

GOVERNOR'S MONTHLY REPORT
January 2014



STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL

Alan Everett, 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 DLLC 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), and 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 January 2014, DLLC conducted investigations of twenty-four (24) liquor-licensed establishments in Tucson, Bisbee, Douglas, Tombstone, Phoenix, and Buckeye. Seven (7) CUBs were used. Seven (7), or twenty-nine (29.2%) percent, of these establishments sold alcohol to a CUB resulting in eleven (11) criminal citations and eighteen (18) administrative violations. All twenty-four (24) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand five hundred seventeen (3,517) establishments have been investigated and one thousand eighty-four (1,084) or thirty-one (30.8%) percent have sold to CUB buyers resulting in two thousand six hundred six (2,606) administrative violations and two thousand one hundred thirty-one (2,131) 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	24	7	29	18	11

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:

- Arizona Association of Chiefs of Police meeting – deputy director attended
- Native American Legislative Days – deputy director attended
- Williams Alliance meeting – deputy director attended
- MatForce Underage Drinking Task Force meeting – deputy director attended
- MatForce Lunch and Learn meeting – deputy director attended
- Tribal Liaison Roundtable meeting – deputy director attended
- Oral Proceeding-NSPR – director, assistant director of administration and communications director participated
- 13th Annual Governor's Volunteer Service Awards – communications director attended
- Arizona Substance Abuse Partnership meeting – assistant director of administration attended
- Arizona Substance Abuse Partnership Program Inventory meeting – assistant director of administration attended

Law Enforcement Special Detail:

- CUB – Investigator Palubeskie conducted two and Investigator Gothelf conducted two
- Vehicle inventory maintenance and assistance – Investigator Trevizo completed
- Trade Practice Investigations, Rules Writing & Review, Title 4 Training Management – Investigator Miller conducted
- Search Warrants – Investigator Palubeskie and Investigator Carruthers assisted Apache County
- Trade Practice Training for Wholesalers and Suppliers Training – Investigator Miller created training and conducted for 1,200 wholesalers
- Title 4 and Fake ID Training – Investigator Webb facilitated eight classes, 111 people trained
- Title 4 Training – Investigator Miller facilitated for 400 retail volunteer servers at Waste Management Open
- Youth Alcohol details (Waste Management Open) – 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 three hundred five (305) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in fifty-five (55) criminal citations and eighty-seven (87) 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 1:843.

Total investigative actions taken this month were one thousand two hundred ninety-two (1,292), which is an increase of thirty-eight (37.6%) percent when compared to the nine hundred thirty-nine (939) investigative actions taken in January 2013.

Achievements:	Current Month	Total FY 2014	1 Year Ago This Month	Total FY 2013
Hidden Ownerships Completed	2	9	1	20
Site Inspections Completed	21	170	16	333
Actioned (administrative) Complaints	10	78	13	114
Non-Actioned (criminal) Complaints	28	340	68	551
Administrative Counts Charged	87	883	274	1,832
Criminal Citations Issued	55	658	63	1,295
Routine Liquor Inspections Completed	305	2,154	237	2,691
Compliance Case Reports Submitted	38	427	84	646
On-view Violation Case Reports	16	190	66	446
Law Enforcement Liaison Completed	64	513	81	875
Tax Deficiency Charges	11	172	no data available	no data available
MVD Affidavit/Suspension	10	98	no data available	198
Underage Investigations Statistics:				
Citations Issued to Underage	124	540	6	918
Total Violations	144	739	30	1,715
Total Achievements: (including police report reviews and completed protests not listed above)	1,292	9,199	939	12,503

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	3	12	13

Underage persons who are cited for consuming appear to be closer to the legal drinking age. Of the citations issued to underage persons, forty-five (44.8%) percent were within one year and forty-one (41.3%) percent were within two years of the legal drinking age.

Statute/ Definition	# of Citations Issued This Month	# of Citations Issued in FY 2014	1 Year Ago This Month	# of Citations Issued in FY 2013
A.R.S. § 4-241.A Failure to Check ID	4	31	0	62
A.R.S. § 4-241.L Use of false ID to buy alcohol	6	48	2	108
A.R.S. § 4-241.M Underage solicits third party buyer	0	23	0	17
A.R.S. § 4-241.N Use of false ID to enter premises	5	44	0	60
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	6	73	4	367
A.R.S. § 4-244.41 Alcohol in system of underage	20	155	1	254
A.R.S. § 13-2907.01 Providing false information to state	1	10	0	12
A.R.S. § 28-3478.1 Unlawful use of driver's license	2	32	2	52
A.R.S. § 28-3478.3 Using another person's driver's license	5	32	0	44

The number of citations issued due to furnishing alcohol to an underage, underage in possession, and consumption increased to six (6) in January 2014 from four (4) in January 2013 or by fifty (50.0%) percent. The number of citations issued for alcohol in system of underage increased to twenty (20) in January 2014 from one (1) in January 2013. The number of citations issued due to use of false ID to buy alcohol increased to six (6) in January 2014 from two (2) in January 2013 or by two hundred (200.0%) percent. The number of citations issued due to unlawful use of a driver's license remained the same in January 2014 as in January 2013.

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 restaurants (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-nine (169) active Series 11 (hotel/motel) licenses and three thousand four hundred twenty-five (3,425) active Series 12 (restaurant) licenses statewide. Compared to January 2013, the number of hotel/motel with restaurant licenses increased by five (5) or three (3.0%) percent, and the number of restaurant licenses increased by seventy (70) or two (2.1%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand five hundred ninety-four (3,594) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,797.

Audit Status	Current Month	This Month Last Year
Audits closed	10	8
Audits initiated	10	7
Audits in progress	16	15
Open cases w/projected ratio of >37%	8	9
Open cases w/projected ratio between 30 to 37%	8	4
Open cases w/projected ratio of <30%	0	2
Locations granted 1 year to continue operation	0	0
Locations being monitored	84	73

During January 2014, ten (10) audits were completed in Maricopa, Mohave, and Pima Counties, which resulted in actionable violations in seven (7) cases. On January 31, 2014, there were sixteen (16) audits in progress and eighty-four (84) locations being monitored.

Audit Action	Current Month	Total FY 2014	This Month Last Year	Total FY 2013	Total 2003 To Present
Audits completed	10	54	8	84	673
Audits passed	8	45	6	64	355
Audits failed	2	8	1	17	252
Inconclusive	0	1	1	3	60
Other charges only	0	0	0	0	6

In January 2014, audit fines assessed from violations totaled four thousand seven hundred fifty (\$4,750) dollars. Compared to January 2013, total audit fines assessed from violations increased by two thousand fifty (\$2,050) dollars.

The Audit Unit is now conducting audit training/workshops. To view information on upcoming audit training/workshops, use 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 2014	1 Year Ago This Month	Total FY 2013
Fines Assessed	\$4,750	\$28,150	\$2,700	\$55,425
Continuation License (Grill Bill) Revenue	\$0	\$120,000	\$0	\$60,000
Pending Continuation Licenses (Grill Bill)	0	0	0	n/a

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	54 audits	\$19,375	\$440

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 2014	1 Year Ago This Month	Total FY 2013
Revocations	0	0	0	1
Suspensions	0	1	1	4
Surrenders	0	1	1	18
Divestitures	0	2	1	9
Administrative Complaints	0	3	0	7
Decisions & Orders	2	6	0	3
Cases Received	51	501	85	708
Cases Completed	13	97	16	151
Cases in Progress	38	404	69	557
Warning Letter Issued	5	33	0	25
Cases Sent to OAH	0	5	2	7

Economic Impact:

Fines collected in the month totaled twenty-two thousand nine hundred fifty (\$22,950) dollars from thirty-nine (39) adjudicated compliance actions. Compared to last month, December 2013, this represents a forty-two (42.4%) percent decrease in collected revenues and a twenty (20.4%) percent decrease in the number of compliance actions processed. Compared to January 2013, this represents an eighty-nine (89.3%) percent decrease in collected revenues and a five (4.9%) 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 during the current economic decline.

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	440	\$673,710	\$1,531
2013-2014	280	\$266,035	\$950

SUCCESS STATISTICS
Compliance (continued)

Adjudicated Underage Violations:

Statute	Definition	Adjudicated This Month	TOTAL FY 2014	1 Year Ago This Month	TOTAL FY 2013
A.R.S. § 4-241.A	Failure to Check ID	8	37	4	36
A.R.S. § 4-244.1	Unlicensed Resale	0	2	0	0
A.R.S. § 4-244.9	Furnish alcohol to an underage	6	44	7	59
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	4	0	1

Fines from adjudicated underage violations total forty-four thousand five hundred (\$44,500) dollars. To date in FY 2014, there has been one (1) license suspended and one (1) license 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	\$125,500	4	1
2014	\$44,500	1	1

**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 2014	1 Year Ago This Month	Total FY 2013
Hearings Scheduled	0	20	5	51
Licenses Granted	0	9	3	21
Licenses Denied	0	2	3	9
Continuances Granted	0	2	1	10
Continuances Denied	0	0	0	1
Licenses Withdrawn	0	4	0	7
Appeals Heard	0	1	1	0
Rehearings Requested	0	1	0	2
Hearings Cancelled by Director	0	1	0	1

There were no hearings scheduled before the State Liquor Board in January.

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 18, 2016
Tim Linden (R)	Graham County Wholesaler	Term Expires January 20, 2014
Vikki Scarafiotti (D)	Maricopa County No Financial Interest	Term Expires January 20, 2014
Robin Cantrell (I)	Graham County Retailer	Term Expires January 19, 2015
Jim Carruthers (R)	Yuma County No Financial Interest	Term Expires January 19, 2015
Vacant	Vacant	Term Expired January 21, 2013

SUCCESS STATISTICS LICENSE DIVISION

The License 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, January 2013, the number of new liquor licenses issued in Arizona decreased by thirteen (13.1%) percent, the number of renewals increased by eleven (10.8) percent, and the number of active licenses increased by one (1.0%) percent. Also, compared with January 2013, monthly licensing revenues have decreased by thirty-three (32.7%) percent from six hundred forty-four thousand seventy-nine (\$644,079) dollars during this time last year to four hundred thirty-three thousand six hundred seventy-five (\$433,675) dollars during the current month.

In January 2014, eleven (11) exempt locations were approved which brings the total active exempt locations in Arizona to ninety-four (94). An exempt location is an establishment that has (1) met the criteria established in A.R.S. §4-244.05 and A.A.C. R19-1-113, (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 2014	1 Year Ago This Month	Total FY 2013
New licenses issued	146	1,030	168	1,560
Renewed licenses	914	7,608	825	11,104
Lottery licenses issued	0	0	0	1
Collected Lottery Revenues	\$0	\$0	\$85,000	\$349,950
Number of Active Liquor Licenses	11,802	11,802*	11,684	n/a*
Exempt Locations Issued	11	60	7	62
Number of Exempt Locations	94	94**	74	n/a**
Collected Licensing Revenues (including lottery revenues)	\$433,675	\$3,454,051	\$644,079	\$6,536,517

*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 January 2014

Fair Market Value	0
Applications	14,625
License Fees	239,060
Out-of-State	0
Agent Change	5,700
Fines	23,050
Special Event	5,100
Club	12,750
Penalties	17,100
Copy Fees	3,678
Non-Use Surcharge	26,000
Audit Surcharge	17,310
Enforcement K Surcharge	31,850
Enforcement L Surcharge	31,820
Miscellaneous	0

TOTAL REVENUES COLLECTED \$428,043

(fingerprints) 5,632

TOTAL REPORT \$433,675

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Audit Workshops

DLLC will hold two Arizona Restaurant Liquor Licensee's Audit Workshops in early 2014; one in Northern Arizona, one in the Kingman area. The goals of the workshop are to:

1. Create the opportunity to talk with licensees and understand new trends/challenges in the restaurant industry;
2. Improve restaurateur's understanding of the need to achieve liquor law compliance;
3. Discuss law changes that may open new revenue streams for the hospitality industry;
4. Keep responsible restaurant operators in business; and
5. Discuss options that may reduce the regulatory paperwork burden on licensees.

The workshops are free of charge and will last approximately 2-hours.

Public Meetings

DLLC, local law enforcement, and neighborhood associations will meet to address liquor establishment trends that impact parents and teens. These public meetings, dates and locations will be posted on the Department's website in April 2014.

Liquor License Lottery

A liquor license lottery will be held in April/May 2014. Applications will be accepted beginning Monday, April 21, 2014 and ending on Friday, May 16, 2014.

Three independent appraisers are now establishing the fair market values (FMV) for lottery licenses. In past lotteries, 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. With all fifteen (15) counties involved, the lottery has produced \$2,975,355 in revenues, the highest to date.

This year four (4) counties will offer licenses. Proceeds from the lottery are deposited into the General Fund.

When the number of applicants exceeds the number of lottery licenses offered, a random selection drawing is held. If necessary, this year's drawing will be held on Monday, June 2, 2014.

FMVs, application forms, instructions, the lottery timeline, and random selection drawing details will be posted on the DLLC website on April 4, 2014.

Licenses will be available in four counties as shown in the table below.

2014 Lottery License Offering March 4, 2014			
County	Series 6 (Bar)	Series 7 (Beer & Wine Bar)	Series 9 (Liquor Store)
Maricopa	9	9	5
Pima	1	1	0
Pinal	1	1	0
Yuma	0	1	1

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Notice of Final Rulemaking

The department will file the Notice of Final Rulemaking with the Governor's Regulatory Review Council (GRRC) on Friday, February 14, 2014.

Legislation

The department will track several liquor-related bills anticipated for introduction in the 2014 session, one of which may be a liquor omnibus bill.

END OF DLLC JANUARY 2014 REPORT TO THE GOVERNOR