

GOVERNOR'S MONTHLY REPORT

JUNE 2012



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 June 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 DLLC has reasonable suspicion that a liquor-licensed establishment is selling liquor to underage customers, the agency will send in a covert underage buyer, or CUB, to attempt to purchase liquor. The CUBs are between the age of fifteen (15) and nineteen (19), and are carefully trained by DLLC investigators to understand and follow state laws, including DLLC's CUB investigations guidelines. DLLC provides CUB program training to all Arizona law enforcement agencies, allowing the program to operate statewide.

DLLC conducted investigations of seventeen (17) liquor-licensed establishments using four (4) CUBs. Eight (8), or forty-seven (47.1%) percent, of these establishments sold alcohol to a (CUB) resulting in fourteen (14) criminal and sixteen (16) administrative violations. All seventeen (17) locations were investigated in response to complaints received by DLLC.

DLLC saw an increase of fourteen (14.3%) percent in the number of establishments (8) that sold to CUBS compared to the previous month, May 2012 (7). There was no change in the number of establishments that sold to CUBs when compared to June 2011. To date in CY 2012, thirty-five (35.1%) percent of establishments investigated sold to CUBs.

Since the inception of the program, three thousand seventy-nine (3,079) establishments have been investigated and nine hundred thirty-six (936) or thirty (30.4%) percent have sold to CUB buyers resulting in two thousand two hundred twenty-seven (2,227) administrative violations and one thousand eight hundred sixty-four (1,864) 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	111	39	35%	84	80

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.

GRANTS & FUNDING
LIQUOR ENFORCEMENT & EDUCATION OUTREACH GRANT
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) 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	3	8	0

There was one (1) new TRACE case opened this month in Mohave County. There are currently no TRACE cases in pending status.

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 in Arizona.

Community and agency outreach during the month:

- Southern Arizona Law Enforcement Managers (SALEM) meeting-Director attended
- Liquor Industry Forums in Prescott and Tempe- Director and Communications Director instructed
- Arizona Department of Health Services/Sexual Violence Prevention and Education Program and Peer Solutions ABC (Arizona Bar Bystander Campaign) focus groups-Director of Communications attended
- Communities Preventing Substance Abuse Work Group- Asst. Director of Administration attended
- National Conference of State Liquor Administrators- Asst. Director of Administration attended
- Title 4 update training session-All staff attended

Law Enforcement Special Detail:

- North American Gaming Regulatory Association (NAGRA) training-Ribera
- Phoenix PD HIDTA assignment-Ribera
- Greenlee County hidden ownership assist and Youth Alcohol work-Ribera
- Westgate DUI Taskforce-Turner
- 2 CUB details-Palubeskie and Turner
- Chandler party detail-Palubeskie
- West Valley DUI, Lake detail and unlicensed establishment work -Trevizo
- Mohave County work-Eaton
- Liquor Industry Forum in Prescott-Sgt Kuhl and Turner instructed
- Liquor Industry Forum in Tempe-Palubeskie instructed
- SB1070 training and Title 4 update-All officers
- Out of area complaints-All officers

SUCCESS STATISTICS INVESTIGATIONS

It is the responsibility of the Investigations Division to ensure that all licensees statewide adhere to A.R.S. Title 4 (Arizona liquor laws) and all Rules established by the DLLC.

Investigators completed two hundred sixty-two (262) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred twenty-nine (129) criminal citations and one hundred sixty-one (161) administrative violations. The following success statistics were completed by a staff of fourteen (14) fulltime, sworn officers who uphold a statewide officer-to-liquor license ratio of 1:830.

Total investigative achievements were nine hundred seventy-one (971) this month which is an increase of eighteen (17.5%) percent when compared to the eight hundred twenty-six (826) investigative achievements in June 2011. Total investigative achievements increased twenty-four (24.2%) percent compared to FY 2011.

Achievements:	Current Month	Total FY 2012	1 Year Ago This Month	Total FY 2011
Hidden Ownerships Completed	8	25	1	18
Site Inspections Completed	31	760	61	698
Actioned (administrative) Complaints	11	72	10	102
Non-Actioned (criminal) Complaints	42	454	30	459
Administrative Counts Charged	161	1,666	112	1,425
Criminal Citations Issued	129	1,809	139	1,602
Routine Liquor Inspections Completed	262	2,503	209	2,459
Compliance Case Reports Submitted	65	889	60	686
On-view Violation Case Reports	42	758	48	528
Law Enforcement Liaison Completed	72	985	70	632
Underage Investigations Statistics:				
Citations Issued to Underage	46	918	4	580
Total Violations	102	1,715	82	914
Total Achievements:	971	12,554	826	10,103

The number of citations DLLC investigators issued to underage persons increased from 4 to 46 and the total number of violations increased from 82 to 102 compared to June 2011. Total citations issued to underage persons increase fifty-eight (58.3%) percent when compared to FY 2011.

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	3	1	2	1	11	8	20

Of the forty-six (46) citations the DLLC investigators issued to underage persons, twenty (20) were twenty years old, eight (8) were nineteen years old, eleven (11) were eighteen years old, one (1) was seventeen years old, two (2) were sixteen years old, one (1) was fifteen years old and three (3) were under the age of fifteen.

SUCCESS STATISTICS
Investigations (continued)

Statute/ Definition	# of Citations Issued This Month	# of Citations Issued in FY 2012	1 Year Ago This Month	# of Citations Issued in FY 2011
A.R.S. § 4-241.A Failure to Check ID	8	59	18	113
A.R.S. § 4-241.L Use of false ID to buy alcohol	1	154	3	114
A.R.S. § 4-241.M Underage solicits third party buyer	0	34	n/a	n/a
A.R.S. § 4-241.N Use of false ID to enter premises	18	93	0	7
A.R.S. § 4-244.1 Selling without a license	1	9	0	4
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	14	554	57	599
A.R.S. § 4-244.20 Consume in a public place	8	59	n/a	n/a
A.R.S. § 4-244.34 Underage DUI	0	0	0	0
A.R.S. § 4-244.41 Alcohol in system of underage	29	548	n/a	n/a
A.R.S. § 4-244.42 Accept \$ to allow underage in bar or sell alcohol to underage	0	0	0	0
A.R.S. § 13-2907.01 Providing false information to state	1	28	n/a	n/a
A.R.S. § 28-3478.1 Unlawful use of driver's license	7	60	1	47
A.R.S. § 28-3478.3 Using another person's driver's license	14	84	1	14

The total number of citations issued due to Failure to Check ID decreased from 113 in FY 2011 to 59 in FY 2012 or by forty-eight (47.8%) percent. The number of citations issued due to Furnishing Alcohol to an Underage, Underage in Possession/Consumption decreased from 599 in FY 2011 to 554 in FY 2012 or by eight (7.5%) percent. The number of citations issued due to Use of False ID to Buy Alcohol increased from 114 in FY 2011 to 154 in FY 2012 or by thirty-five (35.1%) percent.

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-three (163) active Series 11 (hotel/motel) licenses and three thousand two hundred and eight (3,208) active Series 12 (restaurant) licenses statewide. Compared to June 2011, the number of hotel/motel with restaurant licenses has increased by four (4) licenses or three (2.5%) percent and the number of restaurant licenses has increased by seventy-four (74) or two (2.4%) percent.

DLLC employs two (2) fulltime auditors. With a total of three thousand three hundred seventy-one (3,371) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,686.

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits closed	6	7
Audits initiated	5	7
Audits in progress	13	15
Open cases w/projected ratio of >37%	8	8
Open cases w/projected ratio between 30 to 37%	5	3
Open cases w/projected ratio of < 30%	0	4
Locations granted 1 year to continue operation	0	1
Locations being monitored	92	94

Six (6) audits were completed in Maricopa and Pima counties which resulted in actionable violations in five (5) of those cases. There were thirteen (13) audits in progress and ninety-two (92) locations being monitored. In June 2011, there were seven (7) audits completed, fifteen (15) audits in progress and ninety-four (94) locations being monitored.

Audit Action	Current Month	Total FY 2012	This Month Last Year	Total FY 2011	Total 2003 To Present
Audits completed	6	90	7	82	535
Audits passed	2	58	5	38	246
Audits failed	4	23	2	40	227
Inconclusive	0	9	0	3	56
Other charges only	0	0	0	1	6

In FY 2012 a total of ninety (90) audits were completed and of those, fifty-eight (58) passed, twenty-three (23) failed, and nine (9) were inconclusive. Compared to FY 2011, the total number of audits completed increased by ten (9.8%) percent.

SUCCESS STATISTICS
Liquor License Audits (continued)

Audit statistics since January 1, 2003 are noted below:

Year	Audits Completed	Revenues Collected	Average Fine per Audit (does not include continuation license fees)
1/1 - 6/30/03	6 audits	--	--
FY 2004	23 audits	--	--
FY 2005	24 audits	--	--
FY 2006	32 audits	--	--
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

In 2006, A.R.S. §4-213.C introduced the "continuation license" (commonly referred to as the "Grill Bill") into state liquor law. The continuation license, at a cost of \$30,000, allows 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 fourteen (14) continuation licenses total four hundred twenty thousand (\$420,000) dollars. In FY 2012, thirty thousand (\$30,000) dollars were collected from the issuance of continuation licenses.

The department collected revenue for audit-related violation fines totaling nine thousand eighty (\$9,080) dollars and audit fines assessed from violations totaled seven thousand eighty (\$7,080) dollars. Revenue collected from fines in FY 2012 totaled sixty-four thousand three hundred fifty-five (\$64,355) dollars. Fines assessed from violations in FY 2012 totaled seventy-two thousand seven hundred thirty (\$72,730) dollars. Compared to FY 2011, total fines collected decreased by twenty-four (23.8%) percent and total fines assessed decreased by twenty-seven (27.2%) percent.

Audit Revenue 2-year Comparison

Audit Action	Current Month	Total FY 2012	1 Year Ago This Month	Total FY 2011
Fines Collected	\$9,080	\$64,355	\$7,875	\$84,400
Fines Assessed	\$7,080	\$72,730	\$9,375	\$99,900
Continuation License (Grill Bill) Revenue	\$0	\$30,000	\$30,000	\$180,000
Pending Continuation Licenses (Grill Bill)	0	1	0	--

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 2012	1 Year Ago This Month	Total FY 2011
Revocations	0	0	0	2
Suspensions	0	4	0	7
Surrenders	0	2	0	13
Divestitures	0	3	0	4
Administrative Complaints	0	5	0	9
Decisions & Orders	0	3	0	8

Achievements	Current Month	Total FY 2012	1 Year Ago This Month	Total FY 2011
Cases Received	70	888	54	752
Cases Completed	6	199	5	280
Cases in Progress	64	688	49	478
Warning Letter Issued	1	17	0	45
Cases Sent to OAH	0	7	0	6

Economic Impact:

Fines collected totaled fifty-four thousand three hundred eighty (\$54,380) dollars from forty-four (44) adjudicated compliance actions. Compared to last month, May 2012, this represents a one hundred and eleven (111.3%) percent increase in collected revenues and a ten (10%) percent increase in the number of compliance actions processed. Compared to June 2011, this represents a forty (39.7%) percent increase in collected revenues and a two (2.3%) percent increase in the number of compliance actions processed.

A penalty fine 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.

Action	Current Month	Total FY 2012	1 Year Ago This Month	Total FY 2011
Fines collected	\$54,380	\$428,445	\$38,925	\$598,509
Cases adjudicated	44	479	43	425

SUCCESS STATISTICS
Compliance (continued)

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

Adjudicated Underage Violations

Statute	Definition	Adjudicated This Month	TOTAL FY 2012	1 Year Ago This Month	TOTAL FY 2011
A.R.S. § 4-241.A	Failure to Check ID	3	36	0	44
A.R.S. § 4-241.L	Sold to CUB	11	11	0	0
A.R.S. § 4-244.1	Unlicensed Resale	0	0	0	10
A.R.S. § 4-244.9	Furnish alcohol to an underage	0	74	0	49
A.R.S. § 4-244.16	Knowingly allow furnishing liquor to underage	0	1	0	0
A.R.S. § 4-244.22	Consume w/o permission of premises owner	0	0	0	3
A.R.S. § 4-244.33	Underage DUI	0	0	0	0
A.R.S. § 4-244.40	Alcohol in system of underage	0	0	0	0
A.R.S. § 13-2907.01	Provide false information to state	0	0	0	0
A.R.S. § 28-3478.1	Unlawful use of driver's license	0	0	0	0
A.R.S. § 28-3478.3	Use another person's driver's license	0	0	0	0

In FY 2012, fines from adjudicated underage violations totaled eighty-two thousand two hundred sixty-five (\$82,265) dollars. Compared to FY 2011, total fines collected decreased by sixty-two (61.6%) percent. In FY 2012, one (1) license was suspended and zero (0) were revoked. In FY 2011, there were two (2) licenses suspended and zero (0) 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

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 2012	1 Year Ago This Month	Total FY 2011
Hearings Scheduled	2	60	0	89
Applications Protested	0	21	n/a	n/a
Licenses Granted	0	18	0	23
Licenses Denied	0	8	0	13
Continuances Granted	2	20	0	33
Licenses Withdrawn	0	11	0	16
Appeals Heard	0	0	0	3
Rehearings Requested	0	2	0	1
Hearings Cancelled by Director	0	4	0	n/a

There were two (2) applications scheduled for hearing this month before the State Liquor Board and both were continued to the August 2, 2012 hearings. In FY 2012, the State Liquor Board scheduled sixty (60) hearings and of those they granted thirty (30.0%) percent and denied thirteen (13.3%) percent of the license applications heard. In addition, thirty-three (33.3%) percent of the application hearings were continued and eighteen (18.3%) percent were withdrawn by the applicant.

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

SUCCESS STATISTICS LICENSING

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 June 2011, the number of new liquor licenses issued in Arizona has increased by thirty-three (32.8%) percent, renewals have decreased by eight (8.3%) percent, and the number of active licenses has increased by one (1.2%) percent. In comparison to June 2011, monthly licensing revenues (including lottery collections) have increased by eight (8.3%) percent from four hundred twenty-seven thousand one hundred five (\$427,105) dollars during this time last year to four hundred sixty-two thousand five hundred forty-one (\$462,541) dollars during the current month.

There were seven (7) exempt locations issued raising the number to a total of seventy-five (75) active exempt locations in Arizona. An exempt location is an establishment that (1) meets the criterion established in A.R.S. §4-244.05 and A.A.C. R19-1-315, (2) has made application for the exemption, (3) has been inspected by a DLLC investigator, and (4) has been issued a 1-year exemption which allows patrons to bring and consume beer and wine on the premises.

Licensing	Current Month	Total FY 2012	1 Year Ago This Month	Total FY 2011
New licenses issued	174	1,640	131	1,798
Renewed licenses	607	10,022	662	11,483
Lottery licenses issued	0	1	0	25
Collected Lottery Revenues:	\$0	\$99,166	\$0	\$2,422,579
Number of Active Liquor License:	11,619	n/a	11,485	n/a
Exempt Locations Issued	7	61	n/a	n/a
Number of Exempt Locations	75	n/a	63	63
Collected Licensing Revenues (including lottery revenues):	\$462,541	\$6,097,046	\$427,105	\$8,401,843

Collected Revenue by Fee Type in June 2012

Fair Market Value	0
Applications	14,425
License Fees	294,940
Out-of-State	0
Agent Change	4,550
Fines	52,730
Special Event	1,975
Club	4,350
Penalties	5,550
Copy Fees	1,203
Non-Use Surcharge	27,900
Audit Surcharge	9,000
Enforcement K Surcharge	20,685
Enforcement L Surcharge	18,975
Miscellaneous	10

TOTAL REVENUES COLLECTED	\$ 456,293
(fingerprints)	<u>6,248</u>
TOTAL REPORT	\$ 462,541

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

eLicensing

DLLC's eLicensing Information System (ELIS) is being developed in collaboration with ASET and NIC/CAVU-IDS. The revised Project Plan anticipates department training for the implementation of the department's e-licensing system in July 2012 and a go-live date in August 2012. ELIS, a web-based application, will replace DLLC's sixteen (16) year old licensing system which has served the agency's staff and stakeholders.

Proposed Rulemaking

Immediately prior to the January 2008 Regulatory Review Plan Moratorium, DLLC submitted a complete rules rewrite to the Governor's Regulatory Review Counsel. In August 2010, DLLC requested an exemption to the moratorium. In response to that request, the Governor's Office requested that DLLC ensure that no financial burden was imposed on the alcohol beverage industry and there was industry collaboration and support. The department has held several meetings with industry leaders in an effort to solicit comments and input regarding the proposed rules. Since that time, a final version of the proposed rules has been in-process. The department submitted a Notice of Proposed Rulemaking package, including an exemption to the moratorium and industry-members letters of support, to the Governor in February 2012. The Director and Asst. Director of administration meet with Governor's staff on the rule making process this month.

Legislation

Liquor Omnibus Bill HB2606 was signed by the Governor on May 11, 2012 and is effective on August 2, 2012. DLLC is revising policies, procedures, and public information to accurately reflect newly introduced and revised liquor statutes.

Liquor Industry Forums

DLLC conducted Liquor Industry Forums which were held in Prescott on June 19, 2012 and in Tempe on June 28, 2012. These forums are open to the public and provide information regarding the department, enforcement, changes to Title 4 liquor laws, rule making, new liquor products in the industry and provide an opportunity for open discussion. Additional forums are schedule to be held in Scottsdale, Show Low, Cochise County and Lake Havasu.

Title 4 Training Workshops

Private sector businesses provide mandatory and elective Title 4 training to licensees and their staff pursuant to A.R.S. 4-112(G)(2), R19-1-304 and R19-1-105. This training industry is regulated by DLLC. To assist training providers with accurate information on new legislation is incorporated into training materials and to reiterate the importance of meeting the required standards for training course content, DLLC will hold two Title 4 Training Provider Workshops during the month of July.

END OF DLLC JUNE 2012 REPORT TO THE GOVERNOR