

GOVERNOR'S MONTHLY REPORT

JULY 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 nineteen (19) liquor-licensed establishments using four (4) CUBs. Seven (7), or thirty-seven (36.8%) percent, of these establishments sold alcohol to a (CUB) resulting in ten (10) criminal and twenty-six (26) administrative violations. All nineteen (19) locations were investigated in response to complaints received by DLLC.

DLLC saw a decrease of thirteen (12.5%) percent in the number of establishments that sold to CUBS compared to the previous month, June 2012 (8). There was a thirty (30.0%) percent decrease in the number of establishments that sold to CUBs when compared to July 2011. To date in CY 2012, thirty-five (35.4%) percent of establishments investigated sold to CUBs.

Since the inception of the program, three thousand seventy-nine (3,098) establishments have been investigated and nine hundred forty-three (943) or thirty (30.4%) percent have sold to CUB buyers resulting in two thousand two hundred fifty-three (2,253) administrative violations and one thousand eight hundred seventy-four (1,874) 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	130	46	35%	110	90

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 were no new TRACE cases opened this month. One TRACE case was closed in Tempe.

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:

- 32nd Annual Law Enforcement Pow Wow general meeting-Director attended
- Arizona Substance Abuse Prevention (ASAP) meeting- Director attended
- Title 4 Training Workshops-Communications Director instructed
- ELIS system functionality training -All staff attended

Law Enforcement Special Detail:

- Title 4 Training Workshops-Miller instructed
- Title 4 Fake ID training to Mesa PD-Parris and Palubeskie instructed
- 3 CUB details-Palubeskie and Turner
- Gaming case assignment, Tucson H/O and youth alcohol-Ribera
- White Supremacist and Handwriting Analysis School-Kuhl, Trevizo, Keith and Jaramillo attended
- Prescott Valley licensee meeting and training, MATFORCE-Parris
- 2 house parties-Jaramillo worked
- Wholesale case assignment-Miller

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 fifty-seven (257) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in ninety-one (91) criminal citations and two hundred thirty-four (234) 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 1:831.

Total investigative achievements were nine hundred twenty-eight (928) this month which is an increase of twenty-seven (27.3%) percent when compared to the seven hundred twenty-nine (729) investigative achievements in July 2011.

Achievements:	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Hidden Ownerships Completed	3	3	1	25
Site Inspections Completed	39	39	69	760
Actioned (administrative) Complaints	10	10	4	72
Non-Actioned (criminal) Complaints	49	49	29	454
Administrative Counts Charged	234	234	103	1,666
Criminal Citations Issued	91	91	73	1,809
Routine Liquor Inspections Completed	257	257	230	2,503
Compliance Case Reports Submitted	44	44	41	889
On-view Violation Case Reports	33	33	34	758
Law Enforcement Liaison Completed	93	93	77	985
Underage Investigations Statistics:				
Citations Issued to Underage	22	22	28	918
Total Violations	53	53	40	1,715
Total Achievements:	928	928	729	12,554

The number of citations DLLC investigators issued to underage persons decreased from 28 to 22 and the total number of violations increased from 40 to 53 compared to July 2011.

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	1	3	4	3	11

Of the twenty-two (22) citations the DLLC investigators issued to underage persons, eleven (11) were twenty years old, three (3) were nineteen years old, four (4) were eighteen years old, three (3) were seventeen years old and one (1) was sixteen years old.

SUCCESS STATISTICS
Investigations (continued)

Statute/ Definition	# of Citations Issued This Month	# of Citations Issued in FY 2013	1 Year Ago This Month	# of Citations Issued in FY 2012
A.R.S. § 4-241.A Failure to Check ID	5	5	4	59
A.R.S. § 4-241.L Use of false ID to buy alcohol	2	2	4	154
A.R.S. § 4-241.M Underage solicits third party buyer	0	0	1	34
A.R.S. § 4-241.N Use of false ID to enter premises	6	6	2	93
A.R.S. § 4-244.1 Selling without a license	0	0	0	9
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	14	14	17	554
A.R.S. § 4-244.20 Consume in a public place	6	6	0	59
A.R.S. § 4-244.34 Underage DUI	0	0	0	0
A.R.S. § 4-244.41 Alcohol in system of underage	10	10	10	548
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	1	0	28
A.R.S. § 28-3478.1 Unlawful use of driver's license	0	0	0	60
A.R.S. § 28-3478.3 Using another person's driver's license	6	6	1	84

The total number of citations issued due to Failure to Check ID increased from four (4) in July 2011 to five (5) in July 2012 or by twenty-five (25.0%) percent. The number of citations issued due to Furnishing Alcohol to an Underage, Underage in Possession/Consumption decreased from seventeen (17) in July 2011 to fourteen (14) in July 2012 or by eighteen (17.6%) percent. The number of citations issued due to Use of False ID to Buy Alcohol decreased from four (4) in July 2011 to two (2) in July 2012 or by fifty (50.0%) 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-four (164) active Series 11 (hotel/motel) licenses and three thousand two hundred twenty-five (3,225) active Series 12 (restaurant) licenses statewide. Compared to July 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 fifty-three (53) or two (1.7%) percent.

DLLC employs two (2) fulltime auditors. With a total of three thousand three hundred eighty-nine (3,389) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,695.

Audit Status	Current Month	This Month Last Year
Audits closed	6	8
Audits initiated	5	6
Audits in progress	12	13
Open cases w/projected ratio of >37%	5	10
Open cases w/projected ratio between 30 to 37%	7	3
Open cases w/projected ratio of < 30%	0	0
Locations granted 1 year to continue operation	1	0
Locations being monitored	89	97

Six (6) audits were completed in Maricopa and Santa Cruz counties which resulted in actionable violations in five (5) of those cases. There were twelve (12) audits in progress and eighty-nine (89) locations being monitored. In July 2011, there were eight (8) audits completed, thirteen (13) audits in progress and ninety-seven (97) locations being monitored.

Audit Action	Current Month	Total FY 2013	This Month Last Year	Total FY 2012	Total 2003 To Present
Audits completed	6	6	8	90	541
Audits passed	3	3	4	58	249
Audits failed	2	2	3	23	229
Inconclusive	1	1	1	9	57
Other charges only	0	0	0	0	6

Of the six (6) audits completed this month, three (3) passed, two (2) failed, and one (1) was inconclusive.

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
FY 2013	6 audits	\$625	\$104

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 2013, zero (\$0) dollars were collected from the issuance of continuation licenses.

The department collected revenue for audit-related violation fines totaling six hundred twenty-five (\$625) dollars and audit fines assessed from violations totaled ten thousand nine hundred fifty (\$10,950) dollars. Compared to July 2011, total fines collected decreased by eighty-two (81.5%) percent and total fines assessed increased by one hundred fifty (150.3%) percent.

Audit Revenue 2-year Comparison

Audit Action	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Fines Collected	\$625	\$625	\$3,375	\$64,355
Fines Assessed	\$10,950	\$10,950	\$4,375	\$72,730
Continuation License (Grill Bill) Revenue	\$0	0	\$0	\$30,000
Pending Continuation Licenses (Grill Bill)	0	0	0	1

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 2013	1 Year Ago This Month	Total FY 2012
Revocations	0	0	0	0
Suspensions	0	0	0	4
Surrenders	1	1	0	2
Divestitures	1	1	0	3
Administrative Complaints	0	0	0	5
Decisions & Orders	0	0	0	3

Achievements	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Cases Received	52	52	44	888
Cases Completed	14	14	11	199
Cases in Progress	38	38	33	688
Warning Letter Issued	4	4	0	17
Cases Sent to OAH	0	0	5	7

Economic Impact:

Fines collected totaled thirty-seven thousand three hundred fifty (\$37,350) dollars from thirty-seven (37) adjudicated compliance actions. Compared to last month, June 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 July 2011, this represents a seventy-three (72.7%) percent increase in collected revenues and a twenty-eight (27.6%) 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 2013	1 Year Ago This Month	Total FY 2012
Fines collected	\$37,350	\$37,350	\$21,625	\$428,445
Cases adjudicated	37	37	29	479

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
2012-2013	37	\$37,350	\$1,009

Adjudicated Underage Violations

Statute	Definition	Adjudicated This Month	TOTAL FY 2013	1 Year Ago This Month	TOTAL FY 2012
A.R.S. § 4-241.A	Failure to Check ID	7	7	4	36
A.R.S. § 4-241.L	Sold to CUB	0	0	0	11
A.R.S. § 4-244.1	Unlicensed Resale	0	0	0	0
A.R.S. § 4-244.9	Furnish alcohol to an underage	6	6	5	74
A.R.S. § 4-244.16	Knowingly allow furnishing liquor to underage	0	0	0	1
A.R.S. § 4-244.22	Consume w/o permission of premises owner	1	1	0	0
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

Fines from adjudicated underage violations total fifteen thousand five hundred (\$15,500) dollars. To date in FY 2013, there have been no licenses suspended or revoked.

Compliance Statistics Resulting From Underage Violations

Fiscal Year	Fines Collected	Licenses Suspended	Licenses Revoked
2010	\$365,875	4	1
2011	\$214,500	2	0
2012	\$82,265	1	0
2013	\$15,500	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.

Achievements:	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Hearings Scheduled	6	6	3	60
Applications Protested	4	4	1	21
Licenses Granted	4	4	1	18
Licenses Denied	0	0	0	8
Continuances Granted	1	1	2	20
Continuances Denied	1	1	n/a	n/a
Licenses Withdrawn	0	0	0	11
Appeals Heard	0	0	0	0
Rehearings Requested	0	0	0	2
Hearings Cancelled by Director	0	0	0	4

There were six (6) applications scheduled for hearing before the State Liquor Board and four (4) of the applications were protested by the public. Of the six (6) applications heard, four (4) were granted, one (1) was continued, and one (1) request for a continuance was denied. To date in FY 2013, the State Liquor Board has granted sixty-seven (66.7%) percent and denied zero (0%) percent of the license applications received. In addition, seventeen (16.7%) percent of continuances were granted and seventeen (16.7%) percent of continuances were denied.

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 July 2011, the number of new liquor licenses issued in Arizona has decreased by fifteen (15.3%) percent, renewals have decreased by seven (7.1%) percent, and the number of active licenses has increased by one (1.4%) percent. In comparison to July 2011, monthly licensing revenues (including lottery collections) have increased by seventeen (17.1%) percent from four hundred and three thousand five hundred seventy-three (\$403,573) dollars during this time last year to four hundred seventy-two thousand seven hundred and five (\$472,705) dollars during the current month.

There was one (1) exempt location issued raising the number to a total of seventy-four (74) 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 2013	1 Year Ago This Month	Total FY 2012
New licenses issued	116	116	137	1,640
Renewed licenses	790	790	850	10,022
Lottery licenses issued	1	1	0	1
Collected Lottery Revenues:	\$85,000	\$85,000	\$0	\$99,166
Number of Active Liquor License:	11,634	11,634	11,468	n/a
Exempt Locations Issued	1	1	8	61
Number of Exempt Locations	74	74	65	n/a
Collected Licensing Revenues (including lottery revenues):	\$472,705	\$472,705	\$403,573	\$6,097,046

Collected Revenue by Fee Type in July 2012

Fair Market Value	85,000
Applications	12,000
License Fees	252,025
Out-of-State	0
Agent Change	5,350
Fines	26,150
Special Event	2,650
Club	5,850
Penalties	7,500
Copy Fees	531
Non-Use Surcharge	11,300
Audit Surcharge	11,460
Enforcement K Surcharge	25,270
Enforcement L Surcharge	22,405
Miscellaneous	0

TOTAL REVENUES COLLECTED	\$ 467,491
(fingerprints)	5,214
TOTAL REPORT	\$ 472,705

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. Per the revised Project Plan, the department conducted functionality training for the implementation of the department's e-licensing system this month. 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.

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 continues to conduct liquor industry forums throughout the state. 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. Upcoming 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 held two Title 4 Training Provider Workshops during the month of July.

END OF DLLC JULY 2012 REPORT TO THE GOVERNOR