Director forward a notice of an acquisition of control or request of preinvestigation to the local governing body.
8. Eliminates the requirement that the Director conduct a preinvestigation before the assignment, sale or transfer of control of a license or licensee upon request.
9. Stipulates that assignment fees for an agent change when a licensee holds multiple licenses be \$50 each after the first license, including when they are being transferred to more than one agent.
10. Restates that a notice of a change of agent through which a person holds a club license, corporation license, limited liability company license, partnership license or out of state license must be filed with the Director within thirty days after the change.

#### *Limits on Liquor Sale Amounts*

11. Raises from 40 ounces to 50 ounces the cap on the amount of beer an on-sale retailer or employee may serve to one person at one time for that person's consumption.
12. Raises from 32 ounces to 50 ounces the cap on the amount of beer a person may be served while on a boat on government-licensed premises.
13. Specifies that limits on amounts of beer, wine or distilled spirits a person may be served while on a boat on government-licensed premises apply at one time.

#### *Farm Winery Proprietorship Alternations*

14. Prohibits more than one farm winery from conducting wine-making activities at a location at one time.
15. Prohibits volumes of wine produced through a custom crush arrangement from being allocated to the gallonage of the receiving farm winery, if the supplying farm winery has an active basic permit issued by the TTB.

#### *Sampling Privileges*

16. Decreases from ten days to five days the amount of time within which a producer or wholesaler must notify the Department before providing samples to retail consumers on an off-sale retailer's premises.
17. Raises from one to two the number of wholesalers or producers permitted to provide samples at any one off-sale retailer's premises on any day.
18. Allows wholesalers or producers to hold more than one approved sampling at an off-sale retailer's premises, provided each does not exceed three hours on any day.
19. Allows the Director to charge a processing fee for each sampling privileges application received.

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

### Legislation (SB1373 continued)

#### *Definitions*

20. Permits rebuttal of presumptions in the definition of control.
21. Redefines repeated acts of violence to be two or more acts of violence on any licensed premises within seven days and conditional on the permanent occupancy of licensed premises as follows:
  - (a) Three or more acts of violence within 30 days for licensed premises with a permanent occupancy of less than 200;
  - (b) Four or more acts of violence within 30 days for licensed premises with a permanent occupancy of more than 200 but less than 400;
  - (c) Five or more acts of violence within 30 days for licensed premises with a permanent occupancy of more than 400 but less than 650;
  - (d) Six or more acts of violence within 30 days for licensed premises with a permanent occupancy of more than 650 but less than 1050; and
  - (e) Seven or more acts of violence within 30 days for licensed premises with a permanent occupancy of more than 1050.
22. Redefines qualified retail cooperative to include retail cooperatives of more than two retail licenses or licenses.

#### *Miscellaneous*

23. Exempts from prohibitions on spirituous liquor in motor vehicles:
  - (a) A passenger in a transportation network company vehicle that is being used to provide transportation network services; and
  - (b) A person who removes a container of beer statutorily dispensed from permitted retailers.
24. Mandates that a wholesaler sell spirituous liquor to an establishment with both off-sale and on-sale licenses for one location in accordance with the primary use of the premise off-sale or on-sale.
25. Allows the Director to dispose of seized spirituous liquor by providing it to law enforcement for investigation purposes.
26. Removes the stipulation that a plastic adhesive must be used to seal a container of beer dispensed for consumption off the premises of permitted licensees.
27. Eliminates language requiring the DLLC to perform a study and report by July 1, 2014, on the effects of permitting a bar, beer and wine bar, liquor store, beer and wine store or microbrewery to sell beer for off sale, with certain qualifications.

### Upcoming Training Presented by DLLC Investigations

Date: February 11, 2016  
Courses: Liquor Law and Licensing Workshop  
Location: Lake Havasu City Police Department Council Chambers

Date: February 24, 2016  
Courses: Winery and Vineyard Law  
Location: Phoenix

END OF DLLC JANUARY 2016 REPORT TO THE GOVERNOR