

GOVERNOR'S MONTHLY REPORT

March 2015

(Revised 9/18/15)



STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL

John Cocca, 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 the department to investigate reported complaints of liquor licensed businesses suspected of one or more underage liquor law violations. When there is reasonable suspicion to believe that a liquor-licensed establishment is selling liquor to underage customers, the department will send in a CUB to attempt to purchase liquor. CUBs are between the ages of sixteen (16) and nineteen (19) who are carefully trained by DLLC investigators to understand and follow state laws, including DLLC's CUB investigations guidelines and personal and public safety measures. Currently there are two (2) officers and a total of seven (7) trained CUBs performing CUB operations for the department. DLLC provides CUB program training to all Arizona law enforcement agencies, allowing the program to operate statewide.

In March 2015, DLLC conducted investigations of seventeen (17) liquor-licensed establishments in Phoenix, Tucson, Scottsdale, and Surprise. Five (5) CUBs were used. Five (5), or twenty-nine (29.4%) percent, of these establishments sold alcohol to a CUB resulting in fifteen (15) administrative violations and twelve (12) criminal citations. All seventeen (17) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand seven hundred twenty-six (3,726) establishments have been investigated and one thousand one hundred seventy-four (1,174) or thirty-two (31.5%) percent have sold to CUB buyers resulting in two thousand eight hundred eighteen (2,818) administrative violations and two thousand two hundred eighty-one (2,281) 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	181	76	42	179	122
2015	52	21	40	51	39

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:

- Tour Young's Market Company Facility – director attended
- Meet with liquor industry attorneys – director attended
- Meet with liquor industry lobbyist – director attended
- Meet with state senators – director and assistant director of administration attended
- Meet with Four Peaks Brewery – director attended
- Tribal Liaison Roundtable – director attended
- Meet with Phoenix PD – director attended
- Tour Southern Wine & Spirits Facility – director attended
- SB1030 signing at Four Peaks Brewery – director attended
- Meet with liquor industry attorneys – director attended
- Meet with Arizona Food Marketers Alliance – director and communications director attended
- Greater Phoenix Neighborhood Association – director and communications director attended
- APS PIO Symposium – communications director attended
- Meet with stakeholders re website Lean Transformation – communications director attended

Law Enforcement Special Detail:

- CUB – Investigator Williams conducted two, Investigator Parris assisted; Investigator Webb conducted one
- Title 4 and Fake ID Training – Investigator Webb taught 4 classes: 64 Officers Title 4 and 50 Officers Fake ID
- Title 4 and Fake ID Training – Investigator Carruthers and Investigator Palubeskie taught 2 classes: 37 Officers
- Title 4 and Fake ID Training – Investigator Williams taught one class: 5 Officers
- Fake ID Training – Investigator Williams taught one class: 22 Civilians
- Title 4 and Fake ID Training – Investigator Zacarias taught one class: unknown number of Officers
- Routine Liquor Inspections Training – Investigator Carruthers and Investigator Palubeskie taught one class: 7 Officers
- Completed 34 site inspections and Title 4 Training management – Ms. Strickland
- Trade Practice Investigations, Title 4 Training management and Stats – Investigator Miller
- Vehicle and RV maintenance – Investigator Trevizo
- POST Annual Shoot – entire division
- Youth Alcohol details – 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 fifty-seven (257) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in thirty-nine (39) criminal citations and one hundred fifty-six (156) administrative violations. The following success statistics were completed by a staff of thirteen (13) full time sworn officers who uphold a statewide officer-to-liquor license ratio of 1:924.

Total investigative actions taken this month were one thousand seven (1,007), which is a decrease of twenty-six (25.5%) percent when compared to the one thousand three hundred fifty-two (1,352) investigative actions taken in March 2014.

Achievements:	Current Month	Total FY 2015	1 Year Ago This Month	Total FY 2014
Routine Liquor Inspections Completed	257	2,001	237	3,434
Criminal Citations Issued	18	473	101	1,254
Criminal Counts Charged	39	958	NA	NA
Administrative Counts Charged	156	898	137	1,473
Hidden Ownerships Completed	4	15	0	24
Site Inspections Completed	17	203	18	297
Non-Actioned (criminal) Complaints	54	312	20	507
Actioned (administrative) Complaints	11	81	7	120
Compliance Case Reports Submitted	50	323	50	648
On-view Violation Case Reports	36	184	33	341
Law Enforcement Liaison Completed	42	573	61	836
Tax Deficiency Charges	42	328	31	277
MVD Affidavit/Suspension	2	123	13	132
Underage Investigations Statistics:				
Citations Issued to Underage	10	344	15	981
Total Violations	35	763	47	1,312
Total Achievements: (including police report reviews and completed protests not listed above)	1,007	9,977	1,352	15,794

Compared to March 2014, the number of citations DLLC investigators issued to underage persons decreased thirty-three (33.3%) percent and the total number of violations decreased twenty-six (25.5%) percent.

SUCCESS STATISTICS
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	1	0	0	2	4	2

Underage persons who are cited for consuming appear to be closer to the legal drinking age. Of the citations issued to underage persons, twenty-two (22.2%) percent were within one year and forty-four (44.4%) percent were within two years of the legal drinking age.

Statute/ Definition	# of Citations Issued This Month	# of Citations Issued in FY 2015	1 Year Ago This Month	# of Citations Issued in FY 2014
A.R.S. § 4-241.A Failure to Check ID	8	61	10	53
A.R.S. § 4-241.L Use of false ID to buy alcohol	5	120	4	62
A.R.S. § 4-241.M Underage solicits third party buyer	0	27	0	24
A.R.S. § 4-241.N Use of false ID to enter premises	0	10	0	54
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	19	339	17	127
A.R.S. § 4-244.41 Alcohol in system of underage	3	160	13	375
A.R.S. § 13-2907.01 Providing false information to state	0	47	1	15
A.R.S. § 28-3478.1 Unlawful use of driver's license	2	67	1	44
A.R.S. § 28-3478.3 Using another person's driver's license	2	21	1	46

The number of underage citations issued in March 2015 decreased seventeen (17.0%) percent compared with March 2014.

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	7	3	5
2015	3	0	0

There was one (1) TRACE case opened this month.

SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred sixty-nine (169) active Series 11 (hotel/motel) licenses and three thousand four hundred eighty-six (3,486) active Series 12 (restaurant) licenses statewide. Compared to March 2014, the number of hotel/motel with restaurant licenses increased by one (1), and the number of restaurant licenses increased by thirty-eight (38) or one (1.1%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand six hundred fifty-five (3,655) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,828.

Audit Status	Current Month	This Month Last Year
Audits closed	10	10
Audits initiated	10	10
Audits in progress	16	16
Open cases w/projected ratio of >37%	12	10
Open cases w/projected ratio between 30 to 37%	4	6
Open cases w/projected ratio of <30%	0	0
Locations granted 1 year to continue operation	2	1
Locations being monitored	84	74

During March 2015, ten (10) audits were completed in Maricopa, Mohave, and Yavapai Counties, which resulted in actionable violations in six (6) cases. On March 31, 2015, there were sixteen (16) audits in process and eighty-four (84) locations being monitored.

Audit Action	Current Month	Total FY 2015	This Month Last Year	Total FY 2014	Total 2003 To Present
Audits completed	10	65	10	92	784
Audits passed	5	39	6	69	422
Audits failed	4	19	3	17	283
Inconclusive	1	7	1	6	73
Other charges only	0	0	0	0	6

In March 2015, audit fines assessed from violations totaled five thousand five hundred seventy-five (\$5,575) dollars. Compared to March 2014, total audit fines assessed from violations increased by three thousand (\$3,000) dollars.

The Audit Unit is now conducting audit training/workshops. Licensees may gain information on how to prepare for an audit by using 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 2015	1 Year Ago This Month	Total FY 2014
Fines Assessed	\$5,575	\$36,650	\$2,575	\$50,300
Continuation License (Grill Bill) Revenue	\$0	\$0	\$0	\$120,000

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	92 audits	\$49,625	\$539
FY 2015	65 audits	\$37,275	\$573

Online Sampling Requests:

During the month of March 2015, there were seven hundred forty-five (745) sampling requests entered into and approved by the new online system. Of all sampling requests, seventeen (17) were cancelled.

Since the beginning of FY 2015, five thousand three hundred forty-four (5,344) sampling requests were entered into the online system saving the department two hundred sixty-seven (267) hours. Of these sampling requests, two hundred (200) were cancelled.

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 2015	1 Year Ago This Month	Total FY 2014
Revocations	0	0	0	1
Suspensions	0	0	0	1
Surrenders	1	7	1	6
Divestitures	0	5	0	2
Administrative Complaints	0	1	0	5
Decisions & Orders	0	1	0	6
Cases Received	91	704	104	856
Cases Completed	31	173	25	183
Cases in Progress	60	531	79	672
Warning Letter Issued	1	17	1	41
Cases Sent to OAH	1	6	0	7

Economic Impact:

Fines collected during the month totaled seventy-five thousand one hundred fifty (\$75,150) dollars from seventy-two (72) adjudicated compliance actions. Compared to last month, February 2015, this represents a ninety (89.5%) percent increase in collected revenues and a seventy-one (71.4%) percent increase in the number of compliance actions processed. Compared to March 2014, this represents a seventy-six (75.9%) percent increase in collected revenues and a thirty-six (35.8%) 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 the negotiation process. Although the payment plan may reduce DLLC's monthly collection of fine revenues in the short term, the long term outcome is intended to keep establishments in business by easing the financial burden of fines.

Fiscal Year	Compliance Actions	Revenues Collected	Average Fine Per Action
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	500	\$473,910	\$948
2014-2015	423	\$379,865	\$898

SUCCESS STATISTICS
Compliance (continued)

Adjudicated Underage Violations:

Statute	Definition	Adjudicated This Month	TOTAL FY 2015	1 Year Ago This Month	TOTAL FY 2014
A.R.S. § 4-241.A	Failure to Check ID	4	62	5	58
A.R.S. § 4-244.1	Unlicensed Resale	4	11	0	5
A.R.S. § 4-244.9	Furnish alcohol to an underage	4	59	5	65
A.R.S. § 4-244.16	Knowingly allow furnishing liquor to underage	0	0	0	0
A.R.S. § 4-244.22	Consume w/o permission of premises owner	0	3	1	5

To date during FY 2015, fines from adjudicated underage violations total sixty-seven thousand (\$67,000) dollars.

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	\$80,625	1	2
2015	\$67,000	0	0

SUCCESS STATISTICS STATE LIQUOR BOARD

The State Liquor Board operates independently from the Director of the Department of Liquor Licenses and Control and is responsible for hearing liquor license applications that have been protested by the public, the governing body of a city, town or county, or the Department Director. Additionally, the Board may hear appeals and overturn or amend decisions of the Director.

Achievements:	Current Month	Total FY 2015	1 Year Ago This Month	Total FY 2014
Hearings Scheduled	5	34	2	42
Licenses Granted	3	10	1	13
Licenses Denied	1	8	0	9
Continuances Granted	0	7	0	11
Continuances Denied	0	1	0	1
Licenses Withdrawn	1	8	1	5
Appeals Heard	0	0	0	2
Rehearings Requested	0	1	0	1
Hearings Cancelled by Director	0	2	0	1

There were five (5) hearings scheduled before the State Liquor Board in March. Of the three (3) applications for a Series 10 Beer and Wine Store, one (1) license was granted, one (1) license was denied, and one (1) application was withdrawn. One (1) Series 12 Restaurant license was granted. One (1) application for change in acquisition/control of a Series 6 Bar license was granted.

STATE LIQUOR BOARD MEMBERS AND TERMS

J.D. Ghelfi (R)	Chairman Maricopa County No Financial Interest	Term Expired January 19, 2015
Cyndy Valdez (R)	Vice Chairman Pima County Wholesaler	Term Expires January 16, 2017
Bill Du Pont (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 Expired January 19, 2015
Jim Carruthers (R)	Yuma County No Financial Interest	Term Expired January 19, 2015
Vacant		Term Expires January 18, 2016

SUCCESS STATISTICS LICENSING DIVISION

The Licensing Division is responsible for processing new license applications, permits, renewals, and maintaining up-to-date and accurate information on active licenses. Compared to this month last year, March 2014, the number of new liquor licenses issued in Arizona decreased eight (8.3%) percent and the number of active licenses increased one (0.7%) percent. Also, compared with March 2014, monthly licensing revenues have decreased four (3.8%) percent from one million one hundred seventy-two thousand nine hundred forty-one (\$1,172,941) dollars during this time last year to one million one hundred twenty-eight thousand three hundred twenty-eight (\$1,128,328) dollars during the current month.

In March 2015, five (5) exempt locations were approved which brings the total active exempt locations in Arizona to eighty-nine (89). An exempt location is an establishment that has: (1) met the criteria established in A.R.S. §4-244.05 and A.A.C. R19-1-324; (2) made application for the exemption; (3) been inspected by a DLLC investigator; and (4) been issued a one-year exemption which allows patrons to bring and consume beer and wine on the premises.

Licensing	Current Month	Total FY 2015	1 Year Ago This Month	Total FY 2014
New licenses issued	111	1,104	121	1,629
Renewed licenses	1,816	10,103	1,878	11,645
Lottery licenses issued	1	12	0	1
Collected Lottery Revenues	\$56,150	\$1,085,000	\$0	\$3,300
Number of Active Liquor Licenses	12,015	12,015*	11,926	11,919*
Exempt Locations Issued	5	70	6	91
Number of Exempt Locations	89	89**	97	102**
Collected Licensing Revenues (including lottery revenues)	\$1,128,328	\$6,280,126	\$1,172,941	\$6,448,750

*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 March 2015

Fair Market Value	56,150
Applications	16,625
License Fees	805,773
Out-of-State	0
Agent Change	7,550
Fines	59,225
Special Event	6,200
Club	0
Penalties	5,400
Copy Fees	7,339
Non-Use Surcharge	19,700
Audit Surcharge	45,300
Enforcement K Surcharge	56,910
Enforcement L Surcharge	34,980
Miscellaneous	5

TOTAL REVENUES COLLECTED **\$1,121,156**
(fingerprints) **7,172**

TOTAL REPORT **\$1,128,328**

LEAN TRANSFORMATION STATEWIDE LICENSING INITIATIVE

The Department was selected by the Governor's Office to participate in Phase I of the statewide Lean Initiative. The following problem statement, goals, and implementation plan were developed and will be monitored in an effort to continuously improve and create efficiencies within the agency.

PROBLEM STATEMENT

In 2014, forty-two (42%) percent of Series 12 applications received had errors (missing documents and incorrect data) requiring an estimated two (1.5) to three (3) hours to review for walk-in and mail in applications. There was an estimated one hundred seventy-one (171) walk-in and fifty-seven (57) mail-in applications that needed two (2) to three (3) reviews which resulted in staff interruptions, processing delays, and disgruntled customers.

GOALS

1. Reduce the number of Series 12 application errors by fifty (50%) percent by May 21, 2015.
2. Improve customer satisfaction with Series 12 application packet fifty (50%) percent by May 31, 2015. Currently, eighty-four (84%) percent of customers view the application as favorable and sixteen (16%) percent suggest it needs improvement.

DLLC Implementation Plan

Objectives	Owner*	Deadline
Improve the License Application Format	Licensing Manager	May 1, 2015
Update the Website with Accurate and Current Information	Communications Director	May 1, 2015
Standardize Processes for All Customer Service Representatives (CSRs)	Licensing Manager	May 1, 2015
New Licensing System	Assistant Director of Administration	December 31, 2016
Reduce Wait Time to Access the Corporation Commission Website	Lean Coach	May 1, 2015
Reduce Wait Time at the Copier	Licensing Manager	May 31, 2015
Improve Date Stamp Process	Licensing Manager	April 15, 2015
Reduce CSR Errors	Licensing Manager	May 31, 2015

*Subject Matter Experts from all divisions are contributing to the implementation of Lean Transformation.

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Legislation

SB1030 MICROBREWERIES; MULTIPLE LICENSES; PRODUCTION; SALES. Makes various changes related to the regulation of microbreweries. Licensed microbreweries are authorized to sell beer produced or manufactured by other microbreweries for consumption only on the premises of the licensee, with some restrictions. A microbrewery licensee may be issued a combined total of seven retail licenses in Arizona if those licenses are issued only as bar, beer and wine bar or restaurant licenses. When a liquor licensee obtains a producer's license, the licensee may retain and is not required to surrender any other microbrewery license or retail licenses that are held by the licensee. Repeals statute placing limitations on producer's license holders selling beer produced by the producer at his/her own on-sale retail premises. Session law provides that persons who hold microbrewery licenses and also hold retail licenses in excess of the total number allowed by this legislation may continue to hold and are not required to surrender any retail license unless that license is inactive at that location for more than six months. The amendment establishes a maximum production limit of 6,200,000 gallons of beer for all microbreweries under common ownership, with the stipulation that any microbrewery producing more than 1,240,000 gallons may not apply for retail licenses for remote locations or distribute beer directly to retail licensees.

The bill passed through the Senate and House and was signed by the Governor on March 31, 2015.

HB2212 LICENSING; ACCOUNTABILITY; ENFORCEMENT; EXCEEDING REGULATION. Statute prohibits municipalities, counties, special taxing districts and state agencies from basing licensing decisions on requirements or conditions that are not specifically authorized by statute, rule, ordinance, code, delegation agreement, tribal gaming compact, or executive order. These sections may be enforced in a private civil action and relief may be awarded against a municipality, county, special taxing district or the state. The court is required to award reasonable attorney fees, costs, damages and license application fees to a party that prevails in an action against the municipality, county, special taxing district or state. The language of these statutes must be prominently printed on all license applications. License applications may be in either print or electronic format.

The bill passed through the House and Senate and was signed by the Governor on March 30, 2015.

HB2317 LABELING; ARIZONA WINE. Liquor licensees are authorized to sell wine with a label that indicates that the wine originates from Arizona if at least 75 percent of the wine is derived from fruit or agricultural products grown in Arizona and the wine has been fully finished in Arizona. A licensee that complies with these requirements is not subject to criminal, civil or administrative action for a violation of the statutory requirement that at least 75 percent by volume of the grapes used in making the wine be grown in Arizona for the label to be allowed to include a reference to Arizona or any Arizona location.

The bill passed through the House and Senate and was signed by the Governor on March 30, 2015.

HB2362 DEPARTMENT OF LIQUOR LICENSES; CONTINUATION. Amends A.R.S. § 41-3025.12 by continuing the Arizona Department of Liquor until July 1, 2023.

The Governor signed the bill on March 30, 2015.

END OF DLLC MARCH 2015 REPORT TO THE GOVERNOR