

GOVERNOR'S MONTHLY REPORT

November 2016

(Revised 7/13/17)



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 investigators to understand and follow state laws, including DLLC's CUB investigations guidelines and personal and public safety measures. Currently there are two (2) officers and a total of seven (7) trained CUBs performing CUB operations for the department. DLLC provides CUB program training to all Arizona law enforcement agencies, allowing the program to operate statewide.

In November 2016, DLLC conducted investigations of twelve (12) liquor-licensed establishments in Tempe, Phoenix, El Mirage, Buckeye, and Glendale. Four (4) CUBs were used. Three (3), or twenty-five (25.0%) percent, of these establishments sold alcohol to a CUB resulting in six (6) administrative violations and three (3) criminal violations. All twelve (12) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand nine hundred eighty-one (3,981) establishments have been investigated and one thousand two hundred sixty-five (1,265) or thirty-two (31.7%) percent have sold to CUB buyers resulting in three thousand forty-eight (3,048) administrative violations and two thousand four hundred nineteen (2,419) 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	109	41	38	107	67

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:

- Governor's Office of Highway Safety (GOHS) Holiday DUI Task Force Kick-off, Phoenix – director and deputy director
- Meeting with Arizona State University (ASU) Police – director
- Meeting with Young's Market – director
- Meeting with Chief Rodbell, Scottsdale Police Department – director
- Meeting with Arizona Wine Industry – director
- Meeting with Arizona Licensed Beverage Association (ALBA), Prescott – director
- Meeting with Chief Duggan, Arizona Criminal Justice Commission – director
- Meeting with Apache Junction Police Department – director

Law Enforcement Special Detail:

- CUB – Investigator Williams conducted one
- CUB – Investigator Turner and Investigator Trevizo conducted one
- Casa Grande detail – Investigator Zacarias
- Tactical Driving Training at Northeastern Alabama Law Enforcement Academy (NEALEA) – Investigator Carruthers
- Bentley Scottsdale Polo Championships – all Officers
- Governor's Office of Highway Safety (GOHS) Holiday DUI Task Force Kick-off, Phoenix – Sergeant Kuhl, Sergeant Palubeskie, Investigator Turner, Investigator Trevizo, Investigator Williams, Investigator Webb, Investigator Schimpf and Investigator Swift

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.

Investigators completed three hundred sixteen (316) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in eighty-one (81) criminal charges and one hundred eight (108) 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 1:1,241.

Total investigative actions taken this month were nine hundred ninety-seven (997), which is an increase of one (0.5%) percent when compared to the nine hundred ninety-two (992) investigative actions taken in November 2015.

Achievements:	Current Month	Total FY 2017	1 Year Ago This Month	Total FY 2016
Routine Liquor Inspections Completed	30	316	152	2,386
Criminal Citations Issued	52	189	20	435
Criminal Counts Charged	81	351	32	729
Administrative Counts Charged	108	335	41	852
Hidden Ownerships Completed	0	0	1	16
Site Inspections Completed	39	201	31	346
Non-Actioned (Criminal) Complaints	31	217	18	421
Actioned (Administrative) Complaints	1	45	6	87
Compliance Case Reports Submitted	60	156	14	345
On-view Violation Case Reports	19	59	6	218
Law Enforcement Liaison Completed	34	245	74	747
Tax Deficiency Charges	40	69	15	213
MVD Affidavit/Suspension	5	35	3	53
Underage Investigations Statistics:				
Citations Issued to Underage Persons	45	141	13	350
Total Underage Violations	80	335	28	690
Total Achievements: (including police report reviews and completed protests not listed above)	997	5,222	992	13,759

Compared to November 2015, the number of citations DLLC investigators issued to underage persons increased by thirty-two (32) and the total number of underage violations increased by fifty-two (52).

SUCCESS STATISTICS
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	0	0	2	22	21

Of the citations issued to underage persons, forty-seven (46.7%) percent were within one year and forty-nine (48.9%) 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	19	3	54
A.R.S. § 4-241(L) Underage who uses false ID to buy alcohol	4	38	0	28
A.R.S. § 4-241(M) Underage who solicits another person for alcohol	0	8	1	9
A.R.S. § 4-241(N) Underage who uses of false ID to gain entry to a liquor business	0	15	3	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	30	104	10	257
A.R.S. § 4-244(20) Consuming spirituous liquor in public place, thoroughfare or gathering	0	1	1	8
A.R.S. § 4-244(41) Underage with alcohol in system	38	78	5	228
A.R.S. § 13-2907.01 False reporting to law enforcement agencies	0	1	0	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	4	39	3	51
A.R.S. § 28-3478.3 Using another person's driver license	0	5	3	24

SUCCESS STATISTICS
Investigations (continued)
TRACE (TARGET RESPONSIBILITY FOR ALCOHOL CONNECTED EMERGENCY)

The TRACE (Target Responsibility for Alcohol Connected Emergency) program began in June 2004 to develop a system of effective and rapid communication between local law enforcement and emergency medical services (EMS), a service providing out-of-hospital acute care and transport, and personnel in high-profile cases which involve underage drinking. Each TRACE case is concluded only when the source of liquor is traced back to the supplier and the supplier is charged with a criminal and/or administrative violation.

TRACE is a statewide operation with one (1) full time investigator available for immediate response to alcohol-related emergencies that involve an underage person(s).

TRACE Program Statistics

Calendar Year	Total # of New Cases	Administrative Violations	Criminal Violations
2005	11	5	3
2006	11	24	12
2007	4	9	6
2008	6	6	3
2009	8	20	4
2010	5	13	4
2011	5	0	0
2012	8	9	0
2013	4	5	0
2014	7	3	5
2015	7	10	2
2016	3	4	0

There was one (1) TRACE case opened in November 2016.

SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred eighty (180) active Series 11 (hotel/motel) licenses and three thousand six hundred eighty (3,680) active Series 12 (restaurant) licenses statewide. Compared to November 2015, the number of hotel/motel with restaurant licenses increased by eleven (11) or seven (6.5%) percent, and the number of restaurant licenses increased by one hundred seventy-one (171) or five (4.9%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand eight hundred sixty (3,860) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,930.

Audit Status	Current Month	This Month Last Year
Audits closed	4	5
Audits initiated	4	5
Audits in progress	16	16
Open cases w/projected ratio of >37%	11	12
Open cases w/projected ratio between 30 to 37%	3	3
Open cases w/projected ratio of <30%	2	1
Locations granted 1 year to continue operation	1	0
Locations being monitored	72	103

During November 2016, four (4) audits were completed in Maricopa and Pima Counties, which resulted in actionable violations in all four (4) of those cases. On November 30, 2016, there were sixteen (16) audits in progress and seventy-two (72) locations being monitored.

Audit Action	Current Month	Total FY 2017	This Month Last Year	Total FY 2016	Total 2003 To Present
Audits completed	4	35	5	98	943
Audits passed	2	25	4	74	538
Audits failed	2	9	1	16	314
Inconclusive	0	1	0	7	84
Other charges only	0	0	0	1	7

In November 2016, audit fines assessed from violations totaled three thousand (\$3,000) dollars. Compared to November 2015, total audit fines assessed from violations decreased by two thousand (\$2,000) 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	\$3,000	\$27,200	\$5,000	\$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	35 audits	\$17,000	\$486

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 November 2016, there were one thousand two hundred sixty-one (1,261) sampling requests entered into and approved by the online system. Of these sampling requests, seventy-two (72) were cancelled. In FY 2017, the online system has saved over eight hundred eight (808.45) 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	0	2
Suspensions	0	0	0	0
Surrenders	1	8	1	20
Divestitures	0	0	1	6
Administrative Complaints	0	0	1	8
Decisions & Orders	0	0	0	2
Cases Received	60	276	63	985
Cases Completed	5	66	9	281
Cases in Progress	55	180	54	704
Warning Letter Issued	0	5	0	28
Cases Sent to OAH	0	1	0	5

Economic Impact:

Fines collected during the month totaled forty-three thousand one hundred twenty-five (\$43,125) dollars from twenty-four (24) adjudicated compliance actions. Compared to last month, October 2016, this represents a two hundred eighty-one (280.8%) percent increase in collected revenues and a thirty-three (33.3%) percent increase in the number of compliance actions processed. Compared to November 2015, this represents a zero (0.1%) percent decrease in collected revenues and a thirty-one (31.4%) 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	137	\$139,125	\$1,016

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	4	25	9	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	0	11	2	9
A.R.S. § 4-244(9) Furnishing alcohol to an underage; underage in possession/consumption	5	26	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	0	4	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 twenty-seven thousand seven hundred fifty (\$27,750) 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	\$27,750	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	2	13	5	25
Licenses Granted	1	5	0	1
Licenses Denied	0	1	0	4
Continuances Granted	0	6	1	4
Continuances Denied	0	0	0	0
Licenses Withdrawn	0	2	3	8
Appeals Heard	0	0	0	3
Rehearings Requested	0	0	0	1
Hearings Cancelled by Director	1	3	1	3

There were two (2) hearings scheduled before the State Liquor Board in November. One (1) hearing was cancelled because the reason for the hearing had been resolved. One (1) liquor license was granted to a Series 6 Bar.

STATE LIQUOR BOARD MEMBERS AND TERMS

Cyndy A. Valdez (R)	Chair Pima County Wholesaler	Term Expires January 16, 2017
Michael J. Troyan (I)	Vice Chair Maricopa County Retailer	Term Expires January 15, 2018
Vikki R. Scarafiotti (D)	Maricopa County No Financial Interest	Term Expires January 16, 2017
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 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, November 2015, the number of new liquor licenses issued in Arizona increased three (2.9%) percent and the number of active licenses increased two (2.0%) percent. Also, compared with November 2015, monthly licensing revenues have increased one (1.0%) percent from four hundred twelve thousand seven hundred eighty-one (\$412,781) dollars during this time last year to four hundred sixteen thousand seven hundred fifty-seven (\$416,757) dollars during the current month.

In November 2016, ten (10) exempt locations were approved which brings the total active exempt locations in Arizona to one hundred thirty-six (136). An exempt location is an establishment that has: (1) met the criteria established in A.R.S. § 4-244.05 and A.A.C. R19-1-324; (2) made application for the exemption; (3) been inspected by a DLLC investigator; and (4) been issued a one-year exemption which allows patrons to bring and consume beer and wine on the premises.

Licensing	Current Month	Total FY 2017	1 Year Ago This Month	Total FY 2016
New Licenses Issued	108	564	105	1,473
Renewed Licenses	1,330	4,711	962	11,977
Lottery Licenses Issued	0	1	1	14
Collected Lottery Revenues	\$8,775	\$1,166,675	\$35,750	\$2,207,600
Number of Active Liquor Licenses	12,405*	12,405*	12,158*	12,203*
Exempt Locations Issued	10	54	4	57
Number of Exempt Locations	136**	136**	95**	98**
Collected Licensing Revenues (including lottery revenues)	\$416,757	\$3,468,325	\$412,781	\$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.

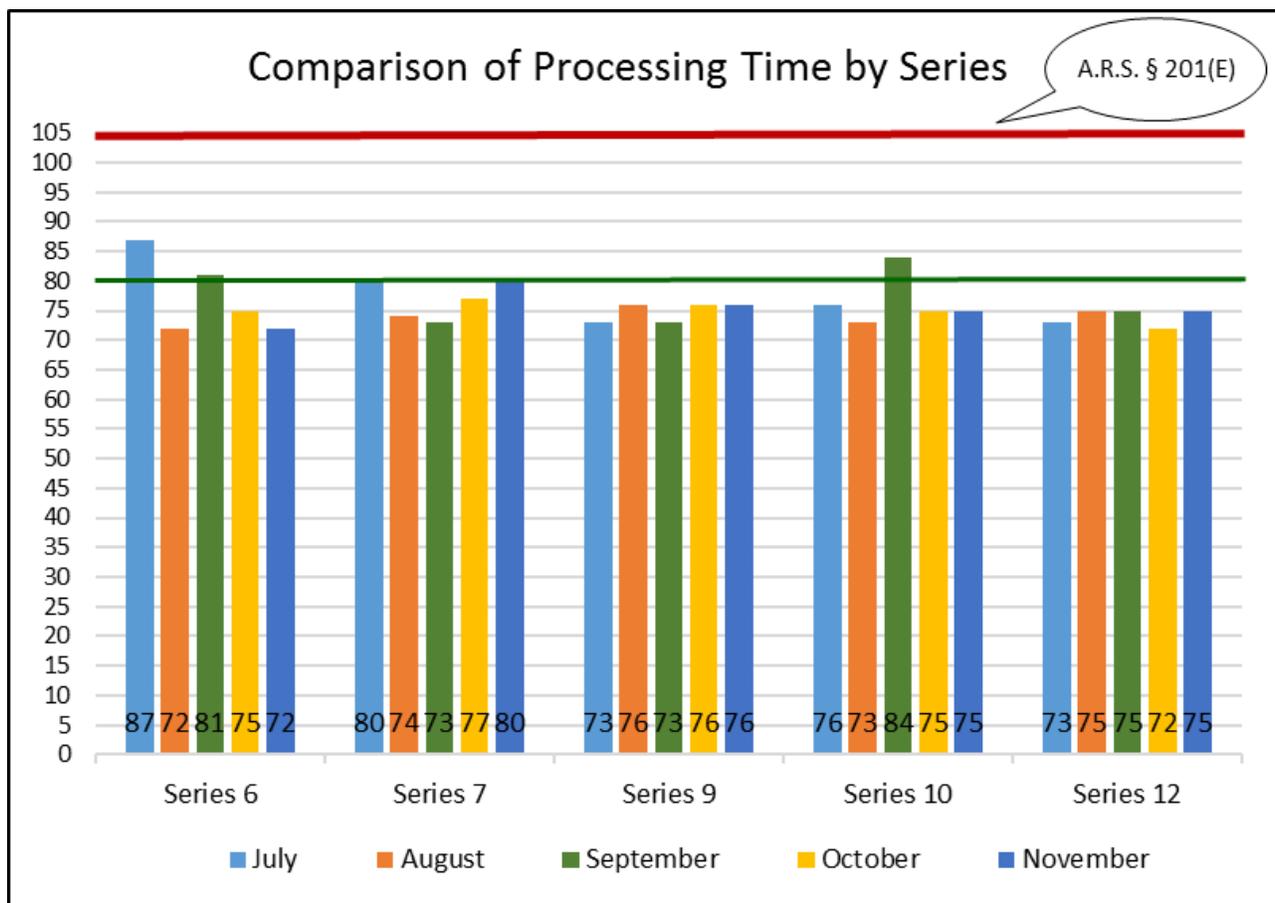
Collected Revenue by Fee Type in November 2016

Fair Market Value	8,775
Applications	10,600
License Fees	101,560
Out-of-State	115,275
Agent Change	3,750
Fines	43,125
Special Event	3,850
Club	3,200
Penalties	3,900
Copy Fees	5,584
Non-Use Surcharge	23,800
Audit Surcharge	360
Enforcement K Surcharge	44,555
Enforcement L Surcharge	44,480
Miscellaneous	5
TOTAL REVENUES COLLECTED	412,819
(fingerprints)	3,938
TOTAL REPORT	\$416,757

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 November 2016, eighty-eight (88) new licenses were issued for 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

Appointment of DLLC Assistant Director of Administration

Director John Cocca appointed Jeffery Trillo to be Assistant Director of Administration in November 2016. Mr. Trillo has primary oversight and responsibility for business occurring in the Administration Division of the Department of Liquor. This includes the Audit, Budget, Procurement, Information Technology, and Liquor Board Liaison/Policy Analyst functions. He also performs in the agency roles of Public Information Officer, Legislative Liaison, Arizona Management System (AMS) Process Owner, and Emergency Preparedness Officer.

Mr. Trillo joined the department following a 23-year career as a policing professional with the Scottsdale Police Department. He brings with him a diverse background of experiences and capabilities having worked across all agency bureaus and achieved the rank of Lieutenant.

Mr. Trillo has a Bachelor of Science degree in Justice Studies and a Master's degree in Public Administration, both from Arizona State University. He is also a graduate of the Northwestern University - School of Police Staff and Command.

Renewals

Effective January 1, 2017, the renewal process for Arizona liquor licenses will change. Renewal applications will no longer be mailed to licensees via U.S. Mail.

Renewal applications received more than 60-days prior to the renewal deadline (the last day of the renewal month) will not be accepted.

These are the steps to the new process:

1. The Arizona Department of Liquor will email a renewal reminder on or about the 2nd Monday of each month. The email will be sent to the email address on record at the Department.
2. Contained in the email will be a link to the "Renewals" page on the Department of Liquor website.
3. Contained in the email will be instructions on how to submit the renewal application, pay the fees and, depending on the series of license held, any additional requirements.
4. Contained in the email will be a link to Customer Service Representatives to assist you.

Accepted Payment Methods

You may pay fees using any of these methods:

1. cash
2. personal check
3. money order
4. cashier's check
5. Visa or MasterCard (In-person only)

Follow this link for [Renewal Dates and Fees - Arizona Liquor Licenses](#).

END OF DLLC NOVEMBER 2016 REPORT TO THE GOVERNOR