

GOVERNOR'S MONTHLY REPORT
May 2014



STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL

Alan Everett, 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 DLLC 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), and 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 May 2014, DLLC conducted investigations of nine (9) liquor-licensed establishments in Tucson and Casa Grande. Four (4) CUBs were used. Three (3), or thirty-three (33.3%) percent, of these establishments sold alcohol to a CUB resulting in three (3) criminal citations and six (6) administrative violations. All nine (9) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand five hundred seventy (3,570) establishments have been investigated and one thousand one hundred seven (1,107) or thirty-one (31.0%) percent have sold to CUB buyers resulting in two thousand six hundred fifty-nine (2,659) administrative violations and two thousand one hundred sixty-two (2,162) criminal citations.

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	77	30	39	71	42

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 Food Marketers Alliance (AFMA) meeting – director offered presentation
- Arizona Craft Brewers Association meeting – director participated
- Mayor Nixon, Lake Havasu meeting – director participated
- Mayor Joens, Cottonwood meeting – director participated
- Director, Dept. of Tourism meeting – director participated
- Verde Valley winery tour – director participated
- Arizona Association of Chiefs of Police (AACOP) General Membership meeting – deputy director participated
- Policy staff, Governor's Office meeting – deputy director and sergeant participated
- Tribal Liaison Roundtable, ASU Cultural Center – deputy director participated
- 2014 Arizona Peace Officers Memorial Service – deputy director participated
- MatForce Celebration – deputy director participated
- FBI SAC Mac Rominger retirement – deputy director participated
- ProForce Tactical Range – deputy director participated
- Navajo Culture Training – deputy director participated
- Arizona Information Officers Association meeting – communications director attended
- Government Communicators training – communications director attended
- City of Phoenix, Super Bowl Planning Workshop – communications director facilitated
- Super Bowl Central meeting – communications director participated
- ADHS CDC Site Visit Presentation – communications director presented
- National Conference of State Liquor Administrators (NCSLA) state-by-state cider laws survey – communications director participated

Law Enforcement Special Detail:

- CUB – Investigator Gothelf conducted two
- Vehicle inventory maintenance and assistance – Investigator Trevizo completed
- Sick Leave – Investigator Chesley
- Light Duty – Investigator Rodarte
- Full Time FTO for Investigator Rodarte – Investigator Palubeskie
- Trade Practice Investigations, Rules Writing & Review, Title 4 Training Management – Investigator Miller
- Completed forty-six Site Inspections and Title 4 Training Management – Ms. Strickland
- Title 4 Training – Investigator Sanchez and Investigator Palubeskie facilitated
- Title 4 Training and Fake ID Training – Investigator Webb facilitated three Title 4 classes for forty-two students and one Fake ID class for twenty-two students, Investigator Parris assisted with one class
- Youth Alcohol details (Memorial Day) – entire division
- Out-of-area complaints – entire division

SUCCESS STATISTICS INVESTIGATIONS

It is the responsibility of the Investigations Division to ensure that all licensees adhere to A.R.S. Title 4 (Arizona liquor law) and all Arizona Administrative Code Rules established by the DLLC.

Investigators completed two hundred forty-one (241) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred sixty-eight (168) criminal citations and one hundred forty-six (146) administrative violations. The following success statistics were completed by a staff of fifteen (15) full time sworn officers who uphold a statewide officer-to-liquor license ratio of 1:792.

Total investigative actions taken this month were one thousand one hundred thirty-eight (1,138), which is an increase of thirty-one (31.3%) percent when compared to the eight hundred sixty-seven (867) investigative actions taken in May 2013.

Achievements:	Current Month	Total FY 2014	1 Year Ago This Month	Total FY 2013
Routine Liquor Inspections Completed	241	3,166	245	2,691
Criminal Citations Issued	168	1,199	100	1,295
Administrative Counts Charged	146	1,321	162	1,832
Hidden Ownerships Completed	3	24	3	20
Site Inspections Completed	26	262	21	333
Non-Actioned (criminal) Complaints	40	457	9	551
Actioned (administrative) Complaints	10	105	69	114
Compliance Case Reports Submitted	48	596	71	646
On-view Violation Case Reports	35	311	51	446
Law Enforcement Liaison Completed	66	767	74	875
Tax Deficiency Charges	8	272	no data available	no data available
MVD Affidavit/Suspension	6	132	9	198
Underage Investigations Statistics:				
Citations Issued to Underage	18	974	24	918
Total Violations	23	1,259	38	1,715
Total Achievements: (including police report reviews and completed protests not listed above)	1,138	14,706	867	12,503

The number of citations DLLC investigators issued to underage persons decreased twenty-five (25.0%) percent and the total number of violations decreased forty (39.5%) percent compared to May 2013.

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	8	4

Underage persons who are cited for consuming appear to be closer to the legal drinking age. Of the citations issued to underage persons, twenty-nine (28.6%) percent were within one year and fifty-seven (57.1%) percent were within two years of the legal drinking age.

Statute/ Definition	# of Citations Issued This Month	# of Citations Issued in FY 2014	1 Year Ago This Month	# of Citations Issued in FY 2013
A.R.S. § 4-241.A Failure to Check ID	0	47	0	62
A.R.S. § 4-241.L Use of false ID to buy alcohol	0	62	4	108
A.R.S. § 4-241.M Underage solicits third party buyer	0	24	0	17
A.R.S. § 4-241.N Use of false ID to enter premises	0	52	5	60
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	1	110	10	367
A.R.S. § 4-244.41 Alcohol in system of underage	15	373	14	254
A.R.S. § 13-2907.01 Providing false information to state	0	15	1	12
A.R.S. § 28-3478.1 Unlawful use of driver's license	0	44	1	52
A.R.S. § 28-3478.3 Using another person's driver's license	1	46	3	44

The number of citations issued due to furnishing alcohol to an underage, underage in possession, and consumption decreased to one (1) in May 2014 from ten (10) in May 2013 or by ninety (90.0%) percent. The number of citations issued for alcohol in system of underage increased seven (7.1%) percent. The number of citations issued due to use of false ID to buy alcohol decreased one hundred (100.0%) percent. The number of citations issued due to unlawful use of a driver's license decreased one hundred (100.0%) percent in May 2014 from May 2013.

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 which 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	3	0	5

There was one TRACE case opened 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 restaurants (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 4.

Currently there are one hundred sixty-six (166) active Series 11 (hotel/motel) licenses and three thousand three hundred sixty-nine (3,369) active Series 12 (restaurant) licenses statewide. Compared to May 2013, the number of hotel/motel with restaurant licenses increased by one (1) and the number of restaurant licenses increased by seventy-four (74) or two (2.2%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand five hundred thirty-five (3,535) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,768.

Audit Status	Current Month	This Month Last Year
Audits closed	8	10
Audits initiated	8	12
Audits in progress	16	16
Open cases w/projected ratio of >37%	8	13
Open cases w/projected ratio between 30 to 37%	6	3
Open cases w/projected ratio of <30%	2	0
Locations granted 1 year to continue operation	0	0
Locations being monitored	74	76

During May 2014, eight (8) audits were completed in Cochise, Maricopa, and Yuma Counties, which resulted in actionable violations in six (6) cases. On May 31, 2014, there were sixteen (16) audits in progress and seventy-four (74) locations being monitored.

Audit Action	Current Month	Total FY 2014	This Month Last Year	Total FY 2013	Total 2003 To Present
Audits completed	8	84	10	84	703
Audits passed	5	63	9	64	373
Audits failed	2	16	1	17	260
Inconclusive	1	5	0	3	64
Other charges only	0	0	0	0	6

In May 2014, audit fines assessed from violations totaled six thousand two hundred (\$6,200) dollars. The Audit Unit is now conducting audit training/workshops. To view information on upcoming audit training/workshops, use this link to the DLLC website http://www.azliquor.gov/contact_audit.cfm.

SUCCESS STATISTICS
Liquor License Audits (continued)

Audit Revenue 2-year Comparison

Audit Action	Current Month	Total FY 2014	1 Year Ago This Month	Total FY 2013
Fines Assessed	\$6,200	\$47,300	\$6,375	\$55,425
Continuation License (Grill Bill) Revenue	\$0	\$120,000	\$30,000	\$60,000
Pending Continuation Licenses (Grill Bill)	0	0	2	n/a

Audit statistics since FY 2007 are noted below:

Year	Audits Completed	Revenues Collected	Average Fine per Audit (does not include continuation license fees)
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	84 audits	\$47,175	\$538

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 2014	1 Year Ago This Month	Total FY 2013
Revocations	1	1	0	1
Suspensions	0	1	0	4
Surrenders	2	5	7	18
Divestitures	0	2	1	9
Administrative Complaints	1	5	1	7
Decisions & Orders	0	6	0	3
Cases Received	61	801	86	708
Cases Completed	12	174	23	151
Cases in Progress	49	626	63	557
Warning Letter Issued	3	40	3	25
Cases Sent to OAH	1	6	2	7

Economic Impact:

Fines collected during the month totaled twenty-nine thousand nine hundred (\$29,900) dollars from thirty (30) adjudicated compliance actions. Compared to last month, April 2014, this represents a fifty-seven (57.0%) percent decrease in collected revenues and a fifty-seven (56.5%) percent decrease in the number of compliance actions processed. Compared to May 2013, this represents a two (2.0%) percent increase in collected revenues and a twenty-one (21.1%) 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 during the current economic decline.

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	440	\$673,710	\$1,531
2013-2014	468	\$435,760	\$931

SUCCESS STATISTICS
Compliance (continued)

Adjudicated Underage Violations:

Statute	Definition	Adjudicated This Month	TOTAL FY 2014	1 Year Ago This Month	TOTAL FY 2013
A.R.S. § 4-241.A	Failure to Check ID	11	52	7	36
A.R.S. § 4-244.1	Unlicensed Resale	1	3	0	0
A.R.S. § 4-244.9	Furnish alcohol to an underage	11	59	9	59
A.R.S. § 4-244.16	Knowingly allow furnishing liquor to underage	0	0	0	1
A.R.S. § 4-244.22	Consume w/o permission of premises owner	0	5	0	1

Fines from adjudicated underage violations total seventy-three thousand five hundred (\$73,500) dollars. To date in FY 2014, there have been one (1) license suspended and two (2) licenses 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	\$125,500	4	1
2014	\$73,500	1	2

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 2014	1 Year Ago This Month	Total FY 2013
Hearings Scheduled	5	40	4	51
Licenses Granted	1	14	2	21
Licenses Denied	2	8	1	9
Continuances Granted	1	7	1	10
Continuances Denied	0	1	0	1
Licenses Withdrawn	0	5	0	7
Appeals Heard	0	3	0	0
Rehearings Requested	1	3	0	2
Hearings Cancelled by Director	0	1	0	1

Five hearings were scheduled for the May meeting. The Board granted one (1) Series 10 (Beer and Wine Store) Agent Change/Acquisition of Control Application. The Board denied two (2) applications; a Series 10 (Beer and Wine Store) Original Application, and a Series 6 (Bar) Person and Location Transfer Application. One continuance was granted for a Series 6 (Bar) Person Transfer Application. A request for rehearing of a Series 12 (Restaurant) Original Application was denied.

Ms. Valdez was elected Vice Chairman.

STATE LIQUOR BOARD MEMBERS AND TERMS

J.D. Ghelfi (R)	Chairman Maricopa County No Financial Interest	Term Expires January 19, 2015
Cyndy Valdez (R)	Vice Chairman Pima County Wholesaler	Term Expires January 16, 2017
Bill DuPont (D)	Pima County Neighborhood Association	Term Expires January 18, 2016
Vikki Scarafiotti (D)	Maricopa County No Financial Interest	Term Expires January 16, 2017
Robin Cantrell (I)	Graham County Retailer	Term Expires January 19, 2015
Jim Carruthers (R)	Yuma County No Financial Interest	Term Expires January 19, 2015
Pud Colquitt (R)	Coconino County No Financial Interest	Term Expires January 18, 2016

SUCCESS STATISTICS LICENSE DIVISION

The License 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 2013, the number of new liquor licenses issued in Arizona decreased by twenty-seven (26.6%) percent, the number of renewals increased by two (1.7%) percent, and the number of active licenses increased by one (1.3%) percent. Also, compared with May 2013, monthly licensing revenues have increased by three (3.2%) percent from three hundred ninety-three thousand eighty-three (\$393,083) dollars during this time last year to four hundred five thousand seven hundred thirty-nine (\$405,739) dollars during the current month.

In May 2014, nine (9) exempt locations were approved which brings the total active exempt locations in Arizona to ninety-five (95). An exempt location is an establishment that has (1) met the criteria established in A.R.S. §4-244.05 and A.A.C. R19-1-113, (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 2014	1 Year Ago This Month	Total FY 2013
New licenses issued	116	1,511	158	1,560
Renewed licenses	586	10,985	576	11,104
Lottery licenses issued	0	0	0	1
Collected Lottery Revenues	\$0	\$0	\$0	\$349,950
Number of Active Liquor Licenses	11,882	11,882*	11,730	n/a*
Exempt Locations Issued	9	88	7	62
Number of Exempt Locations	95	95**	79	n/a**
Collected Licensing Revenues (including lottery revenues)	\$405,739	\$6,042,775	\$393,083	\$6,536,517

*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 2014

Fair Market Value	0
Applications	11,400
License Fees	247,369
Out-of-State	0
Agent Change	2,450
Fines	29,900
Special Event	3,775
Club	5,850
Penalties	2,250
Copy Fees	4,316
Non-Use Surcharge	48,300
Audit Surcharge	8,490
Enforcement K Surcharge	19,600
Enforcement L Surcharge	17,590
Miscellaneous	5

TOTAL REVENUES COLLECTED **\$ 401,295**
(fingerprints) **4,444**

TOTAL REPORT **\$ 405,739**

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Legislation

The legislative session that ended in late April produced three bills, now signed by Governor Brewer, which will significantly impact Arizona's liquor industry. Use these links to review the bills.

[SB 1397, Liquor Omnibus Bill,](#)

[SB 1180 - Luxury Privilege Tax, Cider,](#) and

[HB2260 - Small Business Bill of Rights \(inspections & audits\).](#)

These bills become law on July 24, 2014 and will be posted on the Department's website by July 1, 2014.

Rules

In 2006, the department initiated the process of reviewing its rules and concluded that an entire rewrite of the rules was needed since the rules had not been updated in more than 20 years. The department worked in cooperation with liquor industry stakeholders for more than 5 years, holding more than 20 stakeholder meetings, in order to reach consensus on the rules. Ultimately, the rules were modernized to make them consistent with existing laws and Secretary of State's rule-writing standards. The Governor's Regulatory Review Council (GRRC) approved a portion of the department's rules on Tuesday, May 7, 2013. Subsequently, on May 6, 2014, GRRC approved the remainder of the department's rules which will become effective on July 7, 2014! After more than seven years of dedicated effort, the department achieved its goal of completing an entire re-write of its rules.

Use this link to review the [New Supplemental Rules](#).

Liquor License Lottery

Applications for a liquor license lottery will be accepted until Friday, May 16, 2014. Details are posted on the DLLC website.

Independent appraisers have established the fair market values (FMV) for lottery licenses. When all fifteen (15) counties meet population increase requirements for new license issuance, the lottery has produced up to \$2,975,355 in revenues. This year new licenses will be offered in four (4) counties: Maricopa, Pima, Pinal, and Yuma. Proceeds from the lottery are deposited into the General Fund.

When the number of applicants exceeds the number of lottery licenses offered, a random selection drawing is held. If necessary, this year's drawing will be held on Monday, June 2, 2014.

Liquor Board Member Appointed

Ruth "Pud" Colquitt (R, Coconino County) was appointed to a vacant three-year term ending January 18, 2016, by Governor Janice K. Brewer. The Senate will hold a confirmation hearing during the First Regular Session of the 52nd Legislature.

END OF DLLC MAY 2014 REPORT TO THE GOVERNOR