

GOVERNOR'S MONTHLY REPORT
February 2014



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 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 February 2014, DLLC conducted investigations of sixteen (16) liquor-licensed establishments in Tucson, Apache Junction, Mesa, Phoenix, Peoria, New River, and Scottsdale. Six (6) CUBs were used. Five (5), or thirty-one (31.3%) percent, of these establishments sold alcohol to a CUB resulting in nine (9) criminal citations and eleven (11) administrative violations. All sixteen (16) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand five hundred thirty-three (3,533) establishments have been investigated and one thousand eighty-nine (1,089) or thirty-one (30.8%) percent have sold to CUB buyers resulting in two thousand six hundred seventeen (2,617) administrative violations and two thousand one hundred forty (2,140) 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	40	12	30	29	20

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 Food Marketers Alliance (AFMA) meeting – director attended
- Flagstaff with Mayor Nabors & former Mayor Bavasi - director attended
- National Conference of State Liquor Administrators (NCSLA) annual agency survey – communications director participated
- Northern Arizona Chief of Police (NOAZ) meeting– deputy director attended
- Arizona Public Information Officer Symposium – communications director attended
- GOHS Grant Training – sergeant participated
- RICO Training – sergeant participated
- Arizona Safe Bar Alliance (ASBA) Train-the-Trainer Certification – investigation officers and communications director participated

Law Enforcement Special Detail:

- CUB – Investigator Palubeskie conducted two and Investigator Webb assisted
- CUB – Investigator Gothelf conducted one and Investigator Zacarias assisted
- Vehicle inventory maintenance and assistance – Investigator Trevizo completed
- Light Duty / Answer Person Duty – Investigator Parris
- Trade Practice Training and guidance, Rules Writing & Review, Title 4 Training Management – Investigator Miller conducted
- Title 4 Training Management and twenty Site Inspections completed – Ms. Strickland
- Mylie Cyrus Concert – Investigator Trevizo and Investigator Turner
- Lettuce Day Event – Investigator Sanchez
- Title 4 and Fake ID Training – Investigator Sanchez facilitated for Havasu Police Department
- Title 4 Training – Investigator Webb facilitated four classes for forty-nine students
- Fake ID Training – Investigator Gothelf facilitated class for twenty-two civilians and thirty Officers
- 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 two hundred eighty-nine (289) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in sixty-nine (69) criminal citations and seventy-two (72) 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 1:846.

Total investigative actions taken this month were one thousand two hundred forty-nine (1,249), which is an increase of thirty-four (34.4%) percent when compared to the nine hundred twenty-nine (929) investigative actions taken in February 2013.

Achievements:	Current Month	Total FY 2014	1 Year Ago This Month	Total FY 2013
Routine Liquor Inspections Completed	289	2,443	241	2,691
Criminal Citations Issued	69	727	113	1,295
Administrative Counts Charged	72	955	116	1,832
Hidden Ownerships Completed	0	9	2	20
Site Inspections Completed	23	193	45	333
Non-Actioned (criminal) Complaints	37	377	36	551
Actioned (administrative) Complaints	4	82	3	114
Compliance Case Reports Submitted	31	458	50	646
On-view Violation Case Reports	22	212	40	446
Law Enforcement Liaison Completed	58	571	73	875
Tax Deficiency Charges	55	227	no data available	no data available
MVD Affidavit/Suspension	9	107	12	198
Underage Investigations Statistics:				
Citations Issued to Underage	107	647	75	918
Total Violations	127	866	135	1,715
Total Achievements: (including police report reviews and completed protests not listed above)	1,249	10,448	929	12,503

The number of citations DLLC investigators issued to underage persons increased forty-three (42.7%) percent and the total number of underage violations decreased six (5.9%) percent compared to February 2013.

SUCCESS STATISTICS
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	1	3	13	17	20

Underage persons who are cited for consuming appear to be closer to the legal drinking age. Of the citations issued to underage persons, thirty-seven (37.0%) percent were within one year and thirty-two (31.5%) 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	3	34	0	62
A.R.S. § 4-241.L Use of false ID to buy alcohol	7	55	12	108
A.R.S. § 4-241.M Underage solicits third party buyer	0	23	1	17
A.R.S. § 4-241.N Use of false ID to enter premises	5	49	0	60
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	7	81	48	367
A.R.S. § 4-244.41 Alcohol in system of underage	46	202	54	254
A.R.S. § 13-2907.01 Providing false information to state	2	12	2	12
A.R.S. § 28-3478.1 Unlawful use of driver's license	9	41	6	52
A.R.S. § 28-3478.3 Using another person's driver's license	9	41	6	44

The number of citations issued due to furnishing alcohol to an underage, underage in possession, and consumption decreased eighty-four (85.4%) percent from February 2013. The number of citations issued for alcohol in system of underage decreased fifteen (14.8%) percent. The number of citations issued due to use of false ID to buy alcohol decreased forty-two (41.7%) percent. The number of citations issued due to unlawful use of a driver's license increased to nine (9) in February 2014 from six (6) in February 2013 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 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 forty-two (3,442) active Series 12 (restaurant) licenses statewide. Compared to February 2013, the number of hotel/motel with restaurant licenses increased by four (4) or two (2.4%) percent, and the number of restaurant licenses increased by sixty-nine (69) or two (2.0%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand six hundred eleven (3,611) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,806.

Audit Status	Current Month	This Month Last Year
Audits closed	7	7
Audits initiated	7	8
Audits in progress	16	16
Open cases w/projected ratio of >37%	11	5
Open cases w/projected ratio between 30 to 37%	5	9
Open cases w/projected ratio of <30%	0	2
Locations granted 1 year to continue operation	0	0
Locations being monitored	77	72

During February 2014, seven (7) audits were completed in Maricopa, Pima, and Pinal Counties, which resulted in actionable violations in four (4) cases. On February 28, 2014, there were sixteen (16) audits in progress and seventy-seven (77) locations being monitored.

Audit Action	Current Month	Total FY 2014	This Month Last Year	Total FY 2013	Total 2003 To Present
Audits completed	7	71	7	84	680
Audits passed	6	57	6	64	361
Audits failed	0	11	1	17	252
Inconclusive	1	3	0	3	61
Other charges only	0	0	0	0	6

In February 2014, audit fines assessed from violations totaled seven thousand (\$7,000) dollars. Compared to February 2013, total audit fines assessed from violations increased by two thousand two hundred fifty (\$2,250) 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	\$7,000	\$37,725	\$4,750	\$55,425
Continuation License (Grill Bill) Revenue	\$0	\$120,000	\$0	\$60,000
Pending Continuation Licenses (Grill Bill)	0	0	1	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	71 audits	\$30,275	\$426

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	0	4
Surrenders	0	1	1	18
Divestitures	0	2	1	9
Administrative Complaints	0	3	4	7
Decisions & Orders	0	6	0	3
Cases Received	76	577	54	708
Cases Completed	26	123	5	151
Cases in Progress	50	454	49	557
Warning Letter Issued	3	36	0	25
Cases Sent to OAH	0	5	1	7

Economic Impact:

Fines collected in the month totaled twenty-seven thousand five hundred (\$27,500) dollars from thirty-six (36) adjudicated compliance actions. Compared to last month, January 2014, this represents a twenty (19.8%) percent increase in collected revenues and an eight (7.7%) percent decrease in the number of compliance actions processed. Compared to February 2013, this represents a fifty (49.6%) percent decrease in collected revenues and an eighteen (18.2%) 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	316	\$293,535	\$929

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	4	41	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	4	48	8	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	5	0	1

Fines from adjudicated underage violations total forty-seven thousand eight hundred seventy-five (\$47,875) 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	\$47,875	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	7	27	1	51
Licenses Granted	2	11	0	21
Licenses Denied	3	5	0	9
Continuances Granted	1	3	0	10
Continuances Denied	0	0	0	1
Licenses Withdrawn	0	4	0	7
Appeals Heard	1	2	0	0
Rehearings Requested	0	1	1	2
Hearings Cancelled by Director	0	1	0	1

The two (2) licenses granted were a Series 13 (Domestic Farm Winery) Original Application and a Series 6 (Bar) Person and Location Transfer Application. The Board denied three (3) applications; a Series 7 (Beer and Wine Bar) Person Transfer Application, a Series 9 (Liquor Store) Person Transfer Application, and a Series 12 (Restaurant) Original Application.

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
Vacant	Wholesaler	Term Expired 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, February 2013, the number of new liquor licenses issued in Arizona decreased by nineteen (18.5%) percent, the number of renewals decreased by seven (7.3%) percent, and the number of active licenses increased by one (1.1%) percent. Also, compared with February 2013, monthly licensing revenues have decreased by five (4.9%) percent from three hundred fifty thousand one hundred fifty-three (\$350,153) dollars during this time last year to three hundred thirty-three thousand one hundred fifty-one (\$333,151) dollars during the current month.

In February 2014, eight (8) exempt locations were approved which brings the total active exempt locations in Arizona to one hundred two (102). 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	106	1,136	130	1,560
Renewed licenses	495	8,103	534	11,104
Lottery licenses issued	0	0	0	1
Collected Lottery Revenues	\$0	\$0	\$0	\$349,950
Number of Active Liquor Licenses	11,848	11,848*	11,714	n/a*
Exempt Locations Issued	8	68	6	62
Number of Exempt Locations	102	102**	63	n/a**
Collected Licensing Revenues (including lottery revenues)	\$333,151	\$3,787,202	\$350,153	\$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 February 2014

Fair Market Value	0
Applications	13,475
License Fees	183,970
Out-of-State	0
Agent Change	7,950
Fines	24,500
Special Event	6,975
Club	1,950
Penalties	8,700
Copy Fees	4,971
Non-Use Surcharge	27,200
Audit Surcharge	13,860
Enforcement K Surcharge	17,535
Enforcement L Surcharge	16,560
Miscellaneous	5

TOTAL REVENUES COLLECTED **\$327,651**
(fingerprints) **5,500**
TOTAL REPORT **\$333,151**

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Audit Workshops

DLLC will hold two Arizona Restaurant Liquor Licensee Audit Workshops. One will be in Lake Havasu City on Wednesday, May 14, 2014 and the other in Flagstaff on Wednesday, May 7, 2014. There is no charge to attend. 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.

Registration for workshops and training offered by the department is now available online.

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.

Independent appraisers have established the fair market values (FMV) for lottery licenses. When all fifteen (15) counties meet population increase requirements for new license issuance, the lottery has produced up to \$2,975,355 in revenues. This year new licenses will be offered in four (4) counties. 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.

County	Series 6 (Bar)	Series 7 (Beer & Wine Bar)	Series 9 (Liquor Store)
Maricopa	9	9	5
Fair Market Values	\$70,750	\$11,450	\$200,000
Pima	1	1	0
Fair Market Values	\$32,500	\$8,450	NA
Pinal	1	1	0
Fair Market Values	\$32,800	\$7,200	NA
Yuma	0	1	1
Fair Market Values	NA	\$6,600	\$78,150

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Notice of Final Rulemaking

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

Legislation

The department is tracking several liquor-related bills anticipated for introduction in the 2014 session, one of which is a liquor omnibus bill.

END OF DLLC FEBRUARY 2014 REPORT TO THE GOVERNOR