

GOVERNOR'S MONTHLY REPORT
May 2017



STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL
John Cocca, Director
800 W. Washington Street, 5th Floor
Phoenix, Arizona 85007
Office 602-542-9020 Fax 602-542-6799

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 May 2017, DLLC conducted investigations of fourteen (14) liquor-licensed establishments in El Mirage, Phoenix, Mesa, Tempe, Peoria, and Tucson. Four (4) CUBs were used. Eight (8), or fifty-seven (57.1%) percent, of these establishments sold alcohol to a CUB resulting in twenty (20) administrative violations and eight (8) criminal violations. All fourteen (14) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, four thousand twenty-nine (4,029) establishments have been investigated and one thousand two hundred eighty-eight (1,288) or thirty-two (32.0%) percent have sold to CUB buyers resulting in three thousand one hundred two (3,102) administrative violations and two thousand four hundred forty-two (2,442) 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	48	21	44	46	21

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:

- Peace Officer Memorial – director
- Wineries stakeholders meeting – director
- Meeting with Chandler Police Department Chief Duggan– director
- Meeting with Jim Hayden, AMS presentation – director
- West Valley Police Chiefs Association meeting – director
- Chamber of Commerce dinner – director
- Meeting with Phoenix Suns – director
- Meeting with Scottsdale Police Department, Commander Leduc – director

Law Enforcement Special Detail:

- CUB – Detective Williams and Detective Schrimpf conducted one in Phoenix
- CUB – Sgt. Palubeskie and Detective Williams conducted one in Tucson
- Cinco De Mayo detail with Flagstaff Police Department – Detective Carruthers
- Cinco De Mayo detail in Tucson – Sgt. Palubeskie, Detective Williams and Detective Barchak
- AmeriCAN Canned Craft Beer Festival special detail in Phoenix – Sgt. Kuhl, Detective Swift, Detective Barchak and Detective Schrimpf
- Local Governing Body training in Show Low (11 attendees) – Detective Carruthers and Detective Williams
- Lake Havasu County clerks training – Detective Williams
- Governor's Office of Youth, Faith and Family (GOYFF) training at Grand Canyon University – Detective Webb and Detective Barchak
- Governor's Office of Youth, Faith and Family (GOYFF) trainings – Detective Sanchez conducted seven
- Governor's Office of Youth, Faith and Family (GOYFF) trainings in Tucson – Detective Zacarias conducted three
- Fake I.D. class for Maricopa County Sheriff's Office Academy (25 students) – Detective Webb
- Avondale Community event (300 persons) – Detective Webb
- Alcohol awareness classes (222 students) – Detective Webb conducted twelve
- Memorial Day Weekend – 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 thirteen (13) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in seventy-seven (77) criminal charges and forty-seven (47) 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 1:1,242.

Total investigative actions taken this month were eight hundred seventy-two (872), which is a decrease of sixteen (15.5%) percent when compared to the one thousand thirty-two (1,032) investigative actions taken in May 2016.

Achievements:	Current Month	Total FY 2017	1 Year Ago This Month	Total FY 2016
Routine Liquor Inspections Completed	13	490	146	2,386
Criminal Citations Issued	38	420	45	435
Criminal Counts Charged	77	792	73	729
Administrative Counts Charged	47	614	60	852
Hidden Ownerships Completed	0	0	0	16
Site Inspections Completed	49	397	30	346
Non-Actioned (Criminal) Complaints	40	414	19	421
Actioned (Administrative) Complaints	9	109	6	87
Compliance On-View Case Reports Submitted	21	260	22	345
On-View Violation Case Reports	0	59	9	218
Law Enforcement Liaison Completed	0	245	57	747
Tax Deficiency Charges	11	177	0	213
MVD Affidavit/Suspension	0	35	3	53
Underage Investigations Statistics:				
Citations Issued to Underage Persons	30	323	35	350
Total Underage Violations	77	755	67	690
Total Achievements: (including police report reviews and completed protests not listed above)	872	10,147	1,032	13,759

Compared to May 2016, the number of citations DLLC Detectives issued to underage persons decreased fourteen (14.3%) percent and the total number of underage violations increased fifteen (14.9%) 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	3	5	10	12

Of the citations issued to underage persons, forty (40.0%) percent were within one year and thirty-three (33.3%) 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	9	46	8	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	9	81	4	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	6	28	1	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	19	267	28	257
A.R.S. § 4-244(20) Consuming spirituous liquor in public place, thoroughfare or gathering	0	2	1	8
A.R.S. § 4-244(41) Underage with alcohol in system	17	205	20	228
A.R.S. § 13-2907.01 False reporting to law enforcement agencies	1	5	1	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	15	95	6	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 eighty-one (181) active Series 11 (hotel/motel) licenses and three thousand seven hundred twenty-three (3,723) active Series 12 (restaurant) licenses statewide. Compared to May 2016, the number of hotel/motel with restaurant licenses increased by eight (8) or five (4.6%) percent, and the number of restaurant licenses increased by one hundred sixty-four (164) or five (4.6%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand nine hundred four (3,904) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,952.

Audit Status	Current Month	This Month Last Year
Audits closed	1	10
Audits initiated	0	8
Audits in progress	2	16
Open cases w/projected ratio of >37%	0	10
Open cases w/projected ratio between 30 to 37%	2	6
Open cases w/projected ratio of <30%	0	0
Locations granted 1 year to continue operation	0	1
Locations being monitored	88	99

During May 2017, one (1) audit was completed in Pima County, which resulted in no actionable violations. On May 31, 2017, there were two (2) audits in progress and eighty-eight (88) locations being monitored.

Audit Action	Current Month	Total FY 2017	This Month Last Year	Total FY 2016	Total 2003 To Present
Audits completed	1	67	10	98	975
Audits passed	1	51	5	74	564
Audits failed	0	15	3	16	320
Inconclusive	0	1	1	7	84
Other charges only	0	0	1	1	7

In May 2017, audit fines assessed from violations totaled four thousand two hundred fifty (\$4,250) dollars. Compared to May 2016, total audit fines assessed from violations decreased by five hundred seventy-five (\$575) 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	\$4,250	\$52,650	\$4,825	\$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	\$72,700	\$1,085

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 May 2017, there were one thousand three hundred eighty-five (1,385) sampling requests entered into and approved by the new online system. Of these sampling requests, thirty-six (36) were cancelled. In FY 2017, the online system has saved over three thousand five hundred twenty-five (3,525.1) 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	4	0	0
Surrenders	2	17	3	20
Divestitures	0	0	0	6
Administrative Complaints	0	2	1	8
Decisions & Orders	0	0	0	2
Cases Received	38	664	140	985
Cases Completed	8	159	20	281
Cases in Progress	30	475	120	704
Warning Letter Issued	2	46	5	28
Cases Sent to OAH	0	4	0	5

Economic Impact:

Fines collected during the month totaled forty thousand one hundred (\$40,100) dollars from forty-four (44) adjudicated compliance actions. Compared to last month, April 2017, this represents a thirty-six (35.8%) percent increase in collected revenues and a twelve (12.0%) percent decrease in the number of compliance actions processed. Compared to April 2016, this represents a forty-four (44.4%) percent increase in collected revenues and a one hundred thirty-two (131.6%) 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	361	\$391,000	\$1,083

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	5	55	2	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	5	30	1	9
A.R.S. § 4-244(9) Furnishing alcohol to an underage; underage in possession/consumption	5	56	2	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	0	6	0	8
A.R.S. § 4-244(41) Underage with alcohol in system	0	0	0	0
A.R.S. § 4-244(42) Employee of licensee to accept gratuity to allow underage inside of bar/sell alcohol	0	0	0	1
A.R.S. § 13-2907(01) False reporting to law enforcement agencies	0	0	0	0
A.R.S. § 28-3478(1) Unlawful use of driver license	0	0	0	0
A.R.S. § 28-3478(3) Using another person's driver license	0	0	0	0

During FY 2017, fines from adjudicated underage violations total sixty-six thousand seven hundred fifty (\$66,750) 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	\$66,750	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.

Achievements:	Current Month	Total FY 2017	1 Year Ago This Month	Total FY 2016
Hearings Scheduled	3	26	0	25
Licenses Granted	1	15	0	1
Licenses Denied	0	2	0	4
Continuances Granted	0	7	0	4
Continuances Denied	0	0	0	0
Licenses Withdrawn	2	4	0	8
Appeals Heard	0	0	0	3
Rehearings Requested	0	0	0	1
Hearings Cancelled by Director	0	3	0	3

There were three (3) hearings scheduled before the State Liquor Board in May. One (1) original application for an In-State Microbrewery Liquor License (Series 3) was granted. Two application withdrawals were granted.

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, May 2016, the number of new liquor licenses issued in Arizona decreased twenty-six (25.9%) percent and the number of active licenses increased two (2.1%) percent. Also, compared with May 2016, monthly licensing revenues have increased five (4.6%) percent from four hundred nine thousand four hundred seventy-seven (\$409,477) dollars during this time last year to four hundred twenty-eight thousand three hundred thirty-one (\$428,331) dollars during the current month.

In May 2017, nineteen (19) exempt locations were approved which brings the total active exempt locations in Arizona to one hundred thirty (130). 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	100	1,331	135	1,473
Renewed Licenses	605	11,670	632	11,977
Lottery Licenses Issued	1	13	0	14
Collected Lottery Revenues	\$159,350	\$3,577,850	\$0	\$2,207,600
Number of Active Liquor Licenses	12,424*	12,424*	12,171*	12,203*
Exempt Locations Issued	19	121	5	57
Number of Exempt Locations	130**	130**	98**	98**
Collected Licensing Revenues (including lottery revenues)	\$428,331	\$9,399,839	\$409,477	\$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.

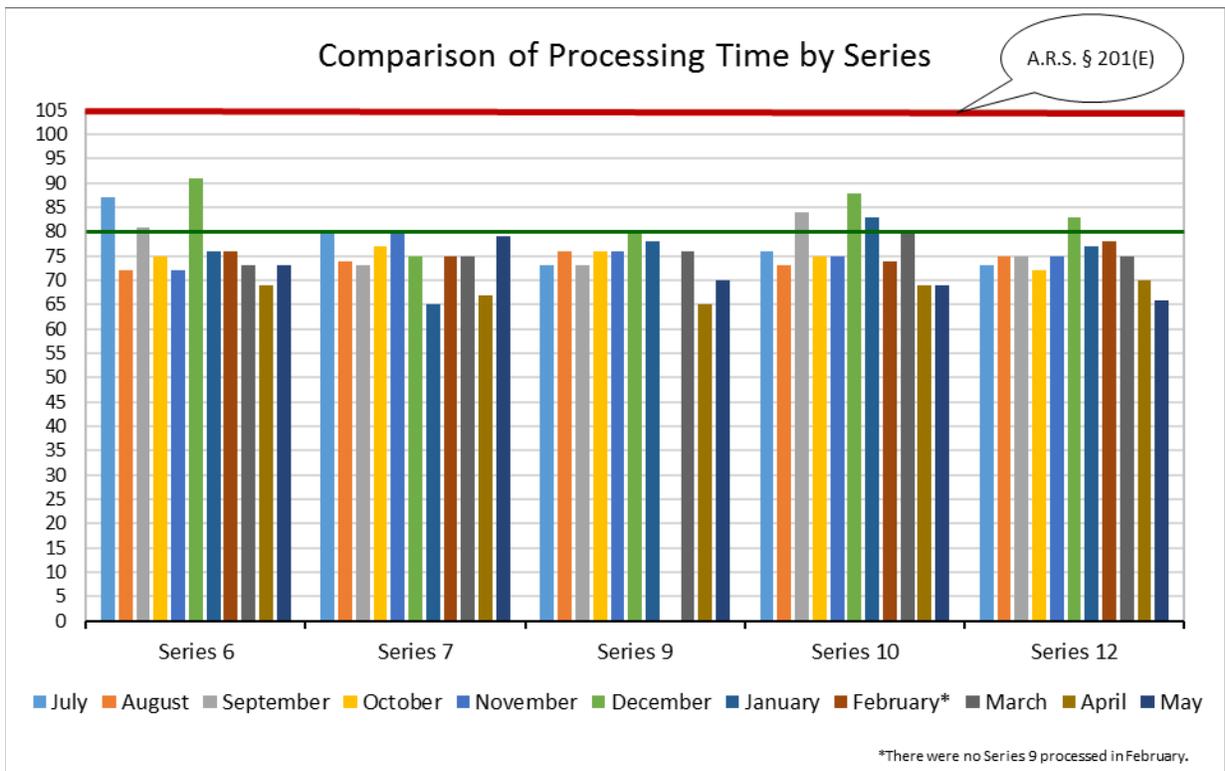
Collected Revenue by Fee Type in May 2017

Fair Market Value	159,350
Applications	14,200
License Fees	129,200
Out-of-State	0
Agent Change	7,400
Fines	40,100
Special Event	4,200
Club	2,250
Penalties	3,000
Copy Fees	8,551
Non-Use Surcharge	11,400
Audit Surcharge	7,740
Enforcement K Surcharge	18,830
Enforcement L Surcharge	16,595
Miscellaneous	15
TOTAL REVENUES COLLECTED	\$422,831
(fingerprints)	5,500
TOTAL REPORT	\$428,331

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 May 2017, seventy-two (72) 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

Fifty-Third Legislature First Regular Session Adjourned Sine Die: May 10, 2017

General Effective Date: August 9, 2017

Retailer Sampling Training

August 22, 2017

10:00 am to 11:30 pm

DLLC is offering a free training to discuss sampling that is conducted at off premise retailers. The training will include eligibility for hosting a wholesaler, producer or supplier sampling event at the retailer's licensed premises; rules and guidelines to follow; advantages of having a permanent sampling privilege; and requirements of applying for a permanent sampling privilege.

Please join our Trade Practice Detective Risa Williams for this informative session. Participants will have an opportunity to ask Detective Williams other Title 4 liquor law questions.

Cost: \$0

Location:

800 W. Washington Street - First Floor Auditorium

Phoenix AZ 85007

Contact Information:

Detective Risa Williams (602) 542-9071 or [Email](#).

END OF DLLC MAY 2017 REPORT TO THE GOVERNOR