

GOVERNOR'S MONTHLY REPORT

January 2017

(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 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 January 2017, DLLC conducted investigations of ten (10) liquor-licensed establishments in Peoria, Scottsdale, Tempe, Phoenix, and Chandler. Four (4) CUBs were used. Four (4), or forty (40.0%) percent, of these establishments sold alcohol to a CUB resulting in eight (8) administrative violations and four (4) criminal violations. All ten (10) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand nine hundred ninety-one (3,991) establishments have been investigated and one thousand two hundred seventy-one (1,271) or thirty-two (31.8%) percent have sold to CUB buyers resulting in three thousand sixty-four (3,064) administrative violations and two thousand four hundred twenty-five (2,425) 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	121	46	38	121	72
2017	10	4	40	8	4

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:

- Meeting with Young's Market – director
- Meeting with Representative Weninger – director
- Grand Canyon University presentation – director
- Meeting with Arizona Restaurant Association – director
- Meeting with Hensley Beverage Company – director
- Meeting with Withey Morris PLC – director
- Arizona Food Marketing Alliance (AFMA) meet and greet – director
- Omnibus bill meeting – director
- House Committee on Commerce and Public Safety hearing – director
- Meeting with Barrett Jackson – director
- Grant meeting with Governor's Office of Youth Faith and Family (GOYFF) – director and deputy director
- Meeting with Edward Maldonado – director
- Meeting with Arizona Trucking Association – director
- Meeting with representatives of Miller/Coors – director
- Arizona Association of Chiefs of Police (AACOP) annual meeting – director
- Southern Arizona Law Enforcement Managers (SALEM) meeting – director
- Meeting with Axiom Public Affairs – director
- Meetings with representatives of soccer stadium and series 7 licensees – director
- Training Coordinator meeting, AZ POST – deputy director
- Meeting with Waste Management Phoenix Open – deputy director
- Flagstaff Local Government Liquor Workshop – assistant director of licensing
- Phoenix Local Government Liquor Workshop – assistant director of licensing
- Tucson Local Government Liquor Workshop – assistant director of licensing

Law Enforcement Special Detail:

- CUB – Detective Williams conducted one
- CUB – Sergeant Palubeskie and Detective Turner conducted one
- El Antro Club, Phoenix – Detective Sanchez and Detective Schrimpf
- Barrett Jackson – Sergeant Palubeskie, Detective Swift and Detective Webb
- Livewire, Scottsdale Police Department – Detective Swift
- Fake IDs Commonly Used in Bars training for Yuma Police Department and Marine Corps Air Station Yuma, 17 Officers – Detective Sanchez
- Local Governing Body (LGB) trainings in Flagstaff, Phoenix and Tucson, 60 Attendees – Detective Williams
- Governor's Office of Youth, Faith & Family (GOYFF) visits to retailers – Detective Webb, Detective Zacarias and Detective Fletcher
- Meeting with Sedona MatForce Coalition – Detective Webb
- Social host ordinances meeting, Sedona-Miami – Detective Webb
- Native American Safety Fair – Detective Webb
- FTO School – Detective Turner

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 fifty-six (56) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in sixty-six (66) criminal charges and fifty-six (56) 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 1:1,117.

Total investigative actions taken this month were nine hundred ten (910), which is a decrease of twenty-three (23.1%) percent when compared to the one thousand one hundred eighty-four (1,184) investigative actions taken in January 2016.

Achievements:	Current Month	Total FY 2017	1 Year Ago This Month	Total FY 2016
Routine Liquor Inspections Completed	56	372	233	2,386
Criminal Citations Issued	34	219	25	435
Criminal Counts Charged	66	412	50	729
Administrative Counts Charged	56	391	100	852
Hidden Ownerships Completed	0	0	0	16
Site Inspections Completed	40	241	25	346
Non-Actioned (Criminal) Complaints	35	252	51	421
Actioned (Administrative) Complaints	11	56	8	87
Compliance Case Reports Submitted	34	190	34	345
On-view Violation Case Reports	0	59	22	218
Law Enforcement Liaison Completed	0	245	66	747
Tax Deficiency Charges	27	96	10	213
MVD Affidavit/Suspension	0	35	12	53
Underage Investigations Statistics:				
Citations Issued to Underage Persons	25	162	16	350
Total Underage Violations	64	389	46	690
Total Achievements: (including police report reviews and completed protests not listed above)	910	6,132	1,184	13,759

Compared to January 2016, the number of citations DLLC Detectives issued to underage persons increased fifty-six (56.3%) percent and the total number of underage violations increased thirty-nine (39.1%) 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	1	3	8	13

Of the citations issued to underage persons, fifty-two (52.0%) percent were within one year and thirty-two (32.0%) 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	4	28	5	54
A.R.S. § 4-241(K) Accepting unauthorized IDs	1	1	N/A	N/A
A.R.S. § 4-241(L) Underage who uses false ID to buy alcohol	9	49	1	28
A.R.S. § 4-241(M) Underage who solicits another person for alcohol	0	8	0	9
A.R.S. § 4-241(N) Underage who uses of false ID to gain entry to a liquor business	3	18	8	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	27	137	13	257
A.R.S. § 4-244(20) Consuming spirituous liquor in public place, thoroughfare or gathering	1	2	1	8
A.R.S. § 4-244(41) Underage with alcohol in system	7	87	9	228
A.R.S. § 13-2907.01 False reporting to law enforcement agencies	1	2	1	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	9	50	6	51
A.R.S. § 28-3478.3 Using another person's driver license	2	7	4	24

SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred seventy-nine (179) active Series 11 (hotel/motel) licenses and three thousand seven hundred thirty-seven (3,737) active Series 12 (restaurant) licenses statewide. Compared to January 2016, the number of hotel/motel with restaurant licenses increased by ten (10) or six (5.9%) percent, and the number of restaurant licenses increased by one hundred seventy-two (172) or five (4.8%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand nine hundred sixteen (3,916) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,958.

Audit Status	Current Month	This Month Last Year
Audits closed	9	11
Audits initiated	6	11
Audits in progress	11	16
Open cases w/projected ratio of >37%	8	12
Open cases w/projected ratio between 30 to 37%	3	4
Open cases w/projected ratio of <30%	0	0
Locations granted 1 year to continue operation	0	1
Locations being monitored	69	89

During January 2017, nine (9) audits were completed in Cochise and Maricopa Counties, which resulted in actionable violations in three (3) of those cases. On January 31, 2017, there were eleven (11) audits in progress and sixty-nine (69) locations being monitored.

Audit Action	Current Month	Total FY 2017	This Month Last Year	Total FY 2016	Total 2003 To Present
Audits completed	9	50	11	98	958
Audits passed	8	37	8	74	550
Audits failed	1	12	2	16	317
Inconclusive	0	1	1	7	84
Other charges only	0	0	0	1	7

In January 2017, audit fines assessed from violations totaled two hundred fifty (\$250) dollars. Compared to January 2016, total audit fines assessed from violations decreased by four thousand five hundred (\$4,500) 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	\$250	\$27,950	\$4,750	\$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	50 audits	\$43,250	\$865

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 2017, there were one thousand forty-three (1,043) sampling requests entered into and approved by the online system. Of these sampling requests, sixty-eight (68) were cancelled. In FY 2017, the online system has saved one thousand four hundred seventy-seven (1,477.00) 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 2017	1 Year Ago This Month	Total FY 2016
Revocations	0	0	1	2
Suspensions	1	1	0	0
Surrenders	3	13	4	20
Divestitures	0	0	0	6
Administrative Complaints	1	1	0	8
Decisions & Orders	0	0	1	2
Cases Received	45	357	44	985
Cases Completed	8	78	8	281
Cases in Progress	37	249	36	704
Warning Letter Issued	3	9	1	28
Cases Sent to OAH	2	3	1	5

Economic Impact:

Fines collected during the month totaled forty-seven thousand seven hundred fifty (\$47,750) dollars from forty-eight (48) adjudicated compliance actions. Compared to last month, December 2016, this represents a nine (8.6%) percent increase in collected revenues and a seventy-eight (77.8%) percent increase in the number of compliance actions processed. Compared to January 2016, this represents a nineteen (19.2%) percent decrease in collected revenues and a two (2.0%) 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	212	\$230,825	\$1,089

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	7	36	8	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	13	0	9
A.R.S. § 4-244(9) Furnishing alcohol to an underage; underage in possession/consumption	7	37	8	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	5	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	1	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 thirty-eight thousand seven hundred fifty (\$38,750) 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	\$38,750	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	5	18	3	25
Licenses Granted	4	10	0	1
Licenses Denied	0	1	0	4
Continuances Granted	1	7	1	4
Continuances Denied	0	0	0	0
Licenses Withdrawn	0	2	2	8
Appeals Heard	0	0	0	3
Rehearings Requested	0	0	0	1
Hearings Cancelled by Director	0	2	0	3

There were five (5) hearings scheduled before the State Liquor Board in January. One hearing was continued from the first week to the third week of January. Four (4) liquor license applications were granted to one (1) Series 10 Beer and Wine Store, one (1) Series 7 Beer and Wine Bar, one (1) Series 6 Bar, and one (1) Restaurant.

STATE LIQUOR BOARD MEMBERS AND TERMS

Cyndy A. Valdez (R)	Chair Pima County Wholesaler	Term Expired January 16, 2017
Michael J. Troyan (I)	Vice Chair Maricopa County Retailer	Term Expires January 15, 2018
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 Expired January 16, 2017
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 2016, the number of new liquor licenses issued in Arizona decreased four (4.4%) percent and the number of active licenses increased two (2.1%) percent. Also, compared with January 2016, monthly licensing revenues have increased ten (10.2%) percent from six hundred fifty-three thousand eighty-one (\$653,081) dollars during this time last year to seven hundred nineteen thousand five hundred ninety-five (\$719,595) dollars during the current month.

In January 2017, ten (10) exempt locations were approved which brings the total active exempt locations in Arizona to one hundred fourteen (114). 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
New Licenses Issued	129	860	135	1,473
Renewed Licenses	858	7,872	803	11,977
Lottery Licenses Issued	4	7	1	14
Collected Lottery Revenues	\$286,600	\$1,492,700	\$162,950	\$2,207,600
Number of Active Liquor Licenses	12,286*	12,286*	12,039*	12,203*
Exempt Locations Issued	10	70	9	57
Number of Exempt Locations	114**	114**	90**	98**
Collected Licensing Revenues (including lottery revenues)	\$719,595	\$4,773,776	\$653,081	\$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 January 2017

Fair Market Value	286,600
Applications	10,800
License Fees	241,478
Out-of-State	0
Agent Change	4,000
Fines	47,750
Special Event	6,475
Club	7,950
Penalties	16,350
Copy Fees	4,320
Non-Use Surcharge	13,900
Audit Surcharge	14,100
Enforcement K Surcharge	31,045
Enforcement L Surcharge	31,030
Miscellaneous	35

TOTAL REVENUES COLLECTED \$715,833

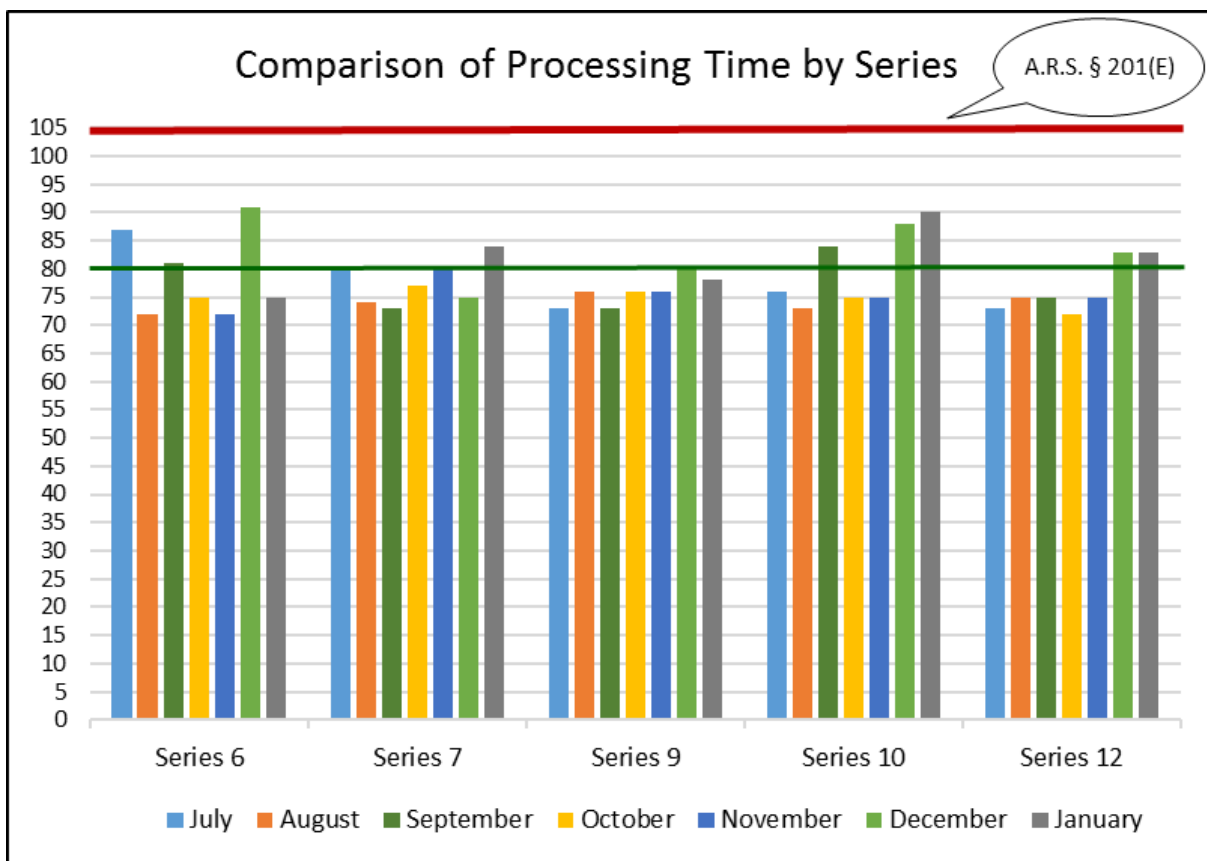
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TOTAL REPORT \$719,595

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 January 2017, ninety-four (94) 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

Legislation*

The Fifty-third Legislature convened its First Regular Session on January 9, 2017. Bills dropped early in the session include the following:

HB2047 LIQUOR; SERVING AGE; REDUCTION. HB2047 passed out of the House Committees on Commerce and Rules.

PROVISIONS

1. Modifies the legal age, from 19 to 18 years, for an employee to perform duties as follows:
 - a. To refill hotel liquor minibars. (Sec. 1)
 - b. To supervise another person at least 16 years of age at an off-sale retailer, while checking out, packaging merchandise or assisting customers with carry-out service when the employer primarily sells merchandise other than liquor. (Sec. 2)
 - c. To manufacture, sell or dispose of liquor. (Sec. 2)
 - d. To handle liquor in any capacity as an employee of an on-sale retailer. (Sec. 2)
 - e. To clean tables, remove dirty dishes and keep a supply of necessary items as an employee of an on-sale retailer. (Sec. 2)

Current Law

A.R.S. § 4-205.06 requires any hotel employee handling liquor that is placed in a room's minibar, including an employee who inventories, restocks or replenishes liquor in a hotel room minibar, must be at least 19 years of age.

A.R.S. § 4-244 outlines the unlawful acts applicable to the liquor industry and individuals licensed by DLLC, including the required legal age of employees before performing certain tasks. An off-sale retailer that sells primarily merchandise other than liquor may hire a person 19 years old to work and supervise an employee at least 16 years old as that person cashiers, packages and carries merchandise (including liquor in unbroken packages) for a customer's convenience. A licensee must ensure that an employee is at least 19 years old to handle, manufacture, sell or dispose of liquor. An on-sale retailer may hire a person under 19 years old to clean tables, remove dirty dishes and clean the premises.

An *off-sale retailer* means any person operating an established retail liquor store and any store selling commodities other than liquor and engaged in the sale of liquor in the original, unbroken package to be consumed off the premises. An *on-sale retailer* means any person operating an establishment where liquor is sold in the original container for consumption on or off the premises or in individual portions for consumption on the premises (A.R.S. § 4-101).

HB2337 LIQUOR OMNIBUS. HB2337 was introduced and assigned to Committees.

PROVISIONS

1. Increases the number of Board members that may be from the same county from two to three. (Sec. 2)
2. Rewrites and revises the language pertaining to acquisition of control for the sale or transfer of a liquor license as follows:
 - a. Asserts there is no acquisition of control if the business' controlling persons remain the same as disclosed to the Director, even if another person is added to the ownership. (Sec. 4)
 - b. Gives the local governing body 30 days to provide the Director with input regarding an acquisition of control for a sale or transfer of a liquor license and prohibits any fee. (Sec. 4)
 - c. Removes the requirement for the Board hearing. (Sec. 4)

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

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Legislation (HB2337 cont.)

3. Permits the Director to extend a license in nonuse status for good cause, if the licensee files a written request before the license automatically reverts to the State. (Sec. 4)
4. Requires requalification after a licensed location has not been in use for three years. (Sec. 4)
5. Allows the Director to waive the 10-day rule for submitting an application for a special event license for good cause shown. (Sec. 5)
6. Limits the private club special event licenses where nonmembers may attend, to no more than 12 events annually. (Sec. 6)
7. Permits a craft distiller to deliver product to a licensed premise located adjacent to the premises or to the remote tasting room. (Sec. 8)
8. Authorizes a craft distiller to operate two remote tasting and retail premises. (Sec. 8)
9. Rewrites and revises the provisions of law relating to a craft distillery festival license. Permits the Director to issue up to 150 of these temporary licenses per distillery for an unlimited number of days per year (now up to 25 licenses for up to 75 days). (Sec. 9)
10. Permits a remote tasting room license to be issued to a craft distiller or a farm winery licensee located on the same property as another remote tasting room license. (Sec. 10)
11. Authorizes the Director to issue additional beer and wine bar licenses in each county annually, based on the rate of: one license of each type per 5,000 population increase until January 1, 2022; one license of each type per 10,000 population increase beginning January 1, 2022. Outlines specific requirements. (Sec. 11)
12. Limits and clarifies the total fees paid for all change of agents, acquisitions of control and restructurings. (Sec. 12)
13. Prohibits the Director from auditing a start-up restaurant for the first three months (Sec. 13)
14. Requires a restaurant to maintain the 40% food sales in order to keep a license and removes the language allowing the restaurant to continue operations after an audit determines it has fallen below that threshold. (Sec. 13)
15. Allows a wholesaler to accept returned malt liquor from an on-sale retailer as outlined. (Sec. 14)
16. Moves the definition of permanent occupancy within the definitions section. (Sec. 1)
17. Makes technical and conforming changes. (Sec. 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14)

Current Law

The Board consists of seven members appointed by the Governor and confirmed by the Senate to serve three-year terms. The Board consists of five members not directly or indirectly financially interested in the liquor business and two members previously or currently engaged in the liquor business. One member is a retail licensee or employee and one is a member of a neighborhood association. Board members must be residents of this state for at least five years, with no more than four members of the same political party and no more than two from the same county. Members of the board receive compensation of \$50 per day while engaged in the Board business. (A.R.S. § 4-111)

A.R.S. § 4-101 defines controlling person as one directly or indirectly possessing control of an applicant or license. During the process of a person acquiring a liquor license or when the Director conducts a preinvestigation to determine qualifications of an applicant, the local governing body may protest an acquisition of control within 60 days of notice from the Director, based on the capability, reliability and qualification of the person acquiring control. Any protest is then set for a hearing before the Board, which approves or disapproves within 105 days. (A.R.S. § 4-201)

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Legislation (HB2337 cont.)

A.R.S. § 4-203 requires payment of surcharges when a license returns to active status from nonuse status. Surcharges are \$100 per month after five months and the license automatically reverts to the state after 36 months of continuous nonuse. The Director may waive the surcharge and extend the time period for good cause shown. If a licensed location has not been in use for two years, it must requalify for a new license, unless the Director finds the nonuse was due to circumstances beyond the licensee's control.

END OF DLLC JANUARY 2017 REPORT TO THE GOVERNOR