

GOVERNOR'S MONTHLY REPORT  
MAY 2013



STATE OF ARIZONA  
DEPARTMENT OF LIQUOR LICENSES AND CONTROL

Alan Everett, Director  
800 W. Washington Street, 5<sup>th</sup> 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 June of 2003. This program provides the resources necessary for DLLC to investigate reported complaints of liquor licensed businesses suspected of one or more underage liquor law violations. When DLLC has reasonable suspicion that a liquor-licensed establishment is selling liquor to underage customers, the agency will send in a covert underage buyer, or CUB, to attempt to purchase liquor. The CUBs are between the ages of sixteen (16) and nineteen (19), and are carefully trained by DLLC investigators to understand and follow state laws, including DLLC's CUB investigations guidelines, 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.

DLLC conducted investigations of nineteen (19) liquor-licensed establishments using three (3) CUBs. Eight (8), or forty-two (42.1%) percent, of these establishments sold alcohol to a (CUB) resulting in seven (7) criminal and twenty-seven (27) administrative violations. All nineteen (19) locations were investigated in response to complaints received by DLLC.

DLLC saw an increase of twelve (12.5%) percent in the number of establishments that sold to CUBS compared to the previous month, April 2013.

Since the inception of the program, three thousand three hundred thirty (3,330) establishments have been investigated and one thousand twenty-seven (1,027) or thirty (30.8%) percent have sold to CUB buyers resulting in two thousand four hundred eleven (2,411) administrative violations and two thousand twenty-seven (2,027) criminal citations.

**CUB Program Statistics**

<b>Calendar Year</b>	<b>Locations Investigated</b>	<b># Sold to CUB</b>	<b>% of Locations that Sold to CUB</b>	<b>Administrative Violations</b>	<b>Criminal Violations</b>
<b>2003</b>	122	33	29	70	71
<b>2004</b>	217	55	25	122	136
<b>2005</b>	337	108	32	342	283
<b>2006</b>	475	148	31	409	317
<b>2007</b>	450	108	24	200	201
<b>2008</b>	572	172	30	416	349
<b>2009</b>	392	115	29	234	229
<b>2010</b>	169	96	57	207	129
<b>2011</b>	234	62	26	143	69
<b>2012</b>	215	82	38	225	193
<b>2013</b>	83	28	34	43	50

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 in Arizona.

#### **Community and agency outreach during the month:**

- Mayor Muykendall, Prescott meeting – dir. attended
- Peace Officer Memorial @ Wesley Bolin Plaza – dir. and dep. dir. attended
- Sierra Vista Community Coalition Parent & Teen Liquor training – comm. dir. facilitated
- National Restaurant Association Liquor Law Training JTA – comm. dir. participated
- Title 4 Trainer's Trade Association – comm. dir. attended
- ASAP Program Inventory Workgroup – Asst. dir. admin. Participated
- AZ DC Financial Fitness Seminar – dep. dir. attended

#### **Law Enforcement Special Detail:**

- Field training – Officer Palubeskie
- Industry trade practice review – Officer Miller
- Arizona POST Firearms Qualification for new hires – Officers Parris and Miller facilitated
- Title 4 and Fake ID training - Officer Palubeskie
- Memorial Weekend detail – entire division
- Memorial Weekend DUI Taskforce - entire division
- Liaison w/other law enforcement agencies - entire division
- Youth alcohol details - entire division

## SUCCESS STATISTICS INVESTIGATIONS

It is the responsibility of the Investigations Division to ensure that all licensees adhere to A.R.S. Title IV (Arizona liquor laws) and all Rules established by the DLLC.

Investigators completed two hundred forty-five (245) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred (100) criminal citations and one hundred sixty-two (162) administrative violations. The following success statistics were completed by a staff of fourteen (15) fulltime, sworn officers who uphold a statewide officer-to-liquor license ratio of 1:782.

Total investigative actions taken were eight hundred sixty-seven (867) this month which is a decrease of thirty-seven (36.9%) percent when compared to the one thousand three hundred seventy-four (1,374) investigative actions taken in May 2012.

<b>Achievements:</b>	<b>Current Month</b>	<b>Total FY 2013</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2012</b>
Hidden Ownerships Completed	3	22	4	25
Site Inspections Completed	21	316	54	760
Actioned (administrative) Complaints	9	108	13	72
Non-Actioned (criminal) Complaints	69	491	68	454
Administrative Counts Charged	162	1,942	149	1,666
Criminal Citations Issued	100	1,209	301	1,809
Routine Liquor Inspections Completed	245	2,605	258	2,503
Compliance Case Reports Submitted	71	682	64	889
On-view Violation Case Reports	51	488	49	758
Law Enforcement Liaison Completed	74	440	62	985
<b>Underage Investigations Statistics:</b>				
Citations Issued to Underage	24	405	127	918
Total Violations	38	845	225	1,715
<b>Total Achievements:</b>	867	9,973	1,374	12,554

The number of citations DLLC investigators issued to underage persons decreased from 127 to 24 or eighty-one (81.1%) percent and the total number of violations decreased from 225 to 38 or eighty-three (83.1%) percent compared to May 2012.

<b>Current Month</b>	<b>Younger than Age 15</b>	<b>Age</b>					
		<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>20</b>
<b>Age of minor cited</b>	0	0	2	0	4	9	9

Of the citations the DLLC investigators issued to underage persons, nine (9) were twenty years old, nine (9) were nineteen years old, four (4) were eighteen years old, and two (1) were sixteen years old.

**SUCCESS STATISTICS**  
Investigations (continued)

<b>Statute/ Definition</b>	<b># of Citations Issued This Month</b>	<b># of Citations Issued in FY 2013</b>	<b>1 Year Ago This Month</b>	<b># of Citations Issued in FY 2012</b>
<b>A.R.S. § 4-241.A</b> Failure to Check ID	0	57	10	59
<b>A.R.S. § 4-241.L</b> Use of false ID to buy alcohol	4	104	12	154
<b>A.R.S. § 4-241.M</b> Underage solicits third party buyer	0	17	1	34
<b>A.R.S. § 4-241.N</b> Use of false ID to enter premises	5	56	13	93
<b>A.R.S. § 4-244.1</b> Selling without a license	0	1	2	9
<b>A.R.S. § 4-244.9</b> Furnishing alcohol to an underage, underage in possession/consumption	10	356	55	554
<b>A.R.S. § 4-244.13</b> Employee consuming on duty	0	4	21	n/a
<b>A.R.S. § 4-244.20</b> Consume in a public place	0	17	0	59
<b>A.R.S. § 4-244.41</b> Alcohol in system of underage	14	252	89	548
<b>A.R.S. § 4-251</b> Consumption/open container in vehicle	0	8	0	n/a
<b>A.R.S. § 13-2907.01</b> Providing false information to state	1	12	1	28
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver's license	1	51	8	60
<b>A.R.S. § 28-3478.3</b> Using another person's driver's license	3	38	11	84

The number of citations issued due to Furnishing Alcohol to an Underage, Underage in Possession/Consumption decreased from fifty-five (55) in May 2012 to ten (10) in May 2013 or by eighty-two (81.8%) percent. The number of citations issued for Alcohol in System of Underage decreased from eighty-nine (89) in May 2012 to fourteen (14) in May 2013 or by eighty-four (84.2%) percent. The number of citations issued due to Use of False ID to Buy Alcohol decreased from twelve (12) in May 2012 to four (4) in May 2013 or by sixty-seven (66.6%) percent. The number of citations issued due to Unlawful use of a Driver's License decreased from eight (8) in May 2012 to one (1) in May 2013 or by eighty-eight (87.5%) percent.

**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), 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 which involve an underage person(s).

**TRACE Program Statistics**

<b>Calendar Year</b>	<b>Total # of New Cases</b>	<b>Administrative Violations</b>	<b>Criminal Violations</b>
<b>2005</b>	11	5	3
<b>2006</b>	11	24	12
<b>2007</b>	4	9	6
<b>2008</b>	6	6	3
<b>2009</b>	8	20	4
<b>2010</b>	5	13	4
<b>2011</b>	5	0	0
<b>2012</b>	8	9	0
<b>2013</b>	1	0	0

There were no TRACE cases opened or closed this month.

## SUCCESS STATISTICS LIQUOR LICENSE AUDITS

The Audit Unit monitors and performs audits of two types of liquor-licensed establishments; hotel/motel with restaurant (series 11); and restaurant (series 12). Audits are conducted to ensure that restaurants are not operating as bars and are maintaining a 40:60 food-to-liquor sales ratio which is required by Title IV.

Currently there are one hundred sixty-five (165) active Series 11 (hotel/motel) licenses and three thousand two hundred ninety-five (3,295) active Series 12 (restaurant) licenses statewide. Compared to May 2012, the number of hotel/motel with restaurant licenses increased by three (3) or two (1.9%) percent and the number of restaurant licenses increased by one hundred ten (110) or four (3.5%) percent.

DLLC employs two (2) fulltime auditors. With a total of three thousand four hundred sixty (3,460) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,730.

<b>Audit Status</b>	<b>Current Month</b>	<b>This Month Last Year</b>
<b>Audits closed</b>	10	8
<b>Audits initiated</b>	12	6
<b>Audits in progress</b>	16	14
<b>Open cases w/projected ratio of &gt;37%</b>	13	6
<b>Open cases w/projected ratio between 30 to 37%</b>	3	7
<b>Open cases w/projected ratio of &lt;30%</b>	0	1
<b>Locations granted 1 year to continue operation</b>	0	0
<b>Locations being monitored</b>	76	87

Ten (10) audits were completed in Cochise, Maricopa and and Pima Counties which resulted in actionable violations in eight (8) cases. There were sixteen (16) audits in progress and seventy-six (76) locations being monitored. In May 2012, there were eight (8) audits completed, fourteen (14) audits in progress and eighty-seven (87) locations being monitored.

<b>Audit Action</b>	<b>Current Month</b>	<b>Total FY 2013</b>	<b>This Month Last Year</b>	<b>Total FY 2012</b>	<b>Total 2003 To Present</b>
<b>Audits completed</b>	10	75	8	90	610
<b>Audits passed</b>	9	55	5	58	301
<b>Audits failed</b>	1	17	2	23	244
<b>Inconclusive</b>	0	3	1	9	59
<b>Other charges only</b>	0	0	0	0	6

Of the ten (10) audits completed this month, nine (9) passed and one (1) failed.

**SUCCESS STATISTICS**  
**Liquor License Audits (continued)**

Audit statistics since January 1, 2003 are noted below:

Year	Audits Completed	Revenues Collected	Average Fine per Audit (does not include continuation license fees)
1/1 - 6/30/03	6 audits	--	--
FY 2004	23 audits	--	--
FY 2005	24 audits	--	--
FY 2006	32 audits	--	--
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	75 audits	\$45,625	\$608

In 2006, A.R.S. §4-213.C introduced the "continuation license" (commonly referred to as the "Grill Bill") into state liquor law. The continuation license, at a cost of \$30,000, allows restaurants that have not met the required 40:60 food-to-liquor sales ratio during the last 12-month period the option of continuing to operate with a food-to-liquor sales ratio below restaurant requirements. Since the 2006 introduction, fees collected from the issuance of fifteen (17) continuation licenses total four hundred eighty thousand (\$480,000) dollars. In FY 2013, sixty thousand (\$60,000) dollars have been collected from the issuance of continuation licenses.

Pursuant to A.R.S. §4-213(E), the option for a series 12 liquor license to operate under the provisions of a restaurant continuation license will sunset on June 30, 2013. The Department will post notification on the website no later than March 29, 2013.

In May 2013, the department collected revenue for audit-related violations totaling six thousand three hundred seventy-five (\$6,375) dollars. Audit fines assessed from violations totaled six thousand three hundred seventy-five (\$6,375) dollars. Compared to May 2012, total fines collected increased by five thousand three hundred seventy-five (\$5,375) dollars or five hundred thirty-eight (537.5%) percent and total audit fines assessed from violations decreased by three thousand six hundred twenty-five (\$3,625) dollars or sixty (56.9%) percent.

**Audit Revenue 2-year Comparison**

Audit Action	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Fines Collected	\$6,375	\$45,625	\$1,000	\$64,355
Fines Assessed	\$6,375	\$52,800	\$10,000	\$72,730
Continuation License (Grill Bill) Revenue	\$30,000	\$60,000	\$0	\$30,000
Pending Continuation Licenses (Grill Bill)	2	2	1	-



## 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 2013	1 Year Ago This Month	Total FY 2012
Revocations	0	1	0	0
Suspensions	0	3	0	4
Surrenders	7	18	0	2
Divestitures	1	7	0	3
Administrative Complaints	1	7	1	5
Decisions & Orders	0	3	1	3

Achievements	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Cases Received	86	708	66	888
Cases Completed	23	151	9	199
Cases in Progress	63	557	57	688
Warning Letter Issued	3	25	4	17
Cases Sent to OAH	2	7	1	7

### Economic Impact:

Fines collected totaled twenty-nine thousand three hundred twenty-five (\$29,325) dollars from thirty-eight (38) adjudicated compliance actions. Compared to last month, April 2013, this represents a nineteen (19.2%) percent decrease in collected revenues and a sixteen (15.6%) percent decrease in the number of compliance actions processed. Compared to May 2012, this represents a fourteen (14.0%) percent increase in collected revenues and a five (5.0%) percent decrease in the number of compliance actions processed.

A penalty payment plan gives licensees the option to pay fines in installments rather than in one lump sum. DLLC and the licensee agree to the terms of the payment plan during a 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 during the current economic decline.

Action	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Fines collected	\$29,325	\$591,210	\$25,725	\$428,445
Cases adjudicated	38	406	40	479

**SUCCESS STATISTICS**  
Compliance (continued)

Fiscal Year	Compliance Actions	Revenues Collected	Average Fine Per Action
2002-2003	414	\$445,725	\$1,077
2003-2004	388	\$518,800	\$1,337
2004-2005	431	\$557,725	\$1,294
2005-2006	500	\$689,475	\$1,379
2006-2007	429	\$627,975	\$1,464
2007-2008	334	\$582,350	\$1,744
2008-2009	584	\$886,440	\$1,518
2009-2010	415	\$705,725	\$1,701
2010-2011	425	\$598,509	\$1,408
2011-2012	479	\$428,445	\$894
2012-2013	406	\$591,210	\$1,456

**Adjudicated Underage Violations**

Statute	Definition	Adjudicated This Month	TOTAL FY 2013	1 Year Ago This Month	TOTAL FY 2012
A.R.S. § 4-241.A	Failure to Check ID	7	31	3	36
A.R.S. § 4-241.L	Sold to CUB	0	0	0	11
A.R.S. § 4-244.1	Unlicensed Resale	0	0	0	0
A.R.S. § 4-244.9	Furnish alcohol to an underage	9	50	7	74
A.R.S. § 4-244.16	Knowingly allow furnishing liquor to underage	0	0	1	1
A.R.S. § 4-244.22	Consume w/o permission of premises owner	0	1	0	0
A.R.S. § 4-244.33	Underage DUI	0	0	0	0
A.R.S. § 4-244.40	Alcohol in system of underage	0	0	0	0
A.R.S. § 13-2907.01	Provide false information to state	0	0	0	0
A.R.S. § 28-3478.1	Unlawful use of driver's license	0	0	0	0
A.R.S. § 28-3478.3	Use another person's driver's license	0	0	0	0

Fines from adjudicated underage violations total sixty-five thousand (\$65,000) dollars. To date in FY 2013, there have been three (3) licenses suspended and one (1) license revoked.

**Compliance Statistics Resulting From Underage Violations**

Fiscal Year	Fines Collected	Licenses Suspended	Licenses Revoked
2010	\$365,875	4	1
2011	\$214,500	2	0
2012	\$82,265	1	0
2013	\$65,000	3	1

## 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 2013	1 Year Ago This Month	Total FY 2012
Hearings Scheduled	4	48	4	60
Applications Protested	2	19	2	21
Licenses Granted	2	20	0	18
Licenses Denied	1	9	2	8
Continuances Granted	1	10	1	20
Continuances Denied	0	1	0	n/a
Licenses Withdrawn	0	6	0	11
Appeals Heard	0	0	0	0
Rehearings Requested	0	2	1	2
Hearings Cancelled by Director	0	0	4	4

There were four (4) applications scheduled before the State Liquor Board for three licenses and a request for continuance. Two (2) applications were granted, one (1) was denied and one (1) was continued. To date in FY 2013, the State Liquor Board has granted forty-two (41.7%) percent and denied nineteen (18.7%) percent of the license applications heard and thirteen (12.5%) percent of applications set for hearing withdrew. The remaining twenty-seven (27.1%) percent of hearings were continued, cancelled or reheard.

### STATE LIQUOR BOARD MEMBERS AND TERMS

J.D. Ghelfi (R)	Chairman Maricopa County No Financial Interest	Term Expires January 19, 2015
Bill DuPont (D)	Vice Chairman Pima County Neighborhood Association	Term Expires January 18, 2016
Jim Carruthers (R)	Yuma County No Financial Interest	Term Expires January 19, 2015
Tim Linden (R)	Graham County Wholesaler	Term Expires January 20, 2014
Robin Cantrell (I)	Graham County Retailer	Term Expires January 19, 2015
Vacant	Vacant	Term Expired January 21, 2013
Vikki Scarafiotti (D)	Maricopa County No Financial Interest	Term Expires January 20, 2014

## SUCCESS STATISTICS LICENSING

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 May 2012, the number of new liquor licenses issued in Arizona have decreased by four (3.6%) percent, the number of renewals have decreased by eleven (11.1%), and the number of active licenses increased by two (1.5%) percent. In comparison to May 2012, monthly licensing revenues (including lottery collections) have increased by two (1.5%) percent from three hundred eighty-seven thousand one hundred fifteen (\$387,115) dollars during this time last year to three hundred ninety-three thousand eighty-three (\$393,083) dollars during the current month.

There were seven (7) exempt locations issued raising the number to a total of seventy-nine (79) active exempt locations in Arizona. An exempt location is an establishment that (1) meets the criterion established in A.R.S. §4-244.05 and A.A.C. R19-1-315, (2) has made application for the exemption, (3) has been inspected by a DLLC investigator, and (4) has been issued a 1-year exemption which allows patrons to bring and consume beer and wine on the premises.

Licensing	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
<b>New licenses issued</b>	158	1,441	164	1,640
<b>Renewed licenses</b>	576	10,463	648	10,022
<b>Lottery licenses issued</b>	0	1	0	1
<b>Collected Lottery Revenues:</b>	\$0	\$349,950	\$0	\$99,166
<b>Number of Active Liquor License:</b>	11,730	n/a	11,549	n/a
<b>Exempt Locations Issued</b>	7	59	5	61
<b>Number of Exempt Locations</b>	79	n/a	70	n/a
<b>Collected Licensing Revenues</b> (including lottery revenues):	\$393,083	\$56,139,574	\$387,115	\$6,097,046

### Collected Revenue by Fee Type in May 2013

Fair Market Value	0
Applications	15,025
License Fees	263,562
Out-of-State	0
Agent Change	5,900
Fines	29,400
Special Event	4,275
Club	4,225
Penalties	5,550
Copy Fees	5,200
Non-Use Surcharge	11,400
Audit Surcharge	8,340
Enforcement K Surcharge	18,655
Enforcement L Surcharge	16,600
Miscellaneous	0

**TOTAL REVENUES COLLECTED**     **\$388,133**

(fingerprints)     **4,950**

**TOTAL REPORT**     **\$393,083**

## WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

### Proposed Rulemaking

The Notice of Final Rulemaking (NFR) was approved by the Governor's Regulatory Review Council (GRRC), Tuesday, May 7, 2013.

### Legislation

The Department has been tracking four bills during the 2013 session.

- HB 2578 - vetoed April 5, 2013
- HB 2205 - in committee
- SB 1301 - signed April 11, 2013
- SB 1345 - in committee

### State Liquor Board Membership

William G. DuPont (D, Pima County) was reappointed to a three-year term ending January 18, 2016, by Governor Janice K. Brewer. The Senate confirmed his appointment on May 29, 2013. Mr. DuPont has served on the State Liquor Board since January 2004, representing the Neighborhood Association interests.

### Events

The National Liquor Law Enforcement Association (NLLEA) will hold its 2013 Annual Conference in Phoenix. Co-hosted by Arizona Department of Liquor Licenses and Control, an international panel of presenters will focus on Advancing Liquor Law Enforcement to Meet the Challenges of Today's Society. The conference will be attended by law enforcement personnel from across the U.S beginning Wednesday, July 31 through Friday, August 2, 2013.

END OF DLLC MAY 2013 REPORT TO THE GOVERNOR