

# GOVERNOR'S MONTHLY REPORT

July 2015

(Revised 11/22/16)



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 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 July 2015, DLLC conducted investigations of twelve (12) liquor-licensed establishments in Phoenix, Mesa, Tempe, Coolidge, Casa Grande, Gilbert and Goodyear. Three (3) CUBs were used. Five (5), or forty-two (41.7%) percent, of these establishments sold alcohol to a CUB resulting in ten (10) administrative violations and nine (9) criminal citations. All twelve (12) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand eight hundred three (3,803) establishments have been investigated and one thousand one hundred ninety-eight (1,198) or thirty-two (31.5%) percent have sold to CUB buyers resulting in two thousand eight hundred seventy-three (2,873) administrative violations and two thousand three hundred fourteen (2,314) 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>	310	98	32	220	143
<b>2014</b>	181	76	42	179	122
<b>2015</b>	129	45	35	106	72

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:**

- East Valley Chiefs meeting, director participated
- Meet with Craft Brewer Industry, director facilitated
- Arizona Food Marketer's Association (AFMA) interview, director and deputy director attended
- Arizona Narcotics Officer Association (ANOVA) liquor law training, director and deputy director attended
- Arizona Liquor Wholesaler meeting, director facilitated
- Governor's Office of Highway Safety (GOHS) training, director and deputy director participated
- Arizona Food Marketer's Association (AFMA) meet and greet meeting, director & deputy director attended
- Meeting with Hensley, director and deputy director attended
- FBI National Academy Associates (FBINAA) Annual Conference, deputy director attended
- Tempe All Stars Peer Leadership Summer Training, communications director facilitated

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

- CUB – Investigator Williams and Investigator Palubeskie conducted two
- Governor's Office of Highway Safety (GOHS) Conference – Investigator Palubeskie and Investigator Webb attended
- Arizona Narcotics Officers Association (ANOVA) Conference – Investigator Palubeskie and Investigator Carruthers attended
- National Liquor Law Enforcement Association (NLLEA) Meeting – Sergeant Kuhl attended
- Title 4 Training at ANOVA Conference for 13 Officers – Investigator Carruthers
- Wine Laws Training at Verde Valley Community College for 25 students – Investigator Miller and Investigator Turner
- Title 4 Training at Mesa PD for 27 Officers – Investigator Parris and Investigator Williams
- Trade Practice, Title 4 Training Management, Stats, Letters to Producers answering requests, and In-House Training – Investigator Miller
- Completed 34 Site Inspections, Title 4 Training Management and Complaint Hotline – Ms. Strickland
- Vehicle and RV maintenance – Investigator Trevizo
- 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 sixty-five (265) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in thirty-four (34) criminal charges and eighty-seven (87) administrative violations. The following success statistics were completed by a nonsupervisory staff of eleven (11) full time sworn officers who uphold a statewide officer-to-liquor license ratio of 1:1,095.

Total investigative actions taken this month were one thousand one hundred nine (1,109), which is an increase of ten (9.7%) percent when compared to the one thousand eleven (1,011) investigative actions taken in July 2014.

<b>Achievements:</b>	<b>Current Month</b>	<b>Total FY 2016</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2015</b>
Routine Liquor Inspections Completed	265	265	256	2,710
Criminal Citations Issued	21	21	32	660
Criminal Counts Charged	34	34	53	1,300
Administrative Counts Charged	87	87	158	1,140
Hidden Ownerships Completed	2	2	2	16
Site Inspections Completed	21	21	25	272
Non-Actioned (Criminal) Complaints	25	25	35	423
Actioned (Administrative) Complaints	13	13	13	96
Compliance Case Reports Submitted	33	33	36	423
On-view Violation Case Reports	14	14	14	256
Law Enforcement Liaison Completed	73	73	80	786
Tax Deficiency Charges	12	12	23	374
MVD Affidavit/Suspension	1	1	5	140
<b>Underage Investigations Statistics:</b>				
Citations Issued to Underage Persons	9	9	13	505
Total Underage Violations	22	22	38	1087
<b>Total Achievements:</b> (including police report reviews and completed protests not listed above)	1,109	1,109	1,011	13,373

Compared to July 2014, the number of citations DLLC investigators issued to underage persons decreased thirty-one (30.8%) percent and the total number of underage violations decreased forty-two (42.1%) percent.

**SUCCESS STATISTICS**  
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	0	1	2	1	5

Of the citations issued to underage persons, fifty-six (55.6%) percent were within one year and eleven (11.1%) percent were within two years of the legal drinking age.

Statute/ Definition	Number of Counts Charged This Month	Number of Counts Charged in FY 2016	1 Year Ago This Month	Number of Counts Charged in FY 2015
<b>A.R.S. § 4-241(A)</b> Failure to request ID from underage; accepting unauthorized forms of ID	5	5	7	77
<b>A.R.S. § 4-241(L)</b> Underage who uses false ID to buy alcohol	0	0	0	128
<b>A.R.S. § 4-241(M)</b> Underage who solicits another person for alcohol	0	0	0	30
<b>A.R.S. § 4-241(N)</b> Underage who uses of false ID to gain entry to a liquor business	2	2	5	12
<b>A.R.S. § 4-241(P)</b> Person purchasing alcohol for underage	0	0	1	6
<b>A.R.S. § 4-244(9)</b> Furnishing alcohol to an underage; underage in possession/consumption	12	12	18	499
<b>A.R.S. § 4-244(20)</b> Consuming spirituous liquor in public place, thoroughfare or gathering	2	2	9	24
<b>A.R.S. § 4-244(41)</b> Underage with alcohol in system	3	3	10	291
<b>A.R.S. § 13-2907.01</b> False reporting to law enforcement agencies	0	0	1	5
<b>A.R.S. § 13-3613</b> Contributing to delinquency and dependency of a child	0	0	1	4
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver license	1	1	0	75
<b>A.R.S. § 28-3478.3</b> Using another person's driver license	2	2	3	24

The number of underage violations issued in July 2015 decreased forty-four (44.4%) percent compared with July 2014.

## SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred seventy (170) active Series 11 (hotel/motel) licenses and three thousand four hundred thirty-nine (3,439) active Series 12 (restaurant) licenses statewide. Compared to July 2014, the number of hotel/motel with restaurant licenses increased by six (6) or four (3.7%) percent, and the number of restaurant licenses increased by eighty-three (83) or two (2.5%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand six hundred nine (3,609) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,805.

<b>Audit Status</b>	<b>Current Month</b>	<b>This Month Last Year</b>
<b>Audits closed</b>	7	8
<b>Audits initiated</b>	7	8
<b>Audits in progress</b>	16	16
<b>Open cases w/projected ratio of &gt;37%</b>	13	13
<b>Open cases w/projected ratio between 30 to 37%</b>	3	3
<b>Open cases w/projected ratio of &lt;30%</b>	0	0
<b>Locations granted 1 year to continue operation</b>	0	0
<b>Locations being monitored</b>	82	77

During July 2015, seven (7) audits were completed in Maricopa, Mohave, and Pima Counties, which resulted in actionable violations in three (3) cases. On July 31, 2015, 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 2016</b>	<b>This Month Last Year</b>	<b>Total FY 2015</b>	<b>Total 2003 To Present</b>
<b>Audits completed</b>	7	7	8	91	817
<b>Audits passed</b>	5	5	4	56	444
<b>Audits failed</b>	1	1	3	25	290
<b>Inconclusive</b>	1	1	1	10	77
<b>Other charges only</b>	0	0	0	0	6

In July 2015, audit fines assessed from violations totaled three thousand (\$3,000) dollars. Compared to July 2014, total audit fines assessed from violations decreased by one thousand six hundred twenty-five (\$1,625) dollars.

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

**Audit Revenue 2-year Comparison**

Audit Action	Current Month	Total FY 2016	1 Year Ago This Month	Total FY 2015
Fines Assessed	\$3,000	\$3,000	\$4,625	\$71,350

Audit statistics since FY 2007 are noted below:

Year	Audits Completed	Revenues Collected	Average Fine per Audit
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	91 audits	\$47,725	\$524
FY 2016	7 audits	\$14,000	\$2,000

**Online Sampling Requests:**

DLLC developed and instituted online sampling requests. After the requesting licensee enters the date, time and location, the system then verifies whether: (1) there are other sampling events at the same location on the same date, (2) the requestor has not exceeded twelve (12) allowed sampling events per location per year, and (3) the location meets the requirements of a sampling location. If the system determines the sampling request meets all of the requirements, the sampling event is booked, an email along with a "Notice of Sampling" credential is instantly emailed to the distributor, and a notification email is sent to the retail location.

During the month of July 2015, there were five hundred sixty-nine (569) sampling requests entered into and approved by the on-line system. Of these sampling requests thirty-three (33) were cancelled. In FY 2016, the online system has saved over twenty-eight (28.45) staff hours.

## 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 2016	1 Year Ago This Month	Total FY 2015
Revocations	0	0	0	0
Suspensions	0	0	0	2
Surrenders	2	2	1	10
Divestitures	2	2	0	7
Administrative Complaints	0	0	1	2
Decisions & Orders	0	0	0	1
Cases Received	333	333	57	843
Cases Completed	161	161	7	198
Cases in Progress	172	172	50	645
Warning Letter Issued	10	10	1	22
Cases Sent to OAH	0	0	1	7

### Economic Impact:

Fines collected during the month totaled seventy thousand nine hundred (\$70,900) dollars from fifty-four (54) adjudicated compliance actions. Compared to last month, June 2015, this represents a one hundred fifty (149.9%) percent increase in collected revenues and a fifty (50.0%) percent increase in the number of compliance actions processed. Compared to July 2014, this represents a one hundred forty-five (145.1%) percent increase in collected revenues and a fifty (50.0%) 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
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	561	\$516,365	\$920
2015-2016	54	\$70,900	\$1,313

**SUCCESS STATISTICS**  
Compliance (continued)

**Adjudicated Underage Violations:**

Statute	Adjudicated This Month	TOTAL FY 2016	1 Year Ago This Month	TOTAL FY 2015
<b>A.R.S. § 4-241(A)</b> Failure to request ID from underage; accepting unauthorized forms of ID; failure to follow the identification procedure prescribed by statutes	4	4	12	92
<b>A.R.S. § 4-241(L)</b> Underage who uses false ID to buy alcohol	0	0	0	0
<b>A.R.S. § 4-241(M)</b> Underage who solicits another person for alcohol	0	0	0	0
<b>A.R.S. § 4-241(N)</b> Underage who uses of false ID to gain entry to a liquor business	0	0	0	0
<b>A.R.S. § 4-241(P)</b> Person purchasing alcohol for underage	0	0	0	0
<b>A.R.S. § 4-244(1)</b> Unlicensed Resale	1	1	2	20
<b>A.R.S. § 4-244(9)</b> Furnishing alcohol to an underage; underage in possession/consumption	4	4	12	89
<b>A.R.S. § 4-244(16)</b> Knowingly allow furnishing liquor to underage	0	0	0	0
<b>A.R.S. § 4-244(22)</b> Underage on premises without parent (on-sale); consume without permission of premises owner	0	0	0	6
<b>A.R.S. § 4-244(41)</b> Underage with alcohol in system	0	0	0	0
<b>A.R.S. § 13-2907(01)</b> False reporting to law enforcement agencies	0	0	0	0
<b>A.R.S. § 28-3478(1)</b> Unlawful use of driver license	0	0	0	0
<b>A.R.S. § 28-3478(3)</b> Using another person's driver license	0	0	0	0

During FY 2016, fines from adjudicated underage violations total twenty-nine thousand five hundred (\$29,500) dollars.

**Compliance Statistics Resulting From Underage Violations:**

Fiscal Year	Fines Collected	Licenses Suspended	Licenses Revoked
<b>2011</b>	\$214,500	2	0
<b>2012</b>	\$82,265	1	0
<b>2013</b>	\$125,500	4	1
<b>2014</b>	\$80,625	1	2
<b>2015</b>	\$82,375	0	0
<b>2016</b>	\$29,500	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.

<b>Achievements:</b>	<b>Current Month</b>	<b>Total FY 2016</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2015</b>
<b>Hearings Scheduled</b>	2	2	5	57
<b>Licenses Granted</b>	0	0	1	20
<b>Licenses Denied</b>	1	1	2	11
<b>Continuances Granted</b>	1	1	0	11
<b>Continuances Denied</b>	0	0	1	1
<b>Licenses Withdrawn</b>	0	0	1	13
<b>Appeals Heard</b>	0	0	0	0
<b>Rehearings Requested</b>	0	0	0	1
<b>Hearings Cancelled by Director</b>	0	0	1	3

There were two (2) hearings scheduled before the State Liquor Board in July. One (1) hearing was continued to the September meeting. One (1) Series 9 Liquor Store license was denied. The Board will not meet in August.

### 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, July 2014, the number of new liquor licenses issued in Arizona decreased six (6.3%) percent and the number of active licenses increased one (0.9%) percent. Also, compared with July 2014, monthly licensing revenues have decreased fifteen (14.6%) percent from seven hundred four thousand two hundred twenty-two (\$704,222) dollars during this time last year to six hundred one thousand seven hundred thirty-five (\$601,735) dollars during the current month.

In July 2015, six (6) exempt locations were approved which brings the total active exempt locations in Arizona to eighty-four (84). 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 2016	1 Year Ago This Month	Total FY 2015
<b>New Licenses Issued</b>	119	119	127	1,559
<b>Renewed Licenses</b>	836	836	855	11,952
<b>Lottery Licenses Issued</b>	0	0	0	16
<b>Collected Lottery Revenues</b>	\$0	\$0	\$245,450	\$1,208,300
<b>Number of Active Liquor Licenses</b>	12,053*	12,053*	11,951*	12,052*
<b>Exempt Locations Issued</b>	6	6	9	84
<b>Number of Exempt Locations</b>	84**	84**	106**	86**
<b>Collected Licensing Revenues</b> (including lottery revenues)	\$601,735	\$601,735	\$704,222	\$7,884,153

\*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 July 2015

Fair Market Value	0
Applications	15,325
License Fees	366,740
Out-of-State	0
Agent Change	5,200
Fines	68,275
Special Event	2,000
Club	6,450
Penalties	5,250
Copy Fees	5,149
Non-Use Surcharge	46,200
Audit Surcharge	13,350
Enforcement K Surcharge	32,480
Enforcement L Surcharge	29,420
Miscellaneous	0

**TOTAL REVENUES COLLECTED**      **\$595,839**

(fingerprints)      **5,896**

**TOTAL REPORT**      **\$601,735**

**LEAN TRANSFORMATION  
STATEWIDE LICENSING INITIATIVE**

In FY 2015, DLLC issued one thousand five hundred forty-one (1,541) new licenses. Beginning in FY 2016, all DLLC license applications will be included in the continuous improvement process. Customer service representatives (CSRs) have received training and resource materials to ensure that consistent licensing policies and procedures are used when processing applications. A standardized process will help reduce CSR errors, improve processing time, and improve customer satisfaction rates.

On a biweekly basis, the Licensing Manager will track process improvement with the LAG Metric, LEAD Metric, Touch Time, and Stop Sign.

**DLLC Process Improvement**

<b>Biweekly Measurement</b>	<b>Description</b>	<b>Results</b>
LAG Metric	Average number of days to issue a liquor license from the date an application is received	Goal: 80 days
LEAD Metric	Average number of days from the date an application is received to the date the application is accepted and entered into LCS	Goal: 5 days
Touch Time	Average number of minutes a CSR "touches" an application during the process	Results will be tracked beginning August 1, 2015
Stop Sign	Average number of applications with missing or incorrect information per CSR	Target: 2

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

### New Laws

Laws that became effective on July 3, 2015 are included in the 2015 Title 4 Law Book. This book is created for department staff and is provided as a public courtesy on the department's website. Follow this link for a PDF, printable version of the 2015 [Title 4 Law Book](#).

This compilation of the Arizona Revised Statutes is complete as amended through the 52nd Legislature, First Regular Session [adjourned April 3, 2015] and is available on the Legislature's and Secretary of State's websites.

Follow this link for the official reference to [Arizona Revised Statutes - Title 4](#).

Follow this link for the official reference to [Arizona Administrative Code - Title 19 Chapter 1](#).

### Title 4 Training

DLLC may require Title 4 training for applicants, licensees, managers, agents and other employees as provided by A.R.S. § 4-112(G)(2).

**Basic Training.** A Basic Certificate of Completion is required in addition to a Management Certificate of Completion for all Owners, Agents, and Managers actively involved in the day-to-day operations of the business. Basic courses can be for off-sale, on-sale or both. The Basic Title 4 training Certificate of Completion is valid for (3) three years from the completion date recorded on the certificate. Arizona liquor law does not require all employees of licensed establishments to have a Certificate of Completion for Basic Title 4 Training.

**Management Training.** Liquor License Owners, Agents, and Managers actively involved in the day-to-day operations of the business are required to complete a state approved Management Title 4 Training Course prior to the issuance of a Liquor License or approval of a Management Agreement. A Basic Certificate of Completion is a pre-requisite for enrolling in and completing a Management Course. The Management Title 4 Training Certificate of completion will be valid for (3) three years from the completion date recorded on the certificate.

Follow this link for a list of DLLC-approved businesses that provide Title 4 (Arizona liquor law) training courses: <http://www.azliquor.gov/communications/trainers/PrintTrainerList.cfm>.

END OF DLLC JULY 2015 REPORT TO THE GOVERNOR