

GOVERNOR'S MONTHLY REPORT

October 2016

(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 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 October 2016, DLLC conducted investigations of twelve (12) liquor-licensed establishments in Scottsdale, Phoenix, Mesa, Tempe, and Apache Junction. Four (4) CUBs were used. Six (6), or fifty (50.0%) percent, of these establishments sold alcohol to a CUB resulting in fifteen (15) administrative violations and six (6) 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 fifty-seven (3,957) establishments have been investigated and one thousand two hundred fifty-nine (1,259) or thirty-two (31.8%) percent have sold to CUB buyers resulting in three thousand thirty-six (3,036) administrative violations and two thousand four hundred thirteen (2,413) 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	97	38	39	101	64

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:

- Arizona Substance Abuse Partnership meeting – director
- Arizona Licensed Beverage Association (ALBA) meeting – director
- Presentation for National Association of Licensing & Compliance (NALCP) conference – director
- Meeting with Fry's Grocery Trainers – director
- Governor's Office of Youth Faith and Family (GOYFF) presentation – director
- Meeting with Paradise Valley Police Department – director
- Public Safety Days at Arizona State Fair – deputy director

Law Enforcement Special Detail:

- CUB – Investigator Turner conducted one
- Flagstaff Mayors Summit – Investigator Carruthers
- Adult oriented businesses detail – all Officers
- Title 4 and Fake ID Recognition Training at Mohave County Sheriff's Office (two trainings), 5 officers – Investigator Webb
- Title 4 and Fake ID Recognition Training at Avondale Police Department (two trainings), 13 officers – Investigator Webb
- Title 4 and Fake ID Recognition Training at Pascua Yaqui Tribal Police Department (two trainings), 16 officers – Investigator Webb
- Title 4 and Fake ID Recognition Training at Cottonwood Police Department (two trainings), 8 officers – Investigator 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.

Investigators completed forty-one (41) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred fourteen (114) criminal charges and forty-four (44) 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 1:1,125.

Total investigative actions taken this month were nine hundred ninety (990), which is a decrease of twenty-nine (28.5%) percent when compared to the one thousand three hundred eighty-five (1,385) investigative actions taken in October 2015.

Achievements:	Current Month	Total FY 2017	1 Year Ago This Month	Total FY 2016
Routine Liquor Inspections Completed	41	233	217	2,386
Criminal Citations Issued	49	121	33	435
Criminal Counts Charged	114	239	58	729
Administrative Counts Charged	44	173	151	852
Hidden Ownerships Completed	0	0	10	16
Site Inspections Completed	31	127	37	346
Non-Actioned (Criminal) Complaints	46	151	58	421
Actioned (Administrative) Complaints	7	28	15	87
Compliance Case Reports Submitted	19	82	58	345
On-view Violation Case Reports	11	40	39	218
Law Enforcement Liaison Completed	56	211	57	747
Tax Deficiency Charges	0	22	33	213
MVD Affidavit/Suspension	19	30	3	53
Underage Investigations Statistics:				
Citations Issued to Underage Persons	37	89	41	350
Total Underage Violations	111	231	54	690
Total Achievements: (including police report reviews and completed protests not listed above)	990	3,376	1,385	13,759

Compared to October 2015, the number of citations DLLC investigators issued to underage persons decreased ten (9.8%) percent and the total number of underage violations increased one hundred six (105.6%) 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	8	16	13

Of the citations issued to underage persons, thirty-five (35.1%) percent were within one year and forty-three (43.2%) 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	6	15	6	54
A.R.S. § 4-241(L) Underage who uses false ID to buy alcohol	20	34	2	28
A.R.S. § 4-241(M) Underage who solicits another person for alcohol	2	8	3	9
A.R.S. § 4-241(N) Underage who uses of false ID to gain entry to a liquor business	8	15	6	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	74	14	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	18	40	13	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	24	35	9	51
A.R.S. § 28-3478.3 Using another person's driver license	2	5	1	24

SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred eighty (180) active Series 11 (hotel/motel) licenses and three thousand six hundred forty-nine (3,649) active Series 12 (restaurant) licenses statewide. Compared to October 2015, the number of hotel/motel with restaurant licenses increased by eighteen (18) or eleven (11.1%) percent, and the number of restaurant licenses increased by two hundred twenty-four (224) or seven (6.5%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand eight hundred twenty-nine (3,829) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,915.

Audit Status	Current Month	This Month Last Year
Audits closed	10	7
Audits initiated	10	7
Audits in progress	16	16
Open cases w/projected ratio of >37%	13	11
Open cases w/projected ratio between 30 to 37%	3	4
Open cases w/projected ratio of <30%	0	1
Locations granted 1 year to continue operation	2	0
Locations being monitored	75	94

During October 2016, ten (10) audits were completed in Maricopa, Pima, and Yavapai Counties, which resulted in actionable violations in seven (7) of those cases. On October 31, 2016, there were sixteen (16) audits in progress and seventy-five (75) locations being monitored.

Audit Action	Current Month	Total FY 2017	This Month Last Year	Total FY 2016	Total 2003 To Present
Audits completed	10	31	7	98	939
Audits passed	6	23	4	74	536
Audits failed	3	7	3	16	312
Inconclusive	1	1	0	7	84
Other charges only	0	0	0	1	7

In October 2016, audit fines assessed from violations totaled seven thousand three hundred seventy-five (\$7,375) dollars. Compared to October 2015, total audit fines assessed from violations increased by seven thousand (\$7,000) 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	\$7,375	\$24,200	\$375	\$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	31 audits	\$9,500	\$306

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 October 2016, there were one thousand seven hundred fifteen (1,715) sampling requests entered into and approved by the online system. Of these sampling requests, one hundred thirty-two (132) were cancelled. In FY 2017, the online system has saved over five hundred fifteen (515.95) 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	7	0	20
Divestitures	0	0	0	6
Administrative Complaints	0	0	0	8
Decisions & Orders	0	0	0	2
Cases Received	36	216	55	985
Cases Completed	3	61	15	281
Cases in Progress	3	125	40	704
Warning Letter Issued	1	5	1	28
Cases Sent to OAH	0	1	0	5

Economic Impact:

Fines collected during the month totaled eleven thousand three hundred twenty-five (\$11,325) dollars from eighteen (18) adjudicated compliance actions. Compared to last month, September 2016, this represents a fifty-eight (58.0%) percent decrease in collected revenues and a thirty-three (33.3%) percent decrease in the number of compliance actions processed. Compared to October 2015, this represents a sixty-five (65.0%) percent decrease in collected revenues and a forty-four (43.8%) 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 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	113	\$96,000	\$850

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	3	21	4	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	11	0	9
A.R.S. § 4-244(9) Furnishing alcohol to an underage; underage in possession/consumption	3	21	4	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 thousand five hundred (\$20,500) dollars.

Compliance Statistics Resulting From Underage Violations:

Fiscal Year	Fines Collected	Licenses Suspended	Licenses Revoked
2011	\$214,500	2	0
2012	\$82,265	1	0
2013	\$125,500	4	1
2014	\$80,625	1	2
2015	\$82,375	0	0
2016	\$99,000	0	0
2017	\$20,500	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	11	0	25
Licenses Granted	2	4	0	1
Licenses Denied	0	1	0	4
Continuances Granted	5	6	0	4
Continuances Denied	0	0	0	0
Licenses Withdrawn	0	2	0	8
Appeals Heard	0	0	0	3
Rehearings Requested	0	0	0	1
Hearings Cancelled by Director	2	2	0	3

There were five (5) hearings scheduled before the State Liquor Board in October. Five (5) continuances were granted because the original hearing date was rescheduled for four (4) applications; and one (1) of those applications was continued to the November meeting. Two (2) liquor license applications were granted to a Series 10 Beer and Wine Store and a Series 7 Beer and Wine Bar. Two (2) hearings were cancelled because the reason for the hearings had been resolved.

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, October 2015, the number of new liquor licenses issued in Arizona decreased fifteen (15.3%) percent and the number of active licenses increased two (1.9%) percent. Also, compared with October 2015, monthly licensing revenues have increased fifteen (15.0%) percent from one million three hundred nineteen thousand five hundred four (\$1,319,504) dollars during this time last year to one million five hundred seventeen thousand seven hundred eighty-five (\$1,517,785) dollars during the current month.

In October 2016, six (6) exempt locations were approved which brings the total active exempt locations in Arizona to one hundred twenty-five (125). 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	116	456	137	1,473
Renewed Licenses	789	3,381	930	11,977
Lottery Licenses Issued	0	1	1	14
Collected Lottery Revenues	\$1,118,475	\$1,157,900	\$869,350	\$2,207,600
Number of Active Liquor Licenses	12,379*	12,379*	12,143*	12,203*
Exempt Locations Issued	6	44	18	57
Number of Exempt Locations	125**	125**	100**	98**
Collected Licensing Revenues (including lottery revenues)	\$1,517,785	\$3,051,568	\$1,319,504	\$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 October 2016

Fair Market Value	1,118,475
Applications	11,900
License Fees	256,618
Out-of-State	0
Agent Change	3,500
Fines	11,325
Special Event	8,525
Club	4,950
Penalties	9,000
Copy Fees	6,017
Non-Use Surcharge	23,000
Audit Surcharge	7,350
Enforcement K Surcharge	27,265
Enforcement L Surcharge	24,835
Miscellaneous	10

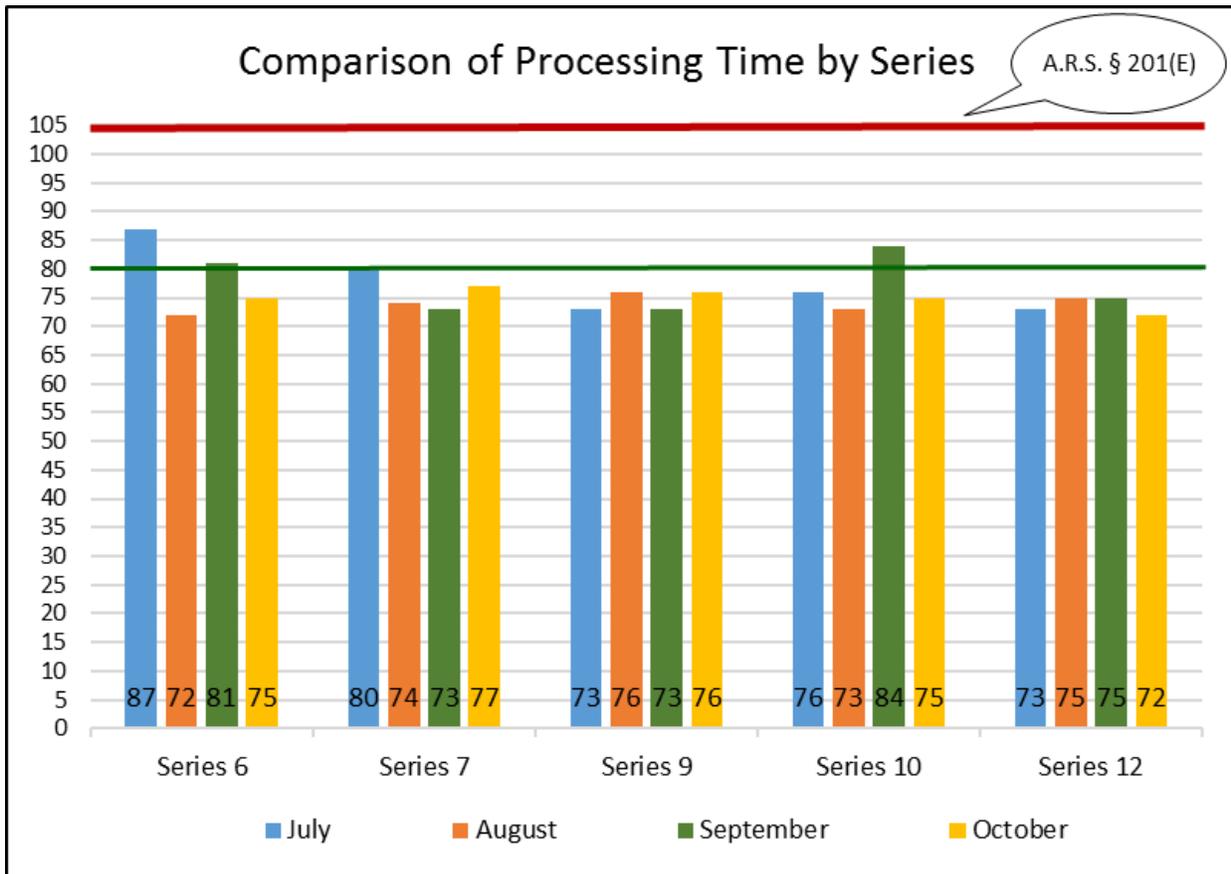
TOTAL REVENUES COLLECTED **\$1,512,769**
(fingerprints) **5,016**

TOTAL REPORT **\$1,517,785**

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 October 2016, eighty-four (84) 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

New Assignments

Investigator Risa Williams has assumed the role as the "Trade Practices" liaison, previously fulfilled by Sergeant Craig Miller and Sergeant Adam Palusbeskie. Investigator Dan Webb was assigned to the grant position from the Governor's Office of Youth, Faith & Family (GOYFF), filling the position vacated by Investigator Williams.

Grant Money Saves DUI Enforcement Tax Dollars

DLLC was recently awarded a \$56,000 grant from the Governor's Office of Highway Safety (GOHS) to fund overtime, equipment, and training supplies. The grant funds overtime for Covert Underage Buyer (CUB) operations and increased law enforcement presence at big events like Waste Management Open, Barrett-Jackson, NASCAR, Fiesta Bowl, Country Thunder, Spring Break, and homecoming. This grant allows our officers to conduct free training courses on the enforcement of liquor laws and spotting fake IDs. Enforcement activity and educational work well together and these achievements are reported to the Governor's Office of Highway Safety. Citizens concerned about the liquor-related violations and public safety are encouraged to call 1-877-668-5345. Violations can also be reported on DLLC's homepage of www.azliquor.gov.

2016 Annual Report Available Online

Follow this link to view DLLC's Annual Report for FY 2016: http://azliquor.gov/ann_rept.cfm.

In FY 2016, DLLC made these public service improvements:

- Accept credit cards for walk-in clients.
- Continuing to find ways to reduce the average time needed to issue a liquor license.
- Saved taxpayers \$8,446 by identifying ways to reduce the use of office supplies, staff time, and postage expenses.
- Reduction of time and mailing expenses for participants in the 2016 liquor license lottery by offering automated online entry and acceptance.
- Extended the hours of operation for the License Division by 5 hours per week.

To reduce liquor law violations, increase the understanding of liquor laws, and keep licensees in compliance.

- Staff conducted classroom training events on various liquor law compliance topics to approximately 2,500 sworn officers, liquor industry professionals, and community leaders.

New laws implemented in FY 2016 responded to the expansion and growth of the wine industry.

- On or before January 1, 2017, wineries located within the United States may apply for a license to ship wine they produce to Arizona residents for personal use (not for resale).

END OF DLLC OCTOBER 2016 REPORT TO THE GOVERNOR