

GOVERNOR'S MONTHLY REPORT

June 2017

(Revised 7/28/17)



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 June 2017, DLLC conducted investigations of twelve (12) liquor-licensed establishments in Black Canyon, El Mirage, Litchfield Park, Phoenix, Mesa, and Gilbert. Four (4) CUBs were used. Five (5), or forty-two (41.7%) percent, of these establishments sold alcohol to a CUB resulting in fifteen (15) administrative violations and five (5) criminal violations. All twelve (12) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, four thousand forty-one (4,041) establishments have been investigated and one thousand two hundred ninety-three (1,293) or thirty-two (32.0%) percent have sold to CUB buyers resulting in three thousand one hundred seventeen (3,117) administrative violations and two thousand four hundred forty-seven (2,447) 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	60	26	43	61	26

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 Phoenix Rescue Mission – director
- Stakeholders meeting – director
- Arizona Substance Abuse Partnership meeting – director
- National Conference of State Liquor Administrators (NCSLA) Annual Conference in Denver, Colorado – director
- Meeting with Young's Market – director

Law Enforcement Special Detail:

- CUB – Detective Williams and Detective Schrimpf conducted one
- CUB – Detective Turner and Detective Trevizo conducted one
- Governor's Office of Youth, Faith and Family (GOYFF) trainings in La Paz County – Detective Sanchez
- Governor's Office of Youth, Faith and Family (GOYFF) trainings in Pima County – Detective Zacarias and Detective Fletcher
- BLK Stripper Olympics, Scottsdale – Detective Schrimpf, Detective Barchak and Detective Swift
- Policia Internacional Sonora Arizona (PISA) Conference in Tucson– Detective Sanchez
- Employee Q & A for Show Low bars (12 attendees) – Detective Carruthers
- Title 4 and Fake I.D. training to Benson Police Department and Pinal County Sheriff's Office (9 officers) – Detective Zacarias
- Youth alcohol training in Nogales & Yuma, two classes (52 youths) – Detective Webb

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 thirty-six (36) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in twelve (12) criminal charges and eighty-six (86) 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 seven hundred forty-nine (749), which is an increase of sixteen (16.1%) percent when compared to the six hundred forty-five (645) investigative actions taken in June 2016.

Achievements:	Current Month	Total FY 2017	1 Year Ago This Month	Total FY 2016
Routine Liquor Inspections Completed	36	526	117	2,386
Criminal Citations Issued	7	427	9	435
Criminal Counts Charged	12	804	14	729
Administrative Counts Charged	86	700	22	852
Hidden Ownerships Completed	0	0	0	16
Site Inspections Completed	35	432	13	346
Non-Actioned (Criminal) Complaints	54	468	33	421
Actioned (Administrative) Complaints	15	124	7	87
Compliance On-View Case Reports Submitted	25	285	15	345
On-View Violation Case Reports	0	59	8	218
Law Enforcement Liaison Completed	0	245	53	747
Tax Deficiency Charges	15	192	0	213
MVD Affidavit/Suspension	0	35	0	53
Underage Investigations Statistics:				
Citations Issued to Underage Persons	1	324	3	350
Total Underage Violations	12	767	13	690
Total Achievements: (including police report reviews and completed protests not listed above)	749	10,896	645	13,759

Compared to June 2016, the number of citations DLLC Detectives issued to underage persons decreased sixty-seven (66.7%) percent and the total number of underage violations decreased eight (7.7%) 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	0	0	0	1

The underage person who was issued a citation was within one year 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	5	51	5	54
A.R.S. § 4-241(K) Accepting unauthorized IDs	0	1	N/A	N/A
A.R.S. § 4-241(L) Underage who uses false ID to buy alcohol	0	81	0	28
A.R.S. § 4-241(M) Underage who solicits another person for alcohol	0	9	0	9
A.R.S. § 4-241(N) Underage who uses of false ID to gain entry to a liquor business	0	28	0	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	5	272	6	257
A.R.S. § 4-244(20) Consuming spirituous liquor in public place, thoroughfare or gathering	0	2	0	8
A.R.S. § 4-244(41) Underage with alcohol in system	0	205	2	228
A.R.S. § 13-2907.01 False reporting to law enforcement agencies	0	5	0	3
A.R.S. § 13-3613 Contributing to delinquency and dependency of a child	0	1	0	0
A.R.S. § 28-3478.1 Unlawful use of driver license	0	95	0	51
A.R.S. § 28-3478.3 Using another person's driver license	0	12	0	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 fifty-three (3,753) active Series 12 (restaurant) licenses statewide. Compared to June 2016, the number of hotel/motel with restaurant licenses increased by six (6) or four (3.5%) percent, and the number of restaurant licenses increased by one hundred seventy-six (176) or five (4.9%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand nine hundred thirty-two (3,932) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,966.

Audit Status	Current Month	This Month Last Year
Audits closed	0	9
Audits initiated	0	9
Audits in progress	2	16
Open cases w/projected ratio of >37%	0	9
Open cases w/projected ratio between 30 to 37%	2	7
Open cases w/projected ratio of <30%	0	0
Locations granted 1 year to continue operation	0	0
Locations being monitored	91	99

During June 2017, zero (0) audits were completed. On June 30, 2017, there were two (2) audits in progress and ninety-one (91) locations being monitored.

Audit Action	Current Month	Total FY 2017	This Month Last Year	Total FY 2016	Total 2003 To Present
Audits completed	0	67	9	98	975
Audits passed	0	51	5	74	564
Audits failed	0	15	2	16	320
Inconclusive	0	1	2	7	84
Other charges only	0	0	0	1	7

In June 2017, audit fines assessed from violations totaled four thousand (\$4,000) dollars. Compared to June 2016, total audit fines assessed from violations decreased by four thousand nine hundred fifty (\$4,950) 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	\$4,000	\$56,650	\$8,950	\$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	67 audits	\$74,200	\$1,107

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 June 2017, there were one thousand three hundred seventy-three (1,373) sampling requests entered into and approved by the new on-line system. Of these sampling requests, fifty-one (51) were cancelled. In FY 2017, the online system has saved over four thousand two hundred eleven (4,211.75) 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 June 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	5	0	0
Surrenders	1	18	3	20
Divestitures	0	0	0	6
Administrative Complaints	0	2	1	8
Decisions & Orders	0	0	0	2
Cases Received	45	709	37	985
Cases Completed	5	164	9	281
Cases in Progress	40	515	28	704
Warning Letter Issued	0	46	1	28
Cases Sent to OAH	0	4	0	5

Economic Impact:

Fines collected during the month totaled thirty-five thousand seven hundred (\$35,700) dollars from twenty-eight (28) adjudicated compliance actions. Compared to last month, May 2017, this represents an eleven (11.0%) percent decrease in collected revenues and a thirty-six (36.4%) percent decrease in the number of compliance actions processed. Compared to June 2016, this represents a thirty-six (35.5%) percent decrease in collected revenues and a fifty-five (54.8%) 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 June 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	389	\$426,700	\$1,097

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	62	7	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	32	0	9
A.R.S. § 4-244(9) Furnishing alcohol to an underage; underage in possession/consumption	6	62	7	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	7	1	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 eighty-six thousand two hundred fifty (\$86,250) 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	\$86,250	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 June 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	3	29	0	25
Licenses Granted	1	16	0	1
Licenses Denied	1	3	0	4
Continuances Granted	0	7	0	4
Continuances Denied	0	0	0	0
Licenses Withdrawn	0	4	0	8
Appeals Heard	0	0	0	3
Rehearings Requested	0	0	0	1
Hearings Cancelled by Director	1	4	0	3

There were three (3) hearings scheduled before the State Liquor Board in June. One (1) location transfer application for a Bar Liquor License (Series 6) was granted. One (1) original application for a Beer and Wine Store Liquor License (Series 10) was denied. One hearing was cancelled.

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	Retailer	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, June 2016, the number of new liquor licenses issued in Arizona increased forty-three (43.3%) percent and the number of active licenses increased two (2.1%) percent. Also, compared with June 2016, monthly licensing revenues have increased twenty (20.0%) percent from three hundred sixty-seven thousand seven (\$367,007) dollars during this time last year to four hundred forty thousand five hundred forty (\$440,540) dollars during the current month.

In June 2017, ten (10) exempt locations were approved which brings the total active exempt locations in Arizona to one hundred thirty-eight (138). 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	1,460	90	1,473
Renewed Licenses	649	12,319	559	11,977
Lottery Licenses Issued	5	18	0	14
Collected Lottery Revenues	\$8,775	\$3,586,625	\$0	\$2,207,600
Number of Active Liquor Licenses	12,871*	12,871*	12,203*	12,203*
Exempt Locations Issued	10	131	5	57
Number of Exempt Locations	138**	138**	98**	98**
Collected Licensing Revenues (including lottery revenues)	\$440,540	\$9,840,379	\$367,007	\$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.

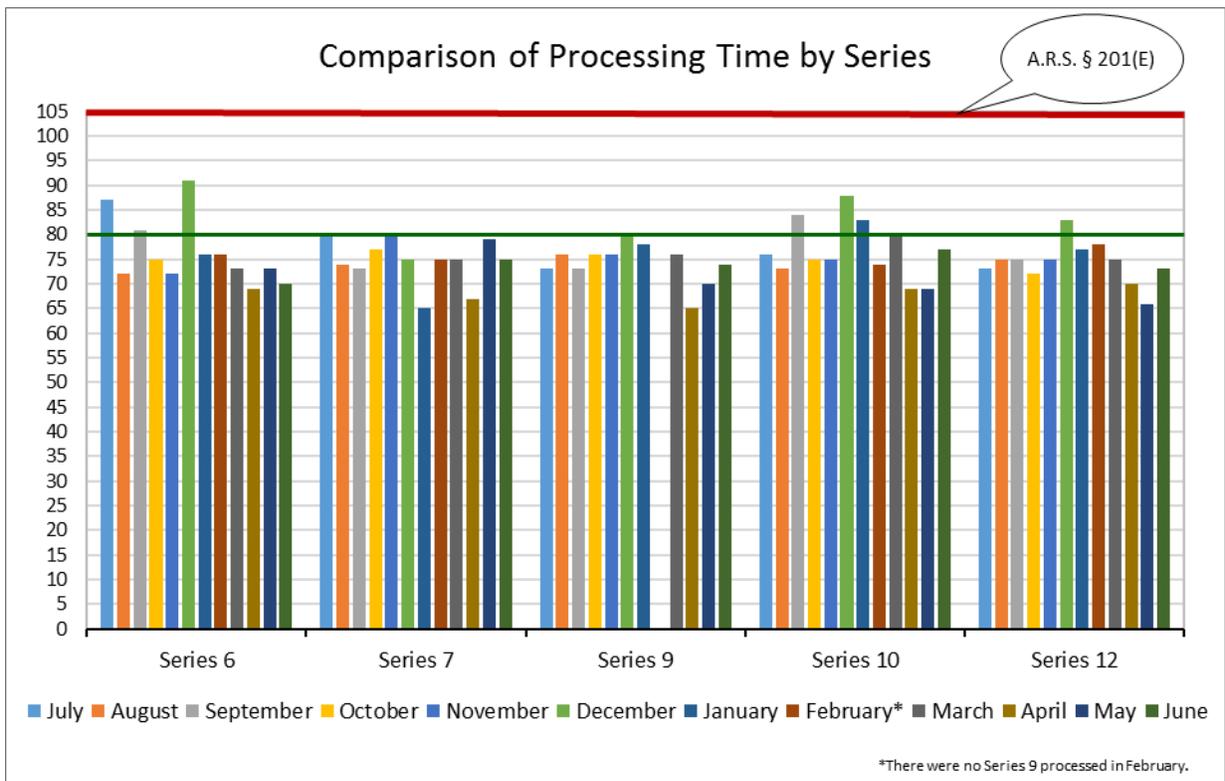
Collected Revenue by Fee Type in June 2017

Fair Market Value	8,775
Applications	16,600
License Fees	258,923
Out-of-State	0
Agent Change	5,800
Fines	35,700
Special Event	3,550
Club	5,250
Penalties	12,600
Copy Fees	6,460
Non-Use Surcharge	25,100
Audit Surcharge	10,440
Enforcement K Surcharge	23,380
Enforcement L Surcharge	21,310
Miscellaneous	910
TOTAL REVENUES COLLECTED	\$434,798
(fingerprints)	5,742
TOTAL REPORT	\$440,540

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 June 2017, ninety (90) 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

2017 Arizona Liquor License Lottery

The 2017 liquor license lottery entry period begins Monday, August 21, 2017 at 8:00 a.m., and will end Friday, September 8, 2017 at 3:00 p.m.

2017 Lottery License Offering			
County	Series 6 (Bar)	Series 7 (Beer & Wine Bar)	Series 9 (Liquor Store)
Coconino	0	1	0
Maricopa	14	12	6
Mohave	0	1	0
Pima	1	2	1
Pinal	2	3	0
Yavapai	0	1	0
Yuma	2	2	1
2017 Lottery Timeline			
FOR DLLC USE ONLY			
Lottery statute and rule: A.R.S. § 4-206.01 and A.A.C. R19-1-204			
Activity		Deadline	
DLLC contacts independent appraisers and FMV auditor/drawing facilitator		Wednesday, June 28, 2017	
Independent appraisers and FMV auditor/drawing facilitator bids due to DLLC		Monday, July 10, 2017	
DLLC selects independent appraisers and FMV auditor/drawing facilitator (1 week)		Friday, July 14, 2017	
Independent appraisers submit FMV to DLLC (4 weeks)		Friday, August 11, 2017	
DLLC to establish FMV (1 day)		Monday, August 14, 2017	
FMV auditor/drawing facilitator to audit FMV procedures (1 day)		Tuesday, August 15, 2017	
DLLC finalize entry applications, instructions, news release, calendar		Wednesday, August 16, 2017	
DLLC post lottery documents on website (1 day)		Thursday, August 17, 2017	
Lottery entry period (ends at 3:00 p.m. on September 8, 2017) (3 weeks)		Monday, August 21 through Friday, September 8, 2017	
FMV auditor/drawing facilitator review of number of entry applications and assign random selection drawing numbers (1 week)		Friday, September 15, 2017	
Random selection drawing (set up @ 8 a.m., commence @ 10 a.m.) (2 weeks)		Tuesday, October 3, 2017	
DLLC post randomly selected applicants on website (1 day)		Wednesday, October 4, 2017	
Selected applicants submit non-refundable 50% deposit (by 3:00 p.m., first day of business 105 days after drawing)		Tuesday, January 16, 2018	
Disclosed location final fees and license issue date (first day of business 105 days after drawing)		First business day that occurs 105 days after application is processed or when ready for issuance	
Final 50% balance FMV due – Established Location		1. On the first business day that occurs 180 days after the 50% deposit payment was due. 2. Within 5 business days after the Dept. of Liquor notified the applicant that the license is ready for issuance. 3. In either case, without exception, failure to submit payment will result in an automatic forfeiture.	
Final 50% FMV balance due – Location Not Established (the first business day 180 days after the initial 50% deposit payment was due)		Monday, July 16, 2018	
Final date for entrants to establish a location and submit applications and fees (24 months after the random selection drawing)		Thursday, October 3, 2019	
Lottery notes regarding local governing bodies:			
<ul style="list-style-type: none"> • local governments must post lottery entry applications for 20 days. • local governments have 60 days to submit recommendation regarding lottery applicants to DLLC. • when DLLC receives a local government recommendation, a 15-day waiting period must pass prior to DLLC issuing the license. 			

END OF DLLC JUNE 2017 REPORT TO THE GOVERNOR