

GOVERNOR'S MONTHLY REPORT

April 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 April 2015, DLLC conducted investigations of fourteen (14) liquor-licensed establishments in Phoenix, Glendale, Scottsdale, Chandler, Tempe, Rio Rico, Nogales and Sonoita. Three (3) CUBs were used. Six (6), or forty-three (42.9%) percent, of these establishments sold alcohol to a CUB resulting in sixteen (16) administrative violations and six (6) criminal citations. All fourteen (14) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand seven hundred forty (3,740) establishments have been investigated and one thousand one hundred eighty (1,180) or thirty-two (31.6%) percent have sold to CUB buyers resulting in two thousand eight hundred thirty-four (2,834) administrative violations and two thousand two hundred eighty-seven (2,287) 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	66	27	41	67	45

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:

- Alliance Beverage tour – director attended
- Brownstein Hyatt Farber Schreck meet and greet – director attended
- Arizona Craft Brewer's Guild meet and greet – director and interim deputy director attended
- Crescent Crown Distributors tour – director attended
- Withey Morris PLC meet and greet – director attended
- Tucson Police Department meet and greet – director attended
- Finley Distribution tour – director attended
- Golden Eagle Distributor tour – director attended
- Arizona Licensed Beverage Assoc (ALBA) meet and greet – director attended
- Southern Wine & Spirits tour – director attended
- Phoenix Police Department meet and greet – director attended
- Arizona Substance Abuse Partnership (ASAP) – director attended
- Lean transformation meetings – assistant director of licensing and communications director attended
- New department director, industry meet and greets – director and communications director facilitated
- Tempe All Stars Family Alcohol Education – communications director facilitated

Law Enforcement Special Detail:

- CUB – Investigator Williams conducted one; Investigator Webb conducted one, Investigator Sanchez assisted
- Trade Practice Investigation, Event Management, Fake ID and Fraud Documents Training for National Liquor Law Enforcement Association (NLLEA) in Idaho – Investigator Miller
- Responsible Retailing Forum Training for National Alcohol Beverage Control Association (NABCA) in Oklahoma – Investigator Miller
- Full Time FTO for Investigator Swift – Investigator Palubeskie
- Completed 30 site inspections, Title 4 Training management and Complaint Hotline – Ms. Strickland
- Trade Practice Investigations, Title 4 Training management and Stats – Investigator Miller
- Vehicle and RV maintenance – Investigator Trevizo
- Country Thunder – 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 thirty-four (234) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred forty-two (142) criminal citations and seventy-four (74) 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 1:855.

Total investigative actions taken this month were one thousand three hundred ninety-six (1,396), which is a decrease of seventeen (17.3%) percent when compared to the one thousand six hundred eighty-eight (1,688) investigative actions taken in April 2014.

Achievements:	Current Month	Total FY 2015	1 Year Ago This Month	Total FY 2014
Routine Liquor Inspections Completed	234	2,235	245	3,434
Criminal Citations Issued	142	615	203	1,254
Criminal Counts Charged	268	1,226	NA	NA
Administrative Counts Charged	74	972	83	1,473
Hidden Ownerships Completed	0	15	12	24
Site Inspections Completed	26	229	25	297
Non-Actioned (criminal) Complaints	22	334	20	507
Actioned (administrative) Complaints	3	84	6	120
Compliance Case Reports Submitted	29	352	40	648
On-view Violation Case Reports	19	203	31	341
Law Enforcement Liaison Completed	60	633	69	836
Tax Deficiency Charges	16	344	6	277
MVD Affidavit/Suspension	8	131	6	132
Underage Investigations Statistics:				
Citations Issued to Underage	135	479	282	981
Total Violations	252	1,015	317	1,312
Total Achievements: (including police report reviews and completed protests not listed above)	1,396	11,373	1,688	15,794

Compared to April 2014, the number of citations DLLC investigators issued to underage persons decreased fifty-two (52.1%) percent and the total number of violations decreased twenty-one (20.5%) percent.

SUCCESS STATISTICS
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	1	3	4	9	17	37	52

Underage persons who are cited for consuming appear to be closer to the legal drinking age. Of the citations issued to underage persons, forty-two (42.3%) percent were within one year and thirty (30.1%) 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	1	62	8	53
A.R.S. § 4-241.L Use of false ID to buy alcohol	2	122	3	62
A.R.S. § 4-241.M Underage solicits third party buyer	0	27	1	24
A.R.S. § 4-241.N Use of false ID to enter premises	1	11	3	54
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	127	466	146	127
A.R.S. § 4-244.41 Alcohol in system of underage	120	280	143	375
A.R.S. § 13-2907.01 Providing false information to state	2	49	2	15
A.R.S. § 28-3478.1 Unlawful use of driver's license	7	74	2	44
A.R.S. § 28-3478.3 Using another person's driver's license	1	22	3	46

The number of underage citations issued in April 2015 decreased sixteen (16.1%) percent compared with April 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	4	3	2

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

SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred sixty-five (165) active Series 11 (hotel/motel) licenses and three thousand three hundred ninety (3,390) active Series 12 (restaurant) licenses statewide. Compared to April 2014, the number of hotel/motel with restaurant licenses increased by two (2) or one (1.2%) percent, and the number of restaurant licenses increased by fifty-five (55) or two (1.6%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand five hundred fifty-five (3,555) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,778.

Audit Status	Current Month	This Month Last Year
Audits closed	9	5
Audits initiated	9	5
Audits in progress	16	16
Open cases w/projected ratio of >37%	10	10
Open cases w/projected ratio between 30 to 37%	5	6
Open cases w/projected ratio of <30%	1	0
Locations granted 1 year to continue operation	1	1
Locations being monitored	95	79

During April 2015, nine (9) audits were completed in La Paz, Maricopa, Mohave, and Pima Counties, which resulted in actionable violations in six (6) cases. On April 30, 2015, there were sixteen (16) audits in process and ninety-five (95) locations being monitored.

Audit Action	Current Month	Total FY 2015	This Month Last Year	Total FY 2014	Total 2003 To Present
Audits completed	9	74	5	92	793
Audits passed	5	44	1	69	427
Audits failed	2	21	3	17	285
Inconclusive	2	9	1	6	75
Other charges only	0	0	0	0	6

In April 2015, audit fines assessed from violations totaled twenty thousand eight hundred seventy-five (\$20,875) dollars. Compared to April 2014, total audit fines assessed from violations increased by seventeen thousand five hundred (\$17,500) 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	\$20,875	\$57,525	\$3,375	\$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	84 audits	\$39,900	\$475

Online Sampling Requests:

During the month of April 2015, there were seven hundred and sixty-three (763) sampling requests entered into and approved by the new online system. Of all sampling requests, fourteen (14) were cancelled.

Since the beginning of FY 2015, six thousand one hundred seven (6,107) sampling requests were entered into the online system saving the department three hundred five (305) hours. Of these sampling requests, two hundred fourteen (214) 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	1	1	0	1
Surrenders	2	9	1	6
Divestitures	1	6	0	2
Administrative Complaints	1	2	1	5
Decisions & Orders	0	1	0	6
Cases Received	51	755	59	856
Cases Completed	10	183	14	183
Cases in Progress	41	572	44	672
Warning Letter Issued	3	20	0	41
Cases Sent to OAH	0	6	0	7

Economic Impact:

Fines collected during the month totaled seventy-four thousand (\$74,000) dollars from sixty-six (66) adjudicated compliance actions. Compared to last month, March 2015, this represents a two (1.5%) percent decrease in collected revenues and an eight (8.3%) percent decrease in the number of compliance actions processed. Compared to April 2014, this represents a six (6.3%) percent increase in collected revenues and a four (4.3%) 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.

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	489	\$453,865	\$928

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	13	75	10	58
A.R.S. § 4-244.1	Unlicensed Resale	3	14	3	5
A.R.S. § 4-244.9	Furnish alcohol to an underage	1	60	10	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	1	4	0	5

To date during FY 2015, fines from adjudicated underage violations total seventy-seven thousand eight hundred seventy-five (\$77,875) 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	\$77,875	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	7	41	6	42
Licenses Granted	4	14	1	13
Licenses Denied	1	9	1	9
Continuances Granted	2	9	3	11
Continuances Denied	0	1	1	1
Licenses Withdrawn	0	8	0	5
Appeals Heard	0	0	1	2
Rehearings Requested	0	1	0	1
Hearings Cancelled by Director	0	2	0	1

There were seven (7) hearings scheduled before the State Liquor Board in April. Two (2) Series 12 Restaurant licenses were granted. Of the two (2) applications for a Series 6 Bar license, one (1) was granted and one (1) was denied. One (1) Series 9 Liquor Store 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, April 2014, the number of new liquor licenses issued in Arizona increased twenty-eight (28.3%) percent and the number of active licenses increased one (1.2%) percent. Also, compared with April 2014, monthly licensing revenues have increased thirty-three (32.5%) percent from six hundred seventy-six thousand eight hundred ninety-three (\$676,893) dollars during this time last year to eight hundred ninety-six thousand nine hundred twenty-nine (\$896,929) dollars during the current month.

In April 2015, four (4) exempt locations were approved which brings the total active exempt locations in Arizona to eighty-eight (88). 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	177	1,281	138	1,629
Renewed licenses	606	10,709	418	11,645
Lottery licenses issued	2	14	0	1
Collected Lottery Revenues	\$117,575	\$1,202,575	\$0	\$3,300
Number of Active Liquor Licenses	11,972	11,972*	11,830	11,919*
Exempt Locations Issued	4	74	5	91
Number of Exempt Locations	88	88**	95	102**
Collected Licensing Revenues (including lottery revenues)	\$896,929	\$7,177,055	\$676,893	\$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 April 2015

Fair Market Value	117,575
Applications	15,700
License Fees	550,885
Out-of-State	0
Agent Change	8,700
Fines	69,625
Special Event	6,575
Club	2,525
Penalties	23,400
Copy Fees	3,997
Non-Use Surcharge	21,700
Audit Surcharge	21,510
Enforcement K Surcharge	29,225
Enforcement L Surcharge	18,650
Miscellaneous	20

TOTAL REVENUES COLLECTED **\$890,087**
(fingerprints) **6,842**

TOTAL REPORT **\$896,929**

**LEAN TRANSFORMATION
STATEWIDE LICENSING INITIATIVE**

DLLC staff has been working with ADOA staff to finalize an implementation statement, engage customers in the continuous improvement process, reduce Series 12 application errors, and develop consistent Licensing policies and procedures.

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

2015 Arizona Liquor License Lottery

Of the 17 series of liquor licenses available in Arizona, only these three are issued in limited quantities by county; the bar license (series 6), the beer and wine bar license (series 7), and the liquor store license (series 9). These three licenses are called "quota" licenses.

2015 marks the eighth liquor license lottery held in Arizona. Quota licenses are issued by county when the population increases by 10,000. Of the 15 Arizona counties, Maricopa, Pima and Yuma experienced population growth of more than 10,000. The number of lottery licenses offered is determined by the population increase since 2010 minus the number of quota licenses issued in that county since 2010.

Before each lottery is conducted, two independent auditors determine the Fair Market Value of each license. Fair market values have ranged from a low of \$5,233 for a beer and wine bar license in Gila County to a high of \$235,800 for a liquor store license in Maricopa County.

When the number of entrants exceeds the number of quota licenses offered, a Random Selection Drawing is held to determine the entrants who will continue with the application process. If entrants selected in the random selection drawing elect not to continue with the application process, the license will be offered to the "alternate" identified in the drawing. For more Liquor License Lottery information, follow this link to DLLC's website: <http://www.azliquor.gov/lotresult.cfm>.

Legislation

HB2178 STRIKE EVERYTHING AMENDMENT. Amends A.R.S. § 4-244(20) by adding wine as an exception to the prohibition that people cannot consume spirituous liquor in a public place. Under this statute, a person may consume beer OR WINE from a broken package in a public recreation area or on private property with permission of the owner or lessor.

The bill was vetoed by the Governor on April 14, 2015.

The Arizona Legislature, 52nd Legislature, First Regular Session adjourned Sine Die on April 3, 2015 at 3:37 a.m.

Online Annual Production Reporting

During January 2015 through March 2015, DLLC instituted new online annual production reporting for farm wineries (in-state and out-of-state), microbreweries (in-state and out-of-state), and limited out-of-state wineries. There were nine hundred ninety-eight (998) total licenses within these categories that were issued prior to December 31, 2014, and were required to report. As of March 10, 2015, five hundred seventy-nine (579) or fifty-eight (58%) percent of these licensees did not report through the new online reporting system. Reminder emails/letters, generated by the new system, were sent to all but seven (7) licensees that had failed to report.

It is estimated that the amount of time spent to generate the outstanding reports, review the reports for those licensees that were required to report, update email addresses, and send reminder emails/letters was approximately twenty-four (24) hours. If the Audit Unit had to manually track the production reports, create an outstanding reports listing, and create reminder emails/letters it would have taken at least seven thousand eight hundred eighty-five (7,885) minutes, or approximately one hundred thirty-one (131) hours. The online reporting system created an estimated time savings of one hundred seven (107) hours or thirteen (13.4) days.

END OF DLLC APRIL 2015 REPORT TO THE GOVERNOR