

GOVERNOR'S MONTHLY REPORT

September 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 a covert underage buyer, or 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.

DLLC conducted investigations of nineteen (19) liquor-licensed establishments in Tucson, Phoenix, Tempe, Glendale, Chandler, and Surprise. Five (5) CUBs were used. Eight (8), or forty-two (42.1%) percent, of these establishments sold alcohol to a (CUB) resulting in nineteen (19) criminal citations and nineteen (19) administrative violations. All nineteen (19) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand four hundred fifteen (3,415) establishments have been investigated and one thousand forty-six (1,046) or thirty-one (30.6%) percent have sold to CUB buyers resulting in two thousand five hundred thirty-two (2,532) administrative violations and two thousand sixty-nine (2,069) 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	232	67	29	164	92

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:

- Western Association of Law Enforcement Agencies (WALEA) – deputy director attended
- Arizona Association of Chiefs' of Police (AACOP) – deputy director attended
- SALEM – deputy director attended
- Arizona Substance Abuse Partnership (ASAP) – assistant director of administration participated
- Arizona Licensed Beverage Association (ALBA) – communications director participated
- Town of Jerome, Mayor – director, deputy director, assistant director of administration and communications director participated
- Arizona winemakers discussion – department leadership and audit supervisor attended
- Arizona Restaurant Association – director attended
- Arizona Safer Bar Alliance Prescott & Prescott Valley PD training – communication director facilitated
- Arizona Information Officers Association – communication director participated
- Verde Valley Wine Tour – leadership, Sgt. Kuhl, and Officer Miller attended
- Chino Valley liquor discussion – director facilitated
- Prescott liquor discussion – director facilitated

Law Enforcement Special Detail:

- CUB – Investigator Palubeskie conducted one and Investigator Gothelf conducted two
- Title 4 Training – Investigator Webb facilitated
- Fake ID Training – Investigator Webb facilitated, assisted by Investigator Trevizo on one and Investigator Sanchez on two
- Fake ID Training – Investigators Zacarias and Gothelf facilitated two
- Street Crimes Training – Investigator Palubeskie attended
- DUI Taskforce – Investigator Gothelf
- Vehicle Assistance – Investigator Trevizo completed
- Decision Shoot Training – Investigator Parris conducted
- Trade Practice Investigations, Rules Writing & Review, Title 4 Training Management – Investigator Miller conducted
- 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 twenty-six (326) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred twenty-six (126) criminal citations and one hundred sixty (160) 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 1:782.

Total investigative actions taken this month were one thousand four hundred one (1,401), which is a decrease of fourteen (13.6%) percent when compared to the one thousand six hundred twenty-one (1,621) investigative actions taken in September 2012.

Achievements:	Current Month	Total FY 2014	1 Year Ago This Month	Total FY 2013
Hidden Ownerships Completed	2	2	2	20
Site Inspections Completed	19	64	31	333
Actioned (administrative) Complaints	15	37	11	114
Non-Actioned (criminal) Complaints	72	186	40	551
Administrative Counts Charged	160	391	161	1,832
Criminal Citations Issued	126	300	145	1,295
Routine Liquor Inspections Completed	326	919	209	2,691
Compliance Case Reports Submitted	76	200	49	646
On-view Violation Case Reports	43	86	26	446
Law Enforcement Liaison Completed	87	240	97	875
Tax Deficiency Charges	11	58	no data available	no data available
MVD Affidavit/Suspension	22	46	33	198
Underage Investigations Statistics:				
Citations Issued to Underage	62	208	55	918
Total Violations	97	312	132	1,715
Total Achievements: (including police report reviews and completed protests not listed above)	1,401	3,889	1,621	12,503

The number of citations DLLC investigators issued to underage persons increased thirteen (12.7%) percent and the total number of underage violations decreased twenty-seven (26.5%) percent compared to September 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	3	2	17	9

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 (29.0%) percent were within one year and fifty-five (54.8%) 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	8	16	9	62
A.R.S. § 4-241.L Use of false ID to buy alcohol	7	16	22	108
A.R.S. § 4-241.M Underage solicits third party buyer	12	16	3	17
A.R.S. § 4-241.N Use of false ID to enter premises	2	25	6	60
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	16	42	50	367
A.R.S. § 4-244.41 Alcohol in system of underage	19	65	17	254
A.R.S. § 13-2907.01 Providing false information to state	0	9	0	12
A.R.S. § 28-3478.1 Unlawful use of driver's license	4	13	12	52
A.R.S. § 28-3478.3 Using another person's driver's license	3	20	6	44

The number of citations issued due to Furnishing Alcohol to an Underage, Underage in Possession, and Consumption decreased sixty-eight (68.0%) percent from September 2012. The number of citations issued for Alcohol in System of Underage increased twelve (11.8%) percent. The number of citations issued due to Use of False ID to Buy Alcohol decreased sixty-eight (68.2%) percent. The number of citations issued due to Unlawful Use of a Driver's License decreased sixty-seven (66.7%) percent from September 2012.

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	2	0	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 twenty-two (3,322) active Series 12 (restaurant) licenses statewide. Compared to September 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 seventy-two (72) or two (2.2%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand four hundred ninety (3,490) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,745.

Audit Status	Current Month	This Month Last Year
Audits closed	12	10
Audits initiated	12	11
Audits in progress	16	16
Open cases w/projected ratio of >37%	12	11
Open cases w/projected ratio between 30 to 37%	3	5
Open cases w/projected ratio of <30%	1	0
Locations granted 1 year to continue operation	0	0
Locations being monitored	83	82

During September 2013, twelve (12) audits were completed in Cochise, Graham, Maricopa and Pima Counties, which resulted in actionable violation in seven (7) cases. On September 30, 2013, there were sixteen (16) audits in progress and eighty-three (83) locations being monitored.

Audit Action	Current Month	Total FY 2014	This Month Last Year	Total FY 2013	Total 2003 To Present
Audits completed	12	25	10	84	644
Audits passed	10	20	7	64	330
Audits failed	2	4	3	17	248
Inconclusive	0	1	0	3	60
Other charges only	0	0	0	0	6

Of the twelve (12) audits completed this month, ten (10), or eighty-three (83.3%) percent, passed and two (2), or seventeen (16.7%) percent, failed.

In September 2013, audit fines assessed from violations totaled seven thousand twenty-five (\$7,025) dollars. Compared to September 2012, total audit fines assessed from violations increased by seven thousand twenty-five (\$7,025) dollars.

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	\$7,025	\$11,025	\$0.00	\$55,425
Continuation License (Grill Bill) Revenue	\$60,000	\$120,000	\$30,000	\$60,000
Pending Continuation Licenses (Grill Bill)	0	4	0	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	25 audits	\$5,150	\$206

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, at a cost of \$30,000, 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 have been collected from the issuance of continuation licenses. As of September 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 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	1	1
Suspensions	0	1	0	4
Surrenders	0	0	1	18
Divestitures	0	1	1	9
Administrative Complaints	0	1	0	7
Decisions & Orders	0	1	1	3
Cases Received	74	204	48	708
Cases Completed	15	33	8	151
Cases in Progress	59	171	40	557
Warning Letter Issued	8	12	4	25
Cases Sent to OAH	0	2	0	7

Economic Impact:

Fines collected in the month totaled forty thousand fifty (\$40,050) dollars from forty-four (44) adjudicated compliance actions. Compared to last month, August 2013, this represents a thirty-four (33.5%) percent decrease in collected revenues and no change in the number of compliance actions processed. Compared to September 2012, this represents a forty (40.2%) percent increase in collected revenues and a fifty-seven (57.1%) 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	118	\$139,250	\$910

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	5	11	3	36
A.R.S. § 4-244.9	Furnish alcohol to an underage	12	22	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	1	1	0	1

Fines from adjudicated underage violations total twenty-three thousand five hundred (\$23,500) 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	\$23,500	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.

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

There were five (5) hearings scheduled before the State Liquor Board in September. Three licenses were granted: one (1) original Restaurant (series 12) license, one (1) person and location transfer Bar (series 6) license, and one (1) person and location transfer Beer and Wine Bar (series 7) license. The Request for Rehearing of a Beer and Wine Store (series 10) was heard and denied. One (1) hearing for an original Restaurant (series 12) license was cancelled by the Director. During the month, the Board granted one hundred (100.0%) percent of the license applications heard.

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 the previous year, September 2012, the number of new liquor licenses issued in Arizona have increased by eleven (10.7%) percent, the number of renewals have increased by two (2.1%) percent, and the number of active licenses increased by one (.8%) percent. Also in comparison with September 2012, monthly licensing revenues have increased by thirty-three (33.1%) percent from four hundred eighty-eight thousand three hundred fifty-one (\$488,351) dollars during this time last year to six hundred forty-nine thousand seven hundred seventy-eight (\$649,778) dollars during the current month.

In September 2013, four (4) exempt locations were approved which brings the total active exempt locations in Arizona to seventy-three (73). 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
New licenses issued	135	528	122	1,560
Renewed licenses	918	2,591	899	11,104
Lottery licenses issued	0	0	0	1
Collected Lottery Revenues	\$0	\$0	\$0	\$349,950
Number of Active Liquor License	11,823	11,823*	11,724	n/a
Exempt Locations Issued	4	16	3	62
Number of Exempt Locations	73	73	69	n/a
Collected Licensing Revenues (including lottery revenues)	\$649,778	\$1,653,953	\$488,351	\$6,536,517

*This number fluctuates daily depending on renewals, new applications, suspensions and revocations.

Collected Revenue by Fee Type in September 2013

Fair Market Value	0
Applications	11,550
License Fees	463,330
Out-of-State	0
Agent Change	11,050
Fines	40,175
Special Event	7,675
Club	1,975
Penalties	11,250
Copy Fees	4,543
Non-Use Surcharge	33,100
Audit Surcharge	19,890
Enforcement K Surcharge	25,305
Enforcement L Surcharge	19,935

TOTAL REVENUES COLLECTED \$649,778

(fingerprints) 5,060

TOTAL REPORT \$654,838

WHAT'S NEXT AT DLLC?

Upcoming Events and Milestones

Website License Search

Developed in response to industry requests, License Searches on the Department website (www.azliquor.gov) have become a valuable and useful tool. Interested persons, neighbors, and community advocates can search liquor licensed establishments by name, address, city, zip code, license type, or liquor violation and export the results into an Excel spreadsheet. A screen shot of all the License Search options is below.

The screenshot shows the 'License Search' page on the Arizona Department of Liquor Licenses and Control (AZ Liquor.gov) website. The page includes a navigation menu on the left with options like 'License Search', 'License Documents', 'Renewals', and 'Liquor Board Hearings'. The main content area is titled 'License Search' and provides 'Liquor license "status" definitions'. It offers several search criteria: License Number, License Type, License Type by City, Business Name, Location Address, Owner/Agent Name, Wholesalers/Distributors: Deliverable Locations, Pending Applications and Interim Permits, Record Count, Issued Licenses by Date Range, Issued Licenses by Date Range & City, and Search for a single Zip Code. Below the search options, there is a 'View Listings:' section with a note about using Microsoft Excel. A table lists search results with columns for 'Search', 'View on the Web', and 'View using Excel'. The table includes rows for 'Deliverable Locations - Active', 'Deliverable Locations - Pending', 'Recently Issued Licenses', 'Special Events', and 'Active Licenses by Zip Code'. Below the table, there are sections for 'Non-Active Licenses' (Expired, Denied, Suspended, Inactive) and 'Download Tables' (License Master Table, Pending Application Table, Special Events Table). At the bottom, there is a 'Liquor Violation Search' section with a 'Self-Service Violation Search' link.

END OF DLLC SEPTEMBER 2013 REPORT TO THE GOVERNOR