

# GOVERNOR'S MONTHLY REPORT

March 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.

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%) 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:**

- Arizona Substance Abuse Partnership meeting – director
- Meeting with Governor's Office of Highway Safety – director
- Meeting with Chandler Police Department – director
- Meeting with Representative Lawrence – director
- Meeting with Phoenix Police Department – director
- Meeting with Hensley Beverage Company – director
- Meeting with Gilbert Police Department – director
- Southern Arizona Law Enforcement Managers (SALEM) meeting – director
- Shared Vision Team working session – director
- Meeting with Department of Public Safety deputy director – director and deputy director
- Grant meeting with Governor's Office of Youth Faith and Family (GOYFF) – director and deputy director
- Transition/divestiture meeting – director and deputy director
- Meeting with Arizona Vignerons Alliance – director, deputy director, and assistant director of licensing
- A3 Problem-Solving Breakthrough Plan workshop – deputy director and assistant director of licensing
- Arizona Government Transformation Workshop – director and assistant director of licensing
- Meeting with Mesa Police Department – deputy director
- Indian Country Intelligence Network (ICIN) meeting – deputy director
- Arizona Municipal Clerks Association meeting – director and assistant director of licensing
- Meeting with Town of Bisbee– assistant director of licensing
- Site visit at Phoenix International Raceway Indy event – assistant director of licensing

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

- Vehicle assignment – Investigator Trevizo
- Trade Practice, Title 4 Training Management, Stats, Letters to Producers answering requests, and In-House Training – Investigator Miller
- Completed 34 Site Inspections and Title 4 Training Management, Complaint hotline – Ms. Strickland
- Nightclub & Bar Convention & Trade Show in Las Vegas – Investigator Palubeskie and Investigator Turner
- Adult Oriented Business Special Detail – Investigators Palubeskie, Swift, Turner, Trevizo, and Webb
- Title 4 and Fake ID Recognition Training at Phoenix Police Department on two dates for a total of 15 Officers – Investigator Webb
- Trade Practice/Title 4/Special Event Training for Albertson's Safeway, 83 Attendees – Investigator Miller
- Local Governing Body Training for Arizona Municipal Clerks Association, 23 Attendees – Investigator Miller
- Title 4 Training at Northern Arizona Law Enforcement Training Academy (NALETA) for 6 Cadets and 2 Tribal Police
- 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 one hundred seventy-five (175) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in twenty-six (26) criminal charges and sixty-eight (68) 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 1:1,103.

Total investigative actions taken this month were one thousand one hundred forty-nine (1,149), which is an increase of fourteen (14.1%) percent when compared to the one thousand seven (1,007) investigative actions taken in March 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	175	1,946	257	2,710
Criminal Citations Issued	15	279	18	660
Criminal Counts Charged	26	471	39	1,300
Administrative Counts Charged	68	741	156	1,140
Hidden Ownerships Completed	0	14	4	16
Site Inspections Completed	27	268	17	272
Non-Actioned (Criminal) Complaints	48	340	54	423
Actioned (Administrative) Complaints	3	72	11	96
Compliance Case Reports Submitted	33	290	50	423
On-view Violation Case Reports	24	185	36	256
Law Enforcement Liaison Completed	70	576	42	786
Tax Deficiency Charges	0	213	42	374
MVD Affidavit/Suspension	13	46	2	140
<b>Underage Investigations Statistics:</b>				
Citations Issued to Underage Persons	12	221	10	505
Total Underage Violations	24	446	35	1,087
<b>Total Achievements:</b> (including police report reviews and completed protests not listed above)	1,149	10,599	1,007	13,373

Compared to March 2015, the number of citations DLLC investigators issued to underage persons increased twenty (20.0%) percent and the total number of underage violations decreased thirty-seven (37.1%) 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	0	2	6	4

Of the citations issued to underage persons, thirty-three (33.3%) percent were within one year and fifty (50.0%) percent were within two years of the legal drinking age.

Statute/ Definition	Number of Counts Charged This Month	Number of Counts Charged in FY 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	0	36	8	77
<b>A.R.S. § 4-241(L)</b> Underage who uses false ID to buy alcohol	7	20	5	128
<b>A.R.S. § 4-241(M)</b> Underage who solicits another person for alcohol	0	9	0	30
<b>A.R.S. § 4-241(N)</b> Underage who uses of false ID to gain entry to a liquor business	2	34	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	11	146	19	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	2	130	3	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	1	40	2	75
<b>A.R.S. § 28-3478.3</b> Using another person's driver license	1	24	2	24

The number of underage violations issued in March 2016 decreased thirty-nine (38.5%) percent compared with March 2015.

## SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred seventy-one (171) active Series 11 (hotel/motel) licenses and three thousand five hundred eighty-seven (3,587) active Series 12 (restaurant) licenses statewide. Compared to March 2015, the number of hotel/motel with restaurant licenses increased by two (2) or one (1.1%) percent, and the number of restaurant licenses increased by one hundred one (101) or three (2.9%) percent.

DLLC employs two (2) full time auditors. With a combined total of three thousand seven hundred fifty-eight (3,758) restaurant-type licenses, the statewide auditor-to-liquor license ratio is: 1:1,879.

<b>Audit Status</b>	<b>Current Month</b>	<b>This Month Last Year</b>
<b>Audits closed</b>	9	10
<b>Audits initiated</b>	9	10
<b>Audits in progress</b>	16	16
<b>Open cases w/projected ratio of &gt;37%</b>	14	12
<b>Open cases w/projected ratio between 30 to 37%</b>	2	4
<b>Open cases w/projected ratio of &lt;30%</b>	0	0
<b>Locations granted 1 year to continue operation</b>	0	2
<b>Locations being monitored</b>	98	84

During March 2016, nine (9) audits were completed in Maricopa, Mohave, and Pima Counties, which resulted in actionable violations in three (3) of those cases. On March 31, 2016, there were sixteen (16) audits in progress and ninety-eight (98) 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>	9	71	10	91	881
<b>Audits passed</b>	7	56	5	56	495
<b>Audits failed</b>	1	11	4	25	300
<b>Inconclusive</b>	1	4	1	10	80
<b>Other charges only</b>	0	0	0	0	6

In March 2016, audit fines assessed from violations totaled six thousand five hundred twenty-five (\$6,525) dollars. Compared to March 2016, total audit fines assessed from violations increased by nine hundred fifty (\$950) 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	\$6,525	\$29,800	\$5,575	\$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	71 audits	\$56,300	\$793

**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 March 2016, there were six hundred ninety-four (694) sampling requests entered into and approved by the on-line system. Of these sampling requests twelve (12) were cancelled. In FY 2016, the online system has saved over one thousand six hundred ninety-four (1,694.30) 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	0	2	0	0
Suspensions	0	0	0	2
Surrenders	1	14	1	10
Divestitures	1	6	0	7
Administrative Complaints	1	6	0	2
Decisions & Orders	0	2	0	1
Cases Received	26	772	91	843
Cases Completed	6	239	31	198
Cases in Progress	20	533	60	645
Warning Letter Issued	2	19	1	22
Cases Sent to OAH	2	5	1	7

### Economic Impact:

Fines collected during the month totaled sixty-two thousand seventy-five (\$62,075) dollars from forty-eight (48) adjudicated compliance actions. Compared to last month, February 2016, this represents a ninety-six (95.5%) percent increase in collected revenues and a forty-six (45.5%) percent increase in the number of compliance actions processed. Compared to March 2015, this represents a seventeen (17.4%) percent decrease in collected revenues and a thirty-three (33.3%) 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	414	\$435,450	\$1,052

**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	9	56	4	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	2	8	4	20
<b>A.R.S. § 4-244(9)</b> Furnishing alcohol to an underage; underage in possession/consumption	10	55	4	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	1	7	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 ninety thousand (\$90,000) 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>	\$90,000	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>	2	22	5	57
<b>Licenses Granted</b>	0	1	3	20
<b>Licenses Denied</b>	0	4	1	11
<b>Continuances Granted</b>	0	4	0	11
<b>Continuances Denied</b>	0	0	0	1
<b>Licenses Withdrawn</b>	0	7	1	13
<b>Appeals Heard</b>	1	1	0	0
<b>Rehearings Requested</b>	0	1	0	1
<b>Hearings Cancelled by Director</b>	1	3	0	3

There were two (2) hearings scheduled before the State Liquor Board in March. One (1) Appeal of Director's Decision and Order was heard. One (1) hearing was cancelled by request of the Director.

### 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, March 2015, the number of new liquor licenses issued in Arizona decreased fifteen (15.3%) percent and the number of active licenses increased one (1.0%) percent. Also, compared with March 2015, monthly licensing revenues have increased three hundred fifty-nine (359.2%) percent from one million one hundred twenty-eight thousand three hundred twenty-eight (\$1,128,328) dollars during this time last year to five million one hundred eighty-one thousand five hundred seventy-seven (\$5,181,577) dollars during the current month.

In March 2016, seven (7) 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>	94	1,108	111	1,559
<b>Renewed Licenses</b>	2,144	10,379	1,816	11,952
<b>Lottery Licenses Issued</b>	2	13	1	16
<b>Collected Lottery Revenues</b>	\$97,550	\$2,151,050	\$56,150	\$1,208,300
<b>Number of Active Liquor Licenses</b>	12,132*	12,132*	12,015*	12,052*
<b>Exempt Locations Issued</b>	7	76	5	84
<b>Number of Exempt Locations</b>	90**	90**	89**	86**
<b>Collected Licensing Revenues</b> (including lottery revenues)	\$5,181,577	\$11,014,256	\$1,128,328	\$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 March 2016

Fair Market Value	97,550
Applications	14,675
License Fees	4,684,344
Out-of-State	0
Agent Change	2,950
Fines	58,450
Special Event	43,180
Club	70,945
Penalties	7,350
Copy Fees	6,798
Non-Use Surcharge	19,700
Audit Surcharge	56,490
Enforcement K Surcharge	70,945
Enforcement L Surcharge	43,180
Miscellaneous	5

**TOTAL REVENUES COLLECTED \$5,176,561**

**(fingerprints) 5,016**

**TOTAL REPORT \$5,181,577**

**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. DLLC reports its monthly “scorecard” to the Arizona Government Transformation Office (GTO).

In March 2016, fifty-two (52) New and Transfer licenses were issued in 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.

<b>License Type</b>	<b>Average Number of Days from Date Accepted to Date Approved (Goal: 80 days)</b>	<b>Average Number of Days from Date Accepted to Date Issued*</b>
Series 6 Bar	85 days	88 days
Series 7 Beer and Wine Bar	86 days	96 days
Series 9 Liquor Store	79 days	83 days
Series 10 Beer and Wine Store	82 days	85 days
Series 12 Restaurant	86 days	95 days

- \* Licenses issued after one hundred five (105) days are due to extenuating circumstances, which 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

### Annual Production Reporting

2016 marks the 2nd year the agency has offered online annual production reporting to licensees required to report. These include low-volume producers of wine, beer and distilled spirits. With low-volume annual production come retail and self-distribution privileges not available to liquor producers with high-volume annual production amounts. The Department made additional improvements by changing reporting requirements in Arizona Revised Statutes to mirror federal reporting rules. Because similar, or same numbers are used in both federal and state reports, the process now takes licensees about 10 minutes compared to, in some cases, hours.

### Legislation\*

**SB1381 WINE; DIRECT SHIPMENT.** SB1381 passed the House and was signed by the Governor. SB 1381 modifies the statute that permits direct-to-consumer shipments of wine.

#### **PROVISIONS**

1. Repeals the present Arizona Department of Liquor Licenses and Control (DLLC) laws relating to the direct shipment of liquor to consumers and replaces them with limited annual sales of wine shipped directly to the consumer.
2. Permits the Director of DLLC (Director) to issue a Direct Shipment License (DSL) to:
  - (a) Any state-licensed winery that also holds a federal basic permit issued by the U.S. Alcohol and Tobacco Tax and Trade Bureau.
  - (b) A Farm Winery.
  - (c) A winery with a Producer's License or Limited Producer's License.
3. Directs the DSL holder to post a surety bond equal to twice the monthly tax collected by the licensee. This statutory requirement currently applies to a Farm Winery licensee.
4. Maintains the current law with regard to a Farm Winery licensee.
5. Details the content of the DSL application and renewal license and authorizes a fee to cover administrative, auditing and enforcement costs.
6. Gives the Director discretionary power to refuse issuance of a DSL for *good cause*.
7. Prohibits the Director from issuing a license to any applicant who:
  - (a) Has any liquor license revocations the year before the application.
  - (b) Has any felony convictions within five years prior to application.
8. Enables the Director to suspend, revoke or refuse to renew a DSL for *good cause* or because of a violation of the liquor laws. This action will happen after a licensee receives proper notice and a hearing before the Office of Administrative Hearings (OAH). Establishes acts or omissions of a person acting on behalf of the licensee as those of the licensee.
9. Permits the Director to impose a civil penalty rather than suspend, revoke or not renew the DSL. Allows the licensee to appeal the penalty and violation to the Liquor Board, whose members may affirm, modify or reverse the Director's decision.
10. Phases-in the direct shipment of wine (9-liter bottles):
  - (a) Until December 31, 2017, up to 6 cases of wine.
  - (b) During 2018, up to 9 cases of wine.
  - (c) During the year 2019 and every year thereafter, up to 12 cases of wine.

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

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

### Legislation (SB1381 cont.)

11. Enables a licensed wine producer to sell and ship its own wine directly to the consumer according to the above phased-in schedule of wine as follows:
  - (a) The orders are made by any means, including telephone, mail, fax or through the Internet and payment is collected by the licensee no later than the time of delivery.
  - (b) The wine is for personal use, not for resale and ships to a private residence or business, but not a licensed liquor establishment.
  - (c) The licensee verifies the customer's age by obtaining proper identification and ensures the wine contains a proper label.
  - (d) The customer is eligible to otherwise purchase or receive the wine.
  - (e) The delivery is made by someone at least 21 years old during regular business hours and the delivery person inspects the valid photo ID of the customer to ensure the person is at least 21 years old.
12. Requires the licensee to pay all taxes and annually file a report with pertinent information regarding wine that is shipped and upon request, allow the DLLC Director or the Department of Revenue to audit the records. Dictates a two year requirement to maintain records.
13. Stipulates the consent of the licensee to DLLC jurisdiction, other state agencies, the courts and all related laws, rules and regulations of Arizona.
14. Assesses a Class 2 misdemeanor for shipping without a DSL or not having a current Farm Winery License for a winery producing less than 20,000 gallons of wine the prior year.
15. Maintains current law with regard to record-keeping requirements for common carriers that transport wine (except for railroads) including remitting the records to DLLC upon request.
16. Requires the common carriers, other than railroads, that transport wine into and within Arizona to verify the recipient's age in addition to the present record requirements.
17. Instructs the Director to begin issuing DSLs on January 1, 2017.
18. Grandfathers existing DSLs and other licensees and directs them to continue operating under the regulations in place the day before the effective date of this legislation.
19. Reiterates the Legislature's concern and commitment to prevent the sale and delivery of alcohol to minors and it maintains the applicability of rules and regulations to ensure the record-keeping and lawful delivery of spirituous liquor.

**SB1373 LIQUOR OMNIBUS.** SB1373 passed out of the House Committee on Commerce with a unanimous vote in favor.

**HB2030 LIQUOR PREMISES; FIREARMS; RETIRED OFFICERS.** HB2030 passed Senate Third Reading and was transmitted to the House.

**HB2031 LIQUOR PURCHASES; OTHER STATE IDENTIFICATION.** HB2031 passed the House without amendment and was transmitted to the Governor.

**HB2182 LIQUOR; SAMPLING; ELIGIBILITY; SQUARE FOOTAGE.** HB2182 passed out of the Senate Committee on Commerce and Workforce Development and received a Do Pass vote in Senate Committee of the Whole (COW).

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

**Legislation (cont.)**

**HB2215 CURRENT, STRIKE EVERYTHING AMENDMENT, ALCOHOLIC BEVERAGES, DEPARTMENT OF LIQUOR LICENSES AND CONTROL, ARIZONA STATE LIQUOR BOARD.** HB2215 passed out of the Senate Committee on Commerce and Workforce Development and received a favorable recommendation from the Majority Caucus and the Minority Caucus.

END OF DLLC MARCH 2016 REPORT TO THE GOVERNOR