

# GOVERNOR'S MONTHLY REPORT

November 2013

(Revised 6/23/14)



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 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 CUBs 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 November 2013, DLLC conducted investigations of sixteen (16) liquor-licensed establishments in Tucson, Phoenix, Tempe, Glendale, Surprise, and Scottsdale. Five (5) CUBs were used. Five (5), or thirty-one (31.3%) percent, of these establishments sold alcohol to a CUB resulting in ten (10) criminal citations and eleven (11) administrative violations. All sixteen (16) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand four hundred fifty-six (3,456) establishments have been investigated and one thousand sixty-six (1,066) or thirty-one (30.8%) percent have sold to CUB buyers resulting in two thousand five hundred seventy-eight (2,578) administrative violations and two thousand ninety-six (2,096) 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>	273	87	32	210	119

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:**

- Beverage Alcohol Community Information Council Panel Discussion – director participated
- Critical Incident Response Presentation – deputy director attended
- Arizona Division of Emergency Management Statewide Recovery Tabletop – deputy director participated
- Beverage Alcohol Community Information Council Legislative Breakfast – director, assistant director of administration and communications director participated
- ASAP Program Inventory Workgroup meeting – assistant director of administration participated
- PRSA Media Breakfast – communications director attended
- Statewide exercise and Power Outage overview for PIOs – communications director participated
- Five-Year Review Report Seminar – communications director attended
- Celebration of the Arizona Wine Growers Reception – communications director attended
- Craft Beer and Domestic Farm Winery 2014 Legislative Discussion – leadership attended

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

- CUB – Investigator Palubeskie conducted one and Investigator Gothelf conducted two
- Vehicle Assistance – Investigator Trevizo completed
- Trade Practice Investigations, Rules Writing & Review, Title 4 Training Management – Investigator Miller conducted
- Site inspections, Title 4 Training Management – Ms. Strickland completed 34 inspections for Restaurant applications
- Light Duty – Investigator Parris
- Colorado River Balloon Festival – Investigator Sanchez
- U of A Homecoming – Sergeant Kuhl and Investigators Carruthers, Gothelf, Zacarias, and Byrd
- Harley Hog Rally – Investigator Sanchez
- Title 4 and Fake ID Training – Investigator Webb facilitated seven, assisted by Investigator Sanchez on one
- Out-of-area complaints – 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 4 (Arizona liquor law) and all Arizona Administrative Code Rules established by the DLLC.

Investigators completed three hundred five (305) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred thirty-two (132) criminal citations and ninety-five (95) administrative violations. The following success statistics were completed by a staff of fourteen (14) full time sworn officers who uphold a statewide officer-to-liquor license ratio of 1:849.

Total investigative actions taken this month were one thousand three hundred thirty-five (1,335), which is a decrease of thirty-seven (36.9%) percent when compared to the two thousand one hundred seventeen (2,117) investigative actions taken in November 2012.

<b>Achievements:</b>	<b>Current Month</b>	<b>Total FY 2014</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2013</b>
Hidden Ownerships Completed	3	6	1	20
Site Inspections Completed	26	121	26	333
Actioned (administrative) Complaints	9	60	18	114
Non-Actioned (criminal) Complaints	58	274	59	551
Administrative Counts Charged	95	648	154	1,832
Criminal Citations Issued	132	530	143	1,295
Routine Liquor Inspections Completed	305	1583	252	2,691
Compliance Case Reports Submitted	42	348	74	646
On-view Violation Case Reports	32	155	54	446
Law Enforcement Liaison Completed	77	397	84	875
Tax Deficiency Charges	16	121	no data available	no data available
MVD Affidavit/Suspension	18	79	21	198
<b>Underage Investigations Statistics:</b>				
Citations Issued to Underage	89	370	40	918
Total Violations	116	527	103	1,715
<b>Total Achievements:</b> (including police report reviews and completed protests not listed above)	1,335	6,689	2,117	12,503

The number of citations DLLC investigators issued to underage persons increased one hundred twenty-three (122.5%) percent and the total number of underage violations increased thirteen (12.6%) percent compared to November 2012.

**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	10	23	20

Underage persons who are cited for consuming appear to be closer to the legal drinking age. Of the citations issued to underage persons, thirty-eight (37.7%) percent were within one year and forty-three (43.4%) 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
<b>A.R.S. § 4-241.A</b> Failure to Check ID	4	22	9	62
<b>A.R.S. § 4-241.L</b> Use of false ID to buy alcohol	12	34	11	108
<b>A.R.S. § 4-241.M</b> Underage solicits third party buyer	3	23	2	17
<b>A.R.S. § 4-241.N</b> Use of false ID to enter premises	1	34	5	60
<b>A.R.S. § 4-244.9</b> Furnishing alcohol to an underage, underage in possession/consumption	12	60	46	367
<b>A.R.S. § 4-244.41</b> Alcohol in system of underage	30	125	19	254
<b>A.R.S. § 13-2907.01</b> Providing false information to state	0	9	0	12
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver's license	6	24	2	52
<b>A.R.S. § 28-3478.3</b> Using another person's driver's license	4	25	4	44

The number of citations issued due to Furnishing Alcohol to an Underage, Underage in Possession, and Consumption decreased seventy-four (73.9%) percent from November 2012. The number of citations issued for Alcohol in System of Underage increased fifty-eight (57.9%) percent. The number of citations issued due to Use of False ID to Buy Alcohol increased (9.1%) percent. The number of citations issued due to Unlawful Use of a Driver's License increased to six (6) in November 2013 from two (2) in November 2012 or by two hundred (200%) 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, 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**

<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>	3	3	0

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 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 4.

Currently there are one hundred sixty-eight (168) active Series 11 (hotel/motel) licenses and three thousand three hundred seventy-five (3,375) active Series 12 (restaurant) licenses statewide. Compared to November 2012, the number of hotel/motel with restaurant licenses increased by five (5) or three (3.1%) percent, and the number of restaurant licenses increased by sixty-four (64) or two (1.9%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand five hundred forty-three (3,543) hotel/motel and restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,772.

<b>Audit Status</b>	<b>Current Month</b>	<b>This Month Last Year</b>
<b>Audits closed</b>	7	7
<b>Audits initiated</b>	7	7
<b>Audits in progress</b>	16	16
<b>Open cases w/projected ratio of &gt;37%</b>	12	7
<b>Open cases w/projected ratio between 30 to 37%</b>	3	5
<b>Open cases w/projected ratio of &lt;30%</b>	1	4
<b>Locations granted 1 year to continue operation</b>	1	0
<b>Locations being monitored</b>	82	80

During November 2013, seven (7) audits were completed in Maricopa, Pima, and Yavapai Counties, which resulted in actionable violations in four (4) cases. On November 30, 2013, there were sixteen (16) audits in progress and eighty-two (82) locations being monitored.

<b>Audit Action</b>	<b>Current Month</b>	<b>Total FY 2014</b>	<b>This Month Last Year</b>	<b>Total FY 2013</b>	<b>Total 2003 To Present</b>
<b>Audits completed</b>	7	39	7	84	658
<b>Audits passed</b>	6	33	4	64	343
<b>Audits failed</b>	1	5	2	17	249
<b>Inconclusive</b>	0	1	1	3	60
<b>Other charges only</b>	0	0	0	0	6

In November 2013, audit fines assessed from violations totaled six thousand five hundred (\$6,500) dollars. Compared to November 2012, total audit fines assessed from violations decreased by seven thousand five hundred (\$7,500) dollars.

The Audit Unit is now conducting audit training/workshops. There will be two workshops in December 2013. To receive information on upcoming audit training/workshops, use this link to the DLLC website [http://www.azliquor.gov/contact\\_audit.cfm](http://www.azliquor.gov/contact_audit.cfm).

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

**Audit Revenue 2-year Comparison**

<b>Audit Action</b>	<b>Current Month</b>	<b>Total FY 2014</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2013</b>
<b>Fines Assessed</b>	\$6,500	\$21,900	\$14,000	\$55,425
<b>Continuation License (Grill Bill) Revenue</b>	0	\$120,000	\$0	\$60,000
<b>Pending Continuation Licenses (Grill Bill)</b>	0	0	0	n/a

**Audit statistics since FY 2007 are noted below:**

<b>Year</b>	<b>Audits Completed</b>	<b>Revenues Collected</b>	<b>Average Fine per Audit</b> (does not include continuation license fees)
<b>FY 2007</b>	27 audits	\$13,000	\$481
<b>FY 2008</b>	61 audits	\$36,500	\$598
<b>FY 2009</b>	103 audits	\$81,275	\$789
<b>FY 2010</b>	87 audits	\$81,750	\$940
<b>FY 2011</b>	82 audits	\$84,400	\$1,029
<b>FY 2012</b>	90 audits	\$64,355	\$715
<b>FY 2013</b>	84 audits	\$47,625	\$567
<b>FY 2014</b>	39 audits	\$3,350	\$86

In 2006, A.R.S. §4-213(E) introduced the continuation license (commonly referred to as the Grill Bill) into state liquor law. The continuation license allowed 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 twenty (20) continuation licenses total six hundred thousand (\$600,000) dollars. In FY 2014, one hundred twenty thousand (\$120,000) dollars has been collected from the issuance of continuation licenses. As of November 30, 2013, there are no more pending continuation license applications. Effective June 30, 2013, no more continuation license applications can be accepted unless a Compliance Consent Agreement existed prior to June 30, 2013 giving the licensee that option.



## 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	0	0	0	1
Suspensions	0	1	0	4
Surrenders	1	1	1	18
Divestitures	0	2	0	9
Administrative Complaints	1	2	0	7
Decisions & Orders	0	1	0	3
Cases Received	61	376	57	708
Cases Completed	22	69	7	151
Cases in Progress	39	307	50	557
Warning Letter Issued	6	23	2	25
Cases Sent to OAH	0	5	0	7

### Economic Impact:

Fines collected in the month totaled twenty-six thousand six hundred (\$26,600) dollars from thirty-nine (39) adjudicated compliance actions. Compared to last month, October 2013, this represents a twenty-nine (28.8%) percent decrease in collected revenues and an eleven (11.4%) percent increase in the number of compliance actions processed. Compared to November 2012, this represents a fifty-one (51.4%) percent increase in collected revenues and a forty-four (44.4%) percent increase in the number of compliance actions processed.

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

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	192	\$203,210	\$1,058

**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	4	25	0	36
A.R.S. § 4-244.1	Unlicensed Resale	2	2	0	
A.R.S. § 4-244.9	Furnish alcohol to an underage	4	34	2	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	1	2	0	1

Fines from adjudicated underage violations total thirty-six thousand eight hundred seventy-five (\$36,875) dollars. To date in FY 2014, 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	\$125,500	4	1
2014	\$36,875	1	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.

<b>Achievements:</b>	<b>Current Month</b>	<b>Total FY 2014</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2013</b>
<b>Hearings Scheduled</b>	2	16	4	51
<b>Licenses Granted</b>	2	7	1	21
<b>Licenses Denied</b>	0	2	0	9
<b>Continuances Granted</b>	0	1	2	10
<b>Continuances Denied</b>	0	0	0	1
<b>Licenses Withdrawn</b>	0	3	1	7
<b>Appeals Heard</b>	0	1	0	0
<b>Rehearings Requested</b>	0	1	0	2
<b>Hearings Cancelled by Director</b>	0	1	0	1

There were two hearings scheduled before the State Liquor Board in November. Both matters were original applications for beer and wine store liquor license (series 10). Both licenses were granted.

### 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
Tim Linden (R)	Graham County Wholesaler	Term Expires January 20, 2014
Vikki Scarafiotti (D)	Maricopa County No Financial Interest	Term Expires January 20, 2014
Robin Cantrell (I)	Graham County Retailer	Term Expires January 19, 2015
Jim Carruthers (R)	Yuma County No Financial Interest	Term Expires January 19, 2015
Vacant	Vacant	Term Expired January 21, 2013

## 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, November 2012, the number of new liquor licenses issued in Arizona decreased by thirty-six (35.5%) percent, the number of renewals decreased by two (1.6) percent, and the number of active licenses increased by one (0.9%) percent. Also, compared with November 2012, monthly licensing revenues have decreased by nine (9.3%) percent from three hundred forty-four thousand two hundred thirty-two (\$344,232) dollars during this time last year to three hundred twelve thousand three hundred forty-nine (\$312,349) dollars during the current month.

In November 2013, eleven (11) exempt locations were approved which brings the total active exempt locations in Arizona to eighty-nine (89). An exempt location is an establishment that (1) meets the criteria established in A.R.S. §4-244.05 and A.A.C. R19-1-113, (2) has made application for the exemption, (3) has been inspected by a DLLC investigator, and (4) has 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
<b>New licenses issued</b>	89	724	138	1,560
<b>Renewed licenses</b>	1,097	4,303	1,115	11,104
<b>Lottery licenses issued</b>	0	0	0	1
<b>Collected Lottery Revenues</b>	\$0	\$0	\$0	\$349,950
<b>Number of Active Liquor Licenses</b>	11,879	11,879*	11,771	n/a*
<b>Exempt Locations Issued</b>	11	37	8	62
<b>Number of Exempt Locations</b>	89	89**	71	n/a**
<b>Collected Licensing Revenues (including lottery revenues)</b>	\$312,349	\$2,415,794	\$344,232	\$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 November 2013

Fair Market Value	0
Applications	11,700
License Fees	83,765
Out-of-State	80,763
Agent Change	5,150
Fines	20,550
Special Event	4,975
Club	2,275
Penalties	3,450
Copy Fees	7,065
Non-Use Surcharge	19,000
Audit Surcharge	330
Enforcement K Surcharge	34,300
Enforcement L Surcharge	34,270
Miscellaneous	5

**TOTAL REVENUES COLLECTED \$307,597**

**(fingerprints) 4,752**

**TOTAL REPORT \$312,349**

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

### **Arizona's 2013 Holiday DUI Enforcement and Designated Driver campaign**

The Department will be one of several law enforcement agencies that will participate in the Phoenix kickoff of Arizona's 2013 Holiday DUI Enforcement and Designated Driver campaign hosted by the Governor's Office of Highway Safety. The kickoff press conference will be held at the Arizona State Capitol in December 2013.

### **Free & Safe New Year's Eve - FREE RIDES Program**

The Director will attend a press conference where Coors Light, Valley Metro, Phoenix Mayor Stanton, and Tempe Mayor Mitchell will announce a new partnership to provide Phoenix-area residents and visitors with free and safe transportation on New Year's Eve. The press conference will be held in Phoenix at the Central/Roosevelt light rail station in December 2013.

### **Legislative Discussions**

The Director and staff will hold a second meeting with industry leaders, lobbyists, and legislators in preparation of the 2014 legislative session.

### **Beverage Alcohol Community Information Council (BACIC) Legislative Breakfast**

To legislators and industry leaders, the Director will present an overview of revenues generated by Arizona's liquor industry, and the benefits of working together to stimulate the economy.

### **Audit Workshops**

The Department will hold two Arizona Restaurant Liquor Licensee's Audit Workshops in December 2013; one in Phoenix, one in Tucson. The goals of the workshop are to:

1. create the opportunity to talk with the licensees and understand new trends/challenges in the restaurant industry
2. improve restaurateur's understanding of achieving liquor law compliance
3. discuss law changes that may open new revenue streams for the hospitality industry
4. keep responsible restaurant operators in business
5. discuss options that may reduce the regulatory paperwork burden on licensees

The workshops are free of charge and will last approximately 2-hours.

END OF DLLC NOVEMBER 2013 REPORT TO THE GOVERNOR