

GOVERNOR'S MONTHLY REPORT  
April 2017



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 Detectives 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 April 2017, DLLC conducted investigations of four (4) liquor-licensed establishments in Surprise, Scottsdale, and Phoenix. One (1) CUB was used. One (1), or twenty-five (25.0%) percent, of these establishments sold alcohol to a CUB resulting in two (2) administrative violations and one (1) criminal violation. All four (4) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, four thousand fifteen (4,015) establishments have been investigated and one thousand two hundred eighty (1,280) or thirty-two (31.9%) percent have sold to CUB buyers resulting in three thousand eighty-two (3,082) administrative violations and two thousand four hundred thirty-four (2,434) 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>	121	46	38	121	72
<b>2017</b>	34	13	38	26	13

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:**

- Mountain Shadows tour – director
- Phoenix Police Department meeting on violent crimes, burglary – director
- Stakeholders meeting – director
- Arizona Substance Abuse Partnership meeting – director
- Tempe Police Department reception for Assistant Chief Rush – director
- Country Thunder – director
- Arizona Association of Chiefs of Police meeting – director
- Meeting with wholesalers – director
- Storage meeting with industry leaders – director
- Responsible Retailing Forum National Conference – director
- Arizona Licensed Beverage Association (ALBA) meeting in Tucson – director
- Meeting with Steve Chucri, Arizona Restaurant Association – director

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

- CUB – Detective Turner, Detective Trevizo and Detective Barchak conducted two
- Governor's Office of Youth, Faith and Family (GOYFF) Retailer Trainings – Detective Carruthers conducted five; Detective Zacarias conducted two; Detective Sanchez conducted three
- Governor's Office of Youth, Faith and Family (GOYFF) Student Training – Detective Turner and Detective Barchak
- Governor's Office of Youth, Faith and Family (GOYFF) Training, Miami High School – Detective Turner, Detective Barchak, Detective Webb
- Title 4 Training for Law Enforcement, 3 classes (39 Officers) – Detective Webb
- Fake ID Training for Law Enforcement, 2 classes (20 Officers) – Detective Webb
- Youth Alcohol training for schools, 6 classes (231 students) – Detective Webb
- Youth Alcohol community classes (300 youths) – Detective Webb
- Wholesaler "signs" meeting, 12 wholesalers attended – Detective Williams
- Guadalupe Car Show – Sergeant Kuhl and Detective Schrimpf
- Country Thunder – entire division

## SUCCESS STATISTICS INVESTIGATIONS

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

Detectives completed eighteen (18) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in ninety (90) criminal charges and thirty-one (31) 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 1:1,247.

Total investigative actions taken this month were eight hundred eighty-three (883), which is a decrease of forty-one (40.5%) percent when compared to the one thousand four hundred eighty-three (1,483) investigative actions taken in April 2016.

<b>Achievements:</b>	<b>Current Month</b>	<b>Total FY 2017</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2016</b>
Routine Liquor Inspections Completed	18	477	177	2,386
Criminal Citations Issued	51	382	100	435
Criminal Counts Charged	90	715	169	729
Administrative Counts Charged	31	567	29	852
Hidden Ownerships Completed	0	0	2	16
Site Inspections Completed	44	348	35	346
Non-Actioned (Criminal) Complaints	35	374	29	421
Actioned (Administrative) Complaints	4	100	2	87
Compliance On-View Case Reports Submitted	11	239	18	345
On-View Violation Case Reports	0	59	16	218
Law Enforcement Liaison Completed	0	245	61	747
Tax Deficiency Charges	12	166	0	213
MVD Affidavit/Suspension	0	35	4	53
<b>Underage Investigations Statistics:</b>				
Citations Issued to Underage Persons	42	293	91	350
Total Underage Violations	85	678	167	690
<b>Total Achievements:</b> (including police report reviews and completed protests not listed above)	883	9,275	1,483	13,759

Compared to April 2016, the number of citations DLLC Detectives issued to underage persons decreased fifty-four (53.8%) percent and the total number of underage violations decreased forty-nine (49.1%) percent.

**SUCCESS STATISTICS**  
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	1	1	10	20	10

Of the citations issued to underage persons, twenty-four (23.8%) percent were within one year and forty-seven (47.6%) 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
<b>A.R.S. § 4-241(A)</b> Failure to request ID from underage; accepting unauthorized forms of ID	1	37	5	54
<b>A.R.S. § 4-241(K)</b> Accepting unauthorized IDs	0	1	N/A	N/A
<b>A.R.S. § 4-241(L)</b> Underage who uses false ID to buy alcohol	7	72	4	28
<b>A.R.S. § 4-241(M)</b> Underage who solicits another person for alcohol	0	9	0	9
<b>A.R.S. § 4-241(N)</b> Underage who uses of false ID to gain entry to a liquor business	1	22	0	35
<b>A.R.S. § 4-241(P)</b> Person purchasing alcohol for underage	0	0	0	0
<b>A.R.S. § 4-244(9)</b> Furnishing alcohol to an underage; underage in possession/consumption	29	248	77	257
<b>A.R.S. § 4-244(20)</b> Consuming spirituous liquor in public place, thoroughfare or gathering	0	2	0	8
<b>A.R.S. § 4-244(41)</b> Underage with alcohol in system	39	188	76	228
<b>A.R.S. § 13-2907.01</b> False reporting to law enforcement agencies	1	4	1	3
<b>A.R.S. § 13-3613</b> Contributing to delinquency and dependency of a child	0	1	0	0
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver license	6	80	5	51
<b>A.R.S. § 28-3478.3</b> Using another person's driver license	1	12	0	24

## SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred eighty (180) active Series 11 (hotel/motel) licenses and three thousand six hundred ninety-one (3,691) active Series 12 (restaurant) licenses statewide. Compared to April 2016, the number of hotel/motel with restaurant licenses increased by seven (7) or four (4.0%) percent, and the number of restaurant licenses increased by one hundred eighty (180) or five (5.1%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand eight hundred seventy-one (3,871) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,936.

<b>Audit Status</b>	<b>Current Month</b>	<b>This Month Last Year</b>
<b>Audits closed</b>	0	8
<b>Audits initiated</b>	0	8
<b>Audits in progress</b>	3	16
<b>Open cases w/projected ratio of &gt;37%</b>	1	13
<b>Open cases w/projected ratio between 30 to 37%</b>	2	3
<b>Open cases w/projected ratio of &lt;30%</b>	0	0
<b>Locations granted 1 year to continue operation</b>	0	0
<b>Locations being monitored</b>	88	102

During April 2017, zero (0) audits were completed. On April 30, 2017, there were three (3) audits in progress and eighty-eight (88) locations being monitored. During April 2017, the Audit Unit completed 139 Investigation Reports for Compliance issues related to Annual Production Report violations for in-state and out-of-state microbreweries, farm wineries, craft distillers, tasting rooms, and limited out-of-state wineries.

<b>Audit Action</b>	<b>Current Month</b>	<b>Total FY 2017</b>	<b>This Month Last Year</b>	<b>Total FY 2016</b>	<b>Total 2003 To Present</b>
<b>Audits completed</b>	0	66	8	98	974
<b>Audits passed</b>	0	50	8	74	563
<b>Audits failed</b>	0	15	0	16	320
<b>Inconclusive</b>	0	1	0	7	84
<b>Other charges only</b>	0	0	0	1	7

In April 2017, audit fines assessed from violations totaled four thousand two hundred fifty (\$4,250) dollars. Compared to April 2016, total audit fines assessed from violations increased by two thousand three hundred (\$2,300) 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
<b>Fines Assessed</b>	\$4,250	\$48,400	\$1,950	\$45,525

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

Year	Audits Completed	Revenues Collected	Average Fine per Audit
<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>	98 audits	\$73,700	\$752
<b>FY 2017</b>	66 audits	\$63,700	\$965

**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 April 2017, there were one thousand five hundred fifty-seven (1,557) sampling requests entered into and approved by the new online system. Of these sampling requests, forty-five (45) were cancelled. In FY 2017, the online system has saved over two thousand nine hundred seven (2,907.10) 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	1	0	2
Suspensions	1	3	0	0
Surrenders	0	15	0	20
Divestitures	0	0	0	6
Administrative Complaints	0	2	0	8
Decisions & Orders	0	0	0	2
Cases Received	86	626	36	985
Cases Completed	35	151	13	281
Cases in Progress	51	445	23	704
Warning Letter Issued	16	44	3	28
Cases Sent to OAH	0	4	0	5

### Economic Impact:

Fines collected during the month totaled twenty-nine thousand five hundred twenty-five (\$29,525) dollars from fifty (50) adjudicated compliance actions. Compared to last month, March 2017, this represents a fifty-eight (58.2%) percent decrease in collected revenues and a thirty-nine (38.9%) percent increase in the number of compliance actions processed. Compared to April 2016, this represents an eighty-three (83.1%) percent increase in collected revenues and a one hundred seventeen (117.4%) 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
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	317	\$350,900	\$1,107

**SUCCESS STATISTICS**  
Compliance (continued)

**Adjudicated Underage Violations:**

Statute	Adjudicated This Month	TOTAL FY 2017	1 Year Ago This Month	TOTAL FY 2016
<b>A.R.S. § 4-241(A)</b> Failure to request ID from underage; accepting unauthorized forms of ID; failure to follow the identification procedure prescribed by statutes	3	50	0	65
<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	9	25	0	9
<b>A.R.S. § 4-244(9)</b> Furnishing alcohol to an underage; underage in possession/consumption	3	51	0	64
<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	6	0	8
<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	0	0	1
<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 2017, fines from adjudicated underage violations total fifty-one thousand five hundred (\$51,500) 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	\$51,500	1	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 2017</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2016</b>
<b>Hearings Scheduled</b>	0	23	3	25
<b>Licenses Granted</b>	0	14	0	1
<b>Licenses Denied</b>	0	2	0	4
<b>Continuances Granted</b>	0	7	0	4
<b>Continuances Denied</b>	0	0	0	0
<b>Licenses Withdrawn</b>	0	2	1	8
<b>Appeals Heard</b>	0	0	2	3
<b>Rehearings Requested</b>	0	0	0	1
<b>Hearings Cancelled by Director</b>	0	3	0	3

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

### STATE LIQUOR BOARD MEMBERS AND TERMS

Michael J. Troyan (I) Chair	Maricopa County Retailer	Term Expires January 15, 2018
Troy L. Campbell (R) Vice Chair	Coconino County No Financial Interest	Term Expires January 15, 2018
Michael N. Widener (R)	Maricopa County No Financial Interest	Term Expires January 15, 2018
Vacant	Neighborhood Association	Term Expired January 18, 2016
Vacant	Industry	Term Expired January 16, 2017
Vacant	No Financial Interest	Term Expired January 16, 2017
Vacant	No Financial Interest	Term Expires January 21, 2019

## 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, April 2016, the number of new liquor licenses issued in Arizona decreased six (5.7%) percent and the number of active licenses increased two (1.8%) percent. Also, compared with April 2016, monthly licensing revenues have increased one hundred eighty-five (185.1%) percent from five hundred fifty-seven thousand two hundred (\$557,200) dollars during this time last year to one million five hundred eighty-eight thousand seven hundred five (\$1,588,705) dollars during the current month.

In April 2017, ten (10) exempt locations were approved which brings the total active exempt locations in Arizona to one hundred sixteen (116). 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 Detective; 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
<b>New Licenses Issued</b>	132	1,231	140	1,473
<b>Renewed Licenses</b>	597	11,065	407	11,977
<b>Lottery Licenses Issued</b>	2	12	1	14
<b>Collected Lottery Revenues</b>	\$954,125	\$3,418,500	\$56,550	\$2,207,600
<b>Number of Active Liquor Licenses</b>	12,367*	12,367*	12,144*	12,203*
<b>Exempt Locations Issued</b>	10	102	11	57
<b>Number of Exempt Locations</b>	116**	116**	99**	98**
<b>Collected Licensing Revenues (including lottery revenues)</b>	\$1,588,705	\$8,971,508	\$557,200	\$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 April 2017

Fair Market Value	954,125
Applications	17,800
License Fees	311,671
Out-of-State	0
Agent Change	4,350
Fines	70,650
Special Event	5,875
Club	150
Penalties	16,950
Copy Fees	7,990
Non-Use Surcharge	31,000
Audit Surcharge	53,730
Enforcement K Surcharge	66,850
Enforcement L Surcharge	41,785
Miscellaneous	170

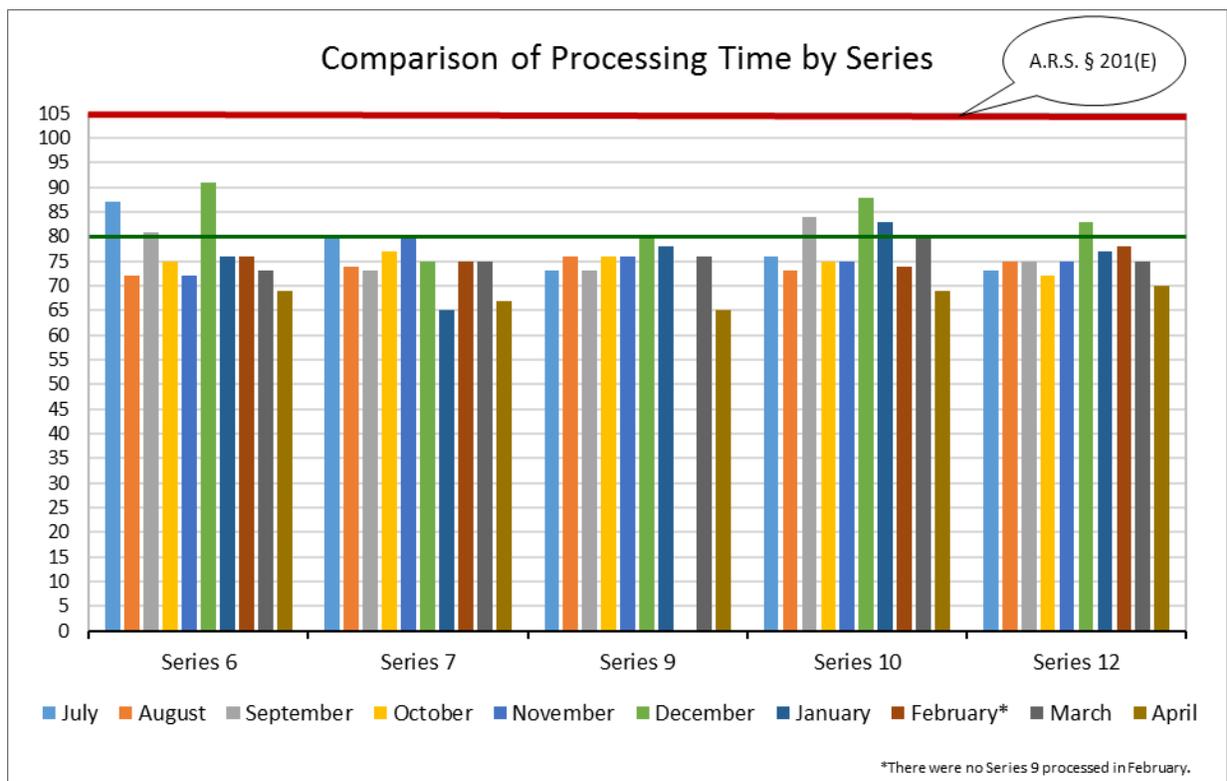
**TOTAL REVENUES COLLECTED**    **\$1,583,095**  
**(fingerprints)**                            **5,610**

**TOTAL REPORT**                        **\$1,588,705**

## 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 April 2017, ninety-one (91) 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. "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

### Retirement

Rita Niner, Budget Manager, will retire after 18 years with the agency.

### Legislation\*

**HB2337 LIQUOR OMNIBUS.** HB2337 passed out of the Senate and was signed by the Governor on April 18, 2017.

#### PROVISIONS

##### *Licensing*

1. Requires the Director, until January 1, 2022, to issue a new beer and wine bar license in a county for each population increase of 5,000 people rather every 10,000 people.
2. Limits per person entries into the random selection process for new licenses to the number available for issuance.
3. Shortens the period for a person to protest a license, from the later of 60 days after an application is filed or 15 days after action by a local governing body, to the shorter of these time frames.
4. Sets assignment fees at:
  - a. \$100 for an acquisition of control or restructuring;
  - b. \$50 for each additional change of agent, acquisition of control or restructuring submitted by the same licensee;
  - c. \$1000 maximum for all change of agents;
  - d. \$1000 maximum for all acquisitions of control; and
  - e. \$1000 maximum for all restructurings.
5. Extends, from two to three years, the length of inactivity required before a location must requalify for a license.
6. Requires a licensee returning a license to active status to file a written request with the DLLC to obtain a surcharge waiver and time extension.

##### *Craft Distillers*

7. Allows all craft distillers to sell and ship directly to consumers by removing the gallonage cap requirement.
8. Increases, from 75 to 150, the number of days per year a craft distillery may operate with a festival license.
9. Exempts festivals occurring fully within a licensed location or the craft distiller's existing premises from local governing body approval requirements.
10. Excludes spirits produced and sold on a craft distiller's premise from gallonage calculated for direct retail delivery qualification.
11. Increases, from one to two, the number of remote tasting rooms (rooms) a craft distiller may operate.
12. Allows the Director to issue a room license for a craft distiller or domestic farm winery room that is located on the same property as another room if:
  - a. each room license is held by a different person;
  - b. the licenses are located on separate premises, except that the rooms may share a common indoor area and outdoor patio;
  - c. the craft distiller or farm winery complies with licensure requirements; and
  - d. the room license is not stacked with any other DLLC license.
13. Stipulates that room licensees sharing a common area may each be held liable for violations.
14. Requires commonly controlled retail licensed premises to be located on or adjacent to the craft distiller premise or room to receive delivery of spirits produced by the craft distiller.

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

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

### Legislation (HB2337 continued)

#### *Acquisition of Control*

15. Replaces the ability of a local governing body to protest an acquisition of control with the ability to provide a recommendation.
16. Requires the Director to provide notice of how the governing body may examine, free of charge, the results of the DLLC's acquisition of control investigation.
17. Prohibits a local governing body from charging more than one fee for acquisition of control.
18. Exempts acquisition of control filings from local governing body license application procedures.
19. Exempts, from notice of acquisition requirements, licensees adding a new person to business ownership if the controlling person remains the same.

#### *Special Events*

20. Allows a physical location to host special events up to 30 days a year.
21. Permits a 501(c) non-profit entity, or 501(c) eligible entity, to qualify for special event licensure provided the entity is in good standing with the state.
22. Allows applicants to retain a special events contactor to assist in selling and serving spirituous liquor and requires the DLLC to maintain a list of contractors.
23. Allows the Director to suspend a special events licensee for up to one year.
24. Permits a special events licensee to conduct a wine or distilled spirits pull of up to 50 bottles of wine or distilled spirits.
25. Allows a special events licensee to return unbroken packages of liquor to the appropriate wholesaler or off-sale licensee provided packages are returned within one business day after the conclusion of the event.
26. Allows the Director, for good cause shown, to waive the 10-day filing requirement before a special event.
27. Limits club licensees to 12 events per calendar year in which attendees are not guests of club members.
28. Specifies that special event licensees, licensed retailers, producers, wholesalers and special event contractors may serve liquor at a special event.
29. Allows a producer to donate liquor to any organization issued a special events license.
30. Authorizes the Director to adopt rules for special event contractors.

#### *Board*

31. Allows Board members who possess a license to represent themselves before the Board in the year after their term ends.
32. Repeals the prohibition on Board members representing a licensee before the DLLC in the year following conclusion of Board service.
33. Increases, from two to three, the number of Board members that may be from the same county.

#### *Miscellaneous*

34. Exempts restaurant licensees from audits in the first three months of operation.
35. Allows a wholesaler to accept return of malt beverage products from an on-sale retailer if the retailer:
  - a. closes for 30 days and the products are likely to expire before reopening;
  - b. operates a music or live sporting venue with an occupancy over 1,000 people and the products are likely to expire between events; or

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

### Legislation (HB2337 continued)

- c. conducts less than six events per year with a government entity license and the products are likely to expire between events.
- 36. Requires out-of-state retailer and wholesalers to comply with statute as if licensed by the DLLC and allows the Director to impose a civil penalty of up to \$150,000 and notify:
  - a. the Department of Revenue for collection of taxes;
  - b. the applicable agency in the state in which the person is licensed; and
  - c. the licensees connected to the transaction.
- 37. Stipulates that an out-of-state producer, exporter, importer, rectifier or retailer is deemed to have consented to the jurisdiction of the DLLC, all state agencies, the courts and related laws, rules and regulations.
- 38. Contains technical and conforming changes.
- 39. Becomes effective on the general effective date.

END OF DLLC APRIL 2017 REPORT TO THE GOVERNOR