

GOVERNOR'S MONTHLY REPORT

July 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 July 2016, DLLC conducted investigations of thirteen (13) liquor-licensed establishments in Superior, Globe, Phoenix, Tempe, and Mesa. Six (6) CUBs were used. Five (5), or thirty-nine (38.5%) percent, of these establishments sold alcohol to a CUB resulting in fourteen (14) administrative violations and eight (8) criminal violations. All thirteen (13) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand nine hundred twenty-three (3,923) establishments have been investigated and one thousand two hundred forty-seven (1,247) or thirty-two (31.8%) percent have sold to CUB buyers resulting in three thousand three (3,003) administrative violations and two thousand three hundred ninety-seven (2,397) criminal violations.

CUB Program Statistics

Calendar Year	Locations Investigated	# Sold to CUB	% of Locations that Sold to CUB	Administrative Violations	Criminal Violations
2003	122	33	29	70	71
2004	217	55	25	122	136
2005	337	108	32	342	283
2006	475	148	31	409	317
2007	450	108	24	200	201
2008	572	172	30	416	349
2009	392	115	29	234	229
2010	169	96	57	207	129
2011	234	62	26	143	69
2012	215	82	38	225	193
2013	310	98	32	220	143
2014	181	76	42	179	122
2015	186	68	37	168	107
2016	63	26	33	68	48

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:

- Arizona Association of Chiefs of Police (AACOP) Flagstaff Meeting – director and deputy director
- Meeting with Scottsdale Police Department – director
- Meeting with Arizona Food Marketing Alliance (AFMA) and Fry's management – director and deputy director
- Meeting with Circle K – director
- Arizona Law Enforcement Academy – director
- Meeting with Arizona Department of Economic Security (DES) Chief of Staff – director
- Arizona Licensed Beverage Association (ALBA) Open House – director
- Meeting with Grand Canyon University – director
- 2016 Arizona Liquor License Lottery Random Selection Drawing – assistant director of licensing

Law Enforcement Special Detail:

- CUB – Investigator Palubeskie, Investigator Swift and Investigator Turner conducted two
- CUB – Investigator Williams conducted one
- Supervisor School – Investigator Palubeskie
- US Drug Enforcement Administration (DEA) search warrants – Sergeant Kuhl, Investigator Sanchez and Investigator Zacarias
- Mesa Police Department search warrants – Investigator Parris, Investigator Palubeskie and Investigator Swift
- Fake IDs Commonly Used in Bars (three trainings) for Arizona Department of Gaming and Racing and Navajo Nation Police Department, 14 Attendees – Investigator Carruthers
- Title 4 Liquor Law Update (two trainings) for Arizona Department of Gaming and Racing and Navajo Nation Police Department, 15 Attendees – Investigator Carruthers
- Title 4 Liquor Law Update (four trainings) for Pinal County Sheriff's Office and Navajo Nation Police Department, 10 Attendees – Investigator Webb
- Retailer Training, 15 Attendees – Investigator Zacarias
- Youth Alcohol details – all Officers
- Out-of-area complaints – all Officers

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 sixty-five (65) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in twenty-six (26) criminal charges and thirty-eight (38) administrative violations. The following success statistics were completed by a nonsupervisory staff of ten (10) full time sworn officers who uphold a statewide officer-to-liquor license ratio of 1:1,224.

Total investigative actions taken this month were six hundred eighteen (618), which is a decrease of forty-four (44.3%) percent when compared to the one thousand one hundred nine (1,109) investigative actions taken in July 2015.

Achievements:	Current Month	Total FY 2017	1 Year Ago This Month	Total FY 2016
Routine Liquor Inspections Completed	65	65	265	2,386
Criminal Citations Issued	15	15	22	435
Criminal Counts Charged	26	26	34	729
Administrative Counts Charged	38	38	87	852
Hidden Ownerships Completed	0	0	2	16
Site Inspections Completed	26	26	21	346
Non-Actioned (Criminal) Complaints	26	26	25	421
Actioned (Administrative) Complaints	7	7	13	87
Compliance Case Reports Submitted	14	14	33	345
On-view Violation Case Reports	9	9	14	218
Law Enforcement Liaison Completed	49	49	73	747
Tax Deficiency Charges	2	2	12	213
MVD Affidavit/Suspension	0	0	1	53
Underage Investigations Statistics:				
Citations Issued to Underage Persons	10	10	9	350
Total Underage Violations	25	25	28	690
Total Achievements: (including police report reviews and completed protests not listed above)	618	618	1,109	13,759

Compared to July 2015, the number of citations DLLC investigators issued to underage persons increased eleven (11.1%) percent and the total number of underage violations decreased eleven (10.7%) percent.

SUCCESS STATISTICS
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	0	1	1	2	6

Of the citations issued to underage persons, sixty (60.0%) percent were within one year and twenty (20.0%) percent were within two years of the legal drinking age.

Statute/ Definition	Number of Counts Charged This Month	Number of Counts Charged in FY 2017	1 Year Ago This Month	Number of Counts Charged in FY 2016
A.R.S. § 4-241(A) Failure to request ID from underage; accepting unauthorized forms of ID	3	3	5	54
A.R.S. § 4-241(L) Underage who uses false ID to buy alcohol	0	0	0	28
A.R.S. § 4-241(M) Underage who solicits another person for alcohol	0	0	0	9
A.R.S. § 4-241(N) Underage who uses of false ID to gain entry to a liquor business	2	2	2	35
A.R.S. § 4-241(P) Person purchasing alcohol for underage	0	0	0	0
A.R.S. § 4-244(9) Furnishing alcohol to an underage; underage in possession/consumption	11	11	12	257
A.R.S. § 4-244(20) Consuming spirituous liquor in public place, thoroughfare or gathering	1	1	2	8
A.R.S. § 4-244(41) Underage with alcohol in system	8	8	3	228
A.R.S. § 13-2907.01 False reporting to law enforcement agencies	0	0	0	3
A.R.S. § 13-3613 Contributing to delinquency and dependency of a child	0	0	0	0
A.R.S. § 28-3478.1 Unlawful use of driver license	0	0	1	51
A.R.S. § 28-3478.3 Using another person's driver license	1	1	2	24

The number of underage violations issued in July 2016 increased four (4.0%) percent compared with July 2015.

SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred seventy-two (172) active Series 11 (hotel/motel) licenses and three thousand five hundred ninety-five (3,595) active Series 12 (restaurant) licenses statewide. Compared to July 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-six (156) or five (4.5%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand seven hundred sixty-seven (3,767) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,884.

Audit Status	Current Month	This Month Last Year
Audits closed	7	7
Audits initiated	7	7
Audits in progress	16	16
Open cases w/projected ratio of >37%	11	13
Open cases w/projected ratio between 30 to 37%	5	3
Open cases w/projected ratio of <30%	0	0
Locations granted 1 year to continue operation	0	0
Locations being monitored	94	82

During July 2016, seven (7) audits were completed in Maricopa and Mohave Counties, which resulted in actionable violations in all seven (7) of those cases. On July 31, 2016, there were sixteen (16) audits in progress and ninety-four (94) locations being monitored.

Audit Action	Current Month	Total FY 2017	This Month Last Year	Total FY 2016	Total 2003 To Present
Audits completed	7	7	7	98	915
Audits passed	4	4	5	74	517
Audits failed	3	3	1	16	308
Inconclusive	0	0	1	7	83
Other charges only	0	0	0	1	7

In July 2016, audit fines assessed from violations totaled five thousand two hundred (\$5,200) dollars. Compared to July 2015, total audit fines assessed from violations increased by two thousand two hundred (\$2,200) dollars.

SUCCESS STATISTICS
Liquor License Audits (continued)

Audit Revenue 2-year Comparison

Audit Action	Current Month	Total FY 2017	1 Year Ago This Month	Total FY 2016
Fines Assessed	\$5,200	\$5,200	\$3,000	\$45,525

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	98 audits	\$73,700	\$752
FY 2017	7 audits	\$2,750	\$393

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 July 2016, there were nine hundred thirty-four (934) sampling requests entered into and approved by the online system. Of these sampling requests twenty-one (21) were cancelled. In FY 2017, the online system has saved over forty-six (46.7) 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 2017	1 Year Ago This Month	Total FY 2016
Revocations	0	0	0	2
Suspensions	0	0	0	0
Surrenders	5	5	2	20
Divestitures	0	0	2	6
Administrative Complaints	0	0	0	8
Decisions & Orders	0	0	0	2
Cases Received	80	80	333	985
Cases Completed	26	26	161	281
Cases in Progress	54	54	172	704
Warning Letter Issued	3	3	10	28
Cases Sent to OAH	0	0	0	5

Economic Impact:

Fines collected during the month totaled twenty-one thousand nine hundred (\$21,900) dollars from thirty (30) adjudicated compliance actions. Compared to last month, June 2016, this represents a sixty (60.4%) percent decrease in collected revenues and a fifty-two (51.6%) percent decrease in the number of compliance actions processed. Compared to July 2015, this represents a sixty-nine (69.1%) percent decrease in collected revenues and a forty-four (44.4%) 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
2006	500	\$689,475	\$1,379
2007	429	\$627,975	\$1,464
2008	334	\$582,350	\$1,744
2009	584	\$886,440	\$1,518
2010	415	\$705,725	\$1,701
2011	425	\$598,509	\$1,408
2012	479	\$428,445	\$894
2013	440	\$673,710	\$1,531
2014	500	\$473,910	\$948
2015	561	\$516,365	\$920
2016	482	\$506,325	\$1,050
2017	30	\$21,900	\$730

SUCCESS STATISTICS
Compliance (continued)

Adjudicated Underage Violations:

Statute	Adjudicated This Month	TOTAL FY 2017	1 Year Ago This Month	TOTAL FY 2016
A.R.S. § 4-241(A) Failure to request ID from underage; accepting unauthorized forms of ID; failure to follow the identification procedure prescribed by statutes	3	3	4	65
A.R.S. § 4-241(L) Underage who uses false ID to buy alcohol	0	0	0	0
A.R.S. § 4-241(M) Underage who solicits another person for alcohol	0	0	0	0
A.R.S. § 4-241(N) Underage who uses of false ID to gain entry to a liquor business	0	0	0	0
A.R.S. § 4-241(P) Person purchasing alcohol for underage	0	0	0	0
A.R.S. § 4-244(1) Unlicensed Resale	2	2	4	9
A.R.S. § 4-244(9) Furnishing alcohol to an underage; underage in possession/consumption	3	3	4	64
A.R.S. § 4-244(16) Knowingly allow furnishing liquor to underage	0	0	0	0
A.R.S. § 4-244(22) Underage on premises without parent (on-sale); consume without permission of premises owner	1	1	0	8
A.R.S. § 4-244(41) Underage with alcohol in system	0	0	0	0
A.R.S. § 4-244(42) Employee of licensee to accept gratuity to allow underage inside of bar/sell alcohol	0	0	0	1
A.R.S. § 13-2907(01) False reporting to law enforcement agencies	0	0	0	0
A.R.S. § 28-3478(1) Unlawful use of driver license	0	0	0	0
A.R.S. § 28-3478(3) Using another person's driver license	0	0	0	0

During FY 2017, fines from adjudicated underage violations total three thousand two hundred fifty (\$3,250) dollars.

Compliance Statistics Resulting From Underage Violations:

Fiscal Year	Fines Collected	Licenses Suspended	Licenses Revoked
2011	\$214,500	2	0
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
2017	\$3,250	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.

Achievements:	Current Month	Total FY 2017	1 Year Ago This Month	Total FY 2016
Hearings Scheduled	0	0	2	25
Licenses Granted	0	0	0	1
Licenses Denied	0	0	1	4
Continuances Granted	0	0	1	4
Continuances Denied	0	0	0	0
Licenses Withdrawn	0	0	0	8
Appeals Heard	0	0	0	3
Rehearings Requested	0	0	0	1
Hearings Cancelled by Director	0	0	0	3

There were no hearings scheduled before the State Liquor Board in July.

STATE LIQUOR BOARD MEMBERS AND TERMS

Cyndy A. Valdez (R)	Chair Pima County Wholesaler	Term Expires January 16, 2017
Michael J. Troyan (I)	Vice Chair Maricopa County Retailer	Term Expires January 15, 2018
Vikki R. Scarafiotti (D)	Maricopa County No Financial Interest	Term Expires January 16, 2017
Troy Campbell (R)	Coconino County No Financial Interest	Term Expires January 15, 2018
Sergio A. Arellano (R)	Pima County No Financial Interest	Term Expires January 21, 2019
Vacant	Neighborhood Association	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, July 2015, the number of new liquor licenses issued in Arizona increased eight (7.6%) percent and the number of active licenses increased two (1.6%) percent. Also, compared with July 2015, monthly licensing revenues have decreased twenty-seven (27.0%) percent from six hundred one thousand seven hundred thirty-five (\$601,735) dollars during this time last year to four hundred thirty-nine thousand four hundred eighty-three (\$439,483) dollars during the current month.

In July 2016, nine (9) exempt locations were approved which brings the total active exempt locations in Arizona to one hundred three (103). 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 2017	1 Year Ago This Month	Total FY 2016
New Licenses Issued	128	128	119	1,473
Renewed Licenses	854	854	836	11,977
Lottery Licenses Issued	0	0	0	14
Collected Lottery Revenues	\$0	\$0	\$0	\$2,207,600
Number of Active Liquor Licenses	12,241*	12,241*	12,053*	12,203*
Exempt Locations Issued	9	9	6	57
Number of Exempt Locations	103**	103**	84**	98**
Collected Licensing Revenues (including lottery revenues)	\$439,483	\$439,483	\$601,735	\$12,347,940

*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 July 2016

Fair Market Value	0
Applications	14,525
License Fees	288,903
Out-of-State	0
Agent Change	5,950
Fines	21,900
Special Event	2,100
Club	6,150
Penalties	4,500
Copy Fees	14,655
Non-Use Surcharge	7,300
Audit Surcharge	11,760
Enforcement K Surcharge	29,575
Enforcement L Surcharge	26,665
Miscellaneous	0

TOTAL REVENUES COLLECTED \$433,983

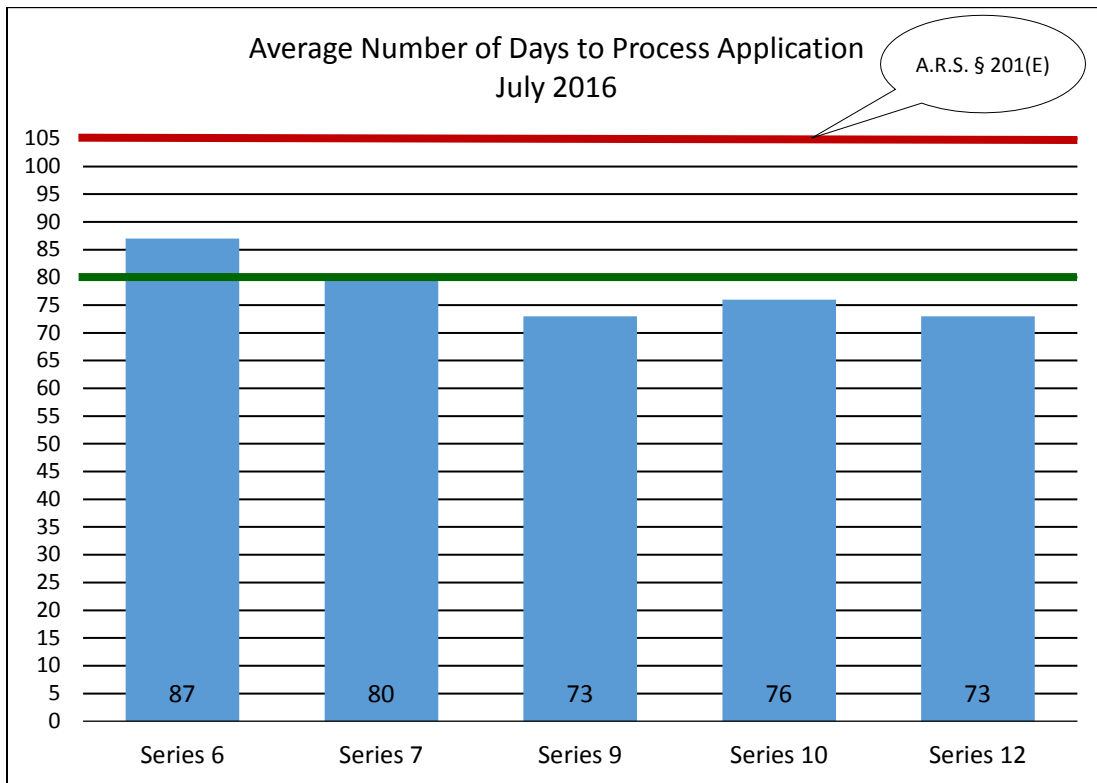
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TOTAL REPORT \$439,483

LEAN TRANSFORMATION STATEWIDE LICENSING INITIATIVE

In FY 2016, DLLC issued one thousand four hundred seventy-six (1,476) new licenses. Customer service representatives (CSRs) have received training and resource materials to ensure that consistent licensing policies and procedures are used when processing new applications. A standardized process will help reduce CSR errors, improve processing time, and improve customer satisfaction rates. DLLC reports its monthly "scorecard" to the Arizona Government Transformation Office (GTO).

In July 2016, ninety-three (93) new licenses were issued for Series 6 Bar, Series 7 Beer and Wine Bar, Series 9 Liquor Store, Series 10 Beer and Wine Store, and Series 12 Restaurant. The target time to process a license application from Date Accepted to Date Approved/Ready to Issue is eighty (80) days. "An application shall be approved or disapproved within one hundred five days after filing of the application" (A.R.S. § 4-201(E)).



WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

2016 Arizona Liquor License Lottery

The 2016 Random Selection Drawing was held on Wednesday, July 13, 2016 at 10:00 a.m. The 2016 Random Selection Drawing Results are posted on DLLC's website at <http://azliquor.gov/lotresult.cfm>. When the entrant selected to apply for the license elects to withdraw from the lottery, alternates will be contacted by the department in the order in which they appear. The process will continue until an alternate agrees to apply for the license.

The Series 6 licenses available in Pinal and Yuma Counties are not included in the results because the number of entries did not exceed the number of licenses available.

New Laws

Laws that become effective on August 6, 2016 are included in the 2016 Title 4 Law Book. This book is created for department staff and is provided as a public courtesy on the department's website at <http://azliquor.gov/law.cfm>.

Title 4 Training

DLLC may require Title 4 training for applicants, licensees, managers, agents and other employees as provided by A.R.S. § 4-112(G)(2).

Basic Training. A Basic Certificate of Completion is required in addition to a Management Certificate of Completion for all Owners, Agents, and Managers actively involved in the day-to-day operations of the business. Basic courses can be for off-sale, on-sale or both. The Basic Title 4 training Certificate of Completion is valid for (3) three years from the completion date recorded on the certificate. Arizona liquor law does not require all employees of licensed establishments to have a Certificate of Completion for Basic Title 4 Training.

Management Training. Liquor License Owners, Agents, and Managers actively involved in the day-to-day operations of the business are required to complete a state approved Management Title 4 Training Course prior to the issuance of a Liquor License or approval of a Management Agreement. A Basic Certificate of Completion is a pre-requisite for enrolling in and completing a Management Course. The Management Title 4 Training Certificate of completion will be valid for (3) three years from the completion date recorded on the certificate.

Follow this link for a list of DLLC-approved businesses that provide Title 4 (Arizona liquor law) training courses: <http://azliquor.gov/communications/trainers/trainers.cfm?Sortby>.

END OF DLLC JULY 2016 REPORT TO THE GOVERNOR