

GOVERNOR'S MONTHLY REPORT

February 2015

(Revised 9/18/15)



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 February 2015, DLLC conducted investigations of seventeen (17) liquor-licensed establishments in Phoenix, Glendale, Buckeye, Tucson, Tempe, Scottsdale, and Mesa. Six (6) CUBs were used. Eight (8), or forty-seven (47.1%) percent, of these establishments sold alcohol to a CUB resulting in seventeen (17) administrative violations and fourteen (14) criminal citations. All seventeen (17) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand seven hundred nine (3,709) establishments have been investigated and one thousand one hundred sixty-nine (1,169) or thirty-one (31.5%) percent have sold to CUB buyers resulting in two thousand eight hundred three (2,803) administrative violations and two thousand two hundred sixty-nine (2,269) 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	181	76	42	179	122
2015	35	16	46	36	27

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:

- Northern Arizona Healthcare (NAH) Substance Abuse Seminar – director attended
- Meeting with Arizona Craft Brewers Guild – director attended

Law Enforcement Special Detail:

- CUB – Investigator Williams conducted one, Investigator Webb conducted two
- Completed 34 site inspections and Title 4 Training management – Ms. Strickland
- Trade Practice Investigations, Title 4 Training management and Stats – Investigator Miller
- Vehicle and RV maintenance – Investigator Trevizo
- Title 4 and Fake ID Training – Investigator Webb taught 4 classes: 64 Officers Title 4 and 50 Officers Fake ID
- Title 4 Training – Investigator Sanchez taught one class to 13 Officers
- Waste Management Phoenix Open – entire division
- Super Bowl Events – entire division
- Old Town Events – entire division
- Youth Alcohol details – 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 sixteen (216) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in twenty three (23) criminal citations and eighty-eight (88) 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 1:855.

Total investigative actions taken this month were one thousand fifty-six (1,056), which is a decrease of sixteen (15.5%) percent when compared to the one thousand two hundred forty-nine (1,249) investigative actions taken in February 2014.

Achievements:	Current Month	Total FY 2015	1 Year Ago This Month	Total FY 2014
Routine Liquor Inspections Completed	216	1,744	289	3,434
Criminal Citations Issued	23	455	69	1,254
Criminal Counts Charged	103	919	NA	NA
Administrative Counts Charged	88	742	72	1,473
Hidden Ownerships Completed	0	11	0	24
Site Inspections Completed	17	186	23	297
Non-Actioned (criminal) Complaints	17	258	37	507
Actioned (administrative) Complaints	3	70	4	120
Compliance Case Reports Submitted	28	273	31	648
On-view Violation Case Reports	15	148	22	341
Law Enforcement Liaison Completed	70	531	58	836
Tax Deficiency Charges	90	286	55	277
MVD Affidavit/Suspension	26	121	9	132
Underage Investigations Statistics:				
Citations Issued to Underage	9	334	107	981
Total Violations	31	728	127	1,312
Total Achievements: (including police report reviews and completed protests not listed above)	1,056	8,970	1,249	15,794

Compared to February 2014, the number of citations DLLC investigators issued to underage persons decreased by ninety-eight (98) and the total number of violations decreased by ninety-six (96).

SUCCESS STATISTICS
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	1	2	2	2	4

Underage persons who are cited for consuming appear to be closer to the legal drinking age. Of the citations issued to underage persons, thirty-six (36.4%) percent were within one year and eighteen (18.2%) percent were within two years of the legal drinking age.

Statute/ Definition	# of Citations Issued This Month	# of Citations Issued in FY 2015	1 Year Ago This Month	# of Citations Issued in FY 2014
A.R.S. § 4-241.A Failure to Check ID	6	53	3	53
A.R.S. § 4-241.L Use of false ID to buy alcohol	0	115	7	62
A.R.S. § 4-241.M Underage solicits third party buyer	3	27	0	24
A.R.S. § 4-241.N Use of false ID to enter premises	0	10	5	54
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	18	320	38	127
A.R.S. § 4-244.41 Alcohol in system of underage	4	157	46	375
A.R.S. § 13-2907.01 Providing false information to state	0	47	2	15
A.R.S. § 28-3478.1 Unlawful use of driver's license	0	65	9	44
A.R.S. § 28-3478.3 Using another person's driver's license	1	19	9	46

The number of underage citations issued in February 2015 decreased seventy-three (73.1%) percent compared with February 2014.

SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred sixty-seven (167) active Series 11 (hotel/motel) licenses and three thousand four hundred one (3,401) active Series 12 (restaurant) licenses statewide. Compared to February 2014, the number of hotel/motel with restaurant licenses decreased by two (2) or one (1.2%) percent, and the number of restaurant licenses decreased by forty-one (41) or one (1.2%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand five hundred sixty-eight (3,568) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,784.

Audit Status	Current Month	This Month Last Year
Audits closed	8	7
Audits initiated	8	7
Audits in progress	16	16
Open cases w/projected ratio of >37%	8	11
Open cases w/projected ratio between 30 to 37%	8	5
Open cases w/projected ratio of <30%	0	0
Locations granted 1 year to continue operation	0	0
Locations being monitored	70	77

During February 2015, eight (8) audits were completed in Maricopa, and Pima Counties, which resulted in actionable violations in seven (7) cases. On February 28, 2015, there were sixteen (16) audits in progress and seventy (70) locations being monitored.

Audit Action	Current Month	Total FY 2015	This Month Last Year	Total FY 2014	Total 2003 To Present
Audits completed	8	55	7	92	774
Audits passed	6	34	6	69	417
Audits failed	2	15	0	17	279
Inconclusive	0	6	1	6	72
Other charges only	0	0	0	0	6

In February 2015, audit fines assessed from violations totaled eleven thousand nine hundred twenty-five (\$11,925) dollars. Compared to February 2014, total audit fines assessed from violations increased by four thousand nine hundred twenty-five (\$4,925) dollars.

The Audit Unit is now conducting audit training/workshops. Licensees may gain information on how to prepare for an audit by using 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 2015	1 Year Ago This Month	Total FY 2014
Fines Assessed	\$11,925	\$31,075	\$7,000	\$50,300
Continuation License (Grill Bill) Revenue	\$0	\$0	\$0	\$120,000

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	92 audits	\$49,625	\$539
FY 2015	55 audits	\$29,950	\$545

Online Sampling Requests:

During the month of February 2015, there were six hundred ten (610) sampling requests entered into and approved by the new online system. Of all sampling requests, twenty-six (26) were cancelled.

Since the beginning of FY 2015, four thousand five hundred ninety-nine (4,599) sampling requests were entered into the online system. Of these sampling requests, one hundred eighty-three (183) were cancelled, saving the department two hundred thirty (230) 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 2015	1 Year Ago This Month	Total FY 2014
Revocations	0	0	0	1
Suspensions	0	0	0	1
Surrenders	0	6	0	6
Divestitures	2	5	0	2
Administrative Complaints	0	1	0	5
Decisions & Orders	1	1	0	6
Cases Received	118	613	76	856
Cases Completed	35	142	26	183
Cases in Progress	83	471	50	672
Warning Letter Issued	2	16	3	41
Cases Sent to OAH	2	5	0	7

Economic Impact:

Fines collected during the month totaled thirty-nine thousand six hundred fifty (\$39,650) dollars from forty-two (42) adjudicated compliance actions. Compared to last month, January 2015, this represents a thirty (29.7%) percent increase in collected revenues and a nine (8.7%) percent decrease in the number of compliance actions processed. Compared to February 2014, this represents a forty-four (44.2%) percent increase in collected revenues and a seventeen (16.7%) 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
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	500	\$473,910	\$948
2014-2015	351	\$304,715	\$868

SUCCESS STATISTICS
Compliance (continued)

Adjudicated Underage Violations:

Statute	Definition	Adjudicated This Month	TOTAL FY 2015	1 Year Ago This Month	TOTAL FY 2014
A.R.S. § 4-241.A	Failure to Check ID	8	58	4	58
A.R.S. § 4-244.1	Unlicensed Resale	0	7	0	5
A.R.S. § 4-244.9	Furnish alcohol to an underage	7	55	4	65
A.R.S. § 4-244.16	Knowingly allow furnishing liquor to underage	0	0	0	0
A.R.S. § 4-244.22	Consume w/o permission of premises owner	0	3	1	5

To date during FY 2015, fines from adjudicated underage violations total fifty-four thousand two hundred fifty (\$54,250) dollars.

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	\$80,625	1	2
2015	\$54,250	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 2015	1 Year Ago This Month	Total FY 2014
Hearings Scheduled	2	29	7	42
Licenses Granted	0	7	2	13
Licenses Denied	0	7	3	9
Continuances Granted	2	7	1	11
Continuances Denied	0	1	0	1
Licenses Withdrawn	0	7	0	5
Appeals Heard	0	0	1	2
Rehearings Requested	0	1	0	1
Hearings Cancelled by Director	0	2	0	1

There were two (2) hearings scheduled before the State Liquor Board in February. Both matters were continued to the March meeting.

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
Pud Colquitt (R)	Coconino County No Financial Interest	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, February 2014, the number of new liquor licenses issued in Arizona decreased twenty-one (20.8%) percent and the number of active licenses increased one (1.1%) percent. Also, compared with February 2014, monthly licensing revenues have increased sixty-seven (66.7%) percent from three hundred thirty-three thousand one hundred fifty-one (\$333,151) dollars during this time last year to five hundred fifty-five thousand four hundred five (\$555,405) dollars during the current month.

In February 2015, twelve (12) exempt locations were approved which brings the total active exempt locations in Arizona to ninety-one (91). 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 2015	1 Year Ago This Month	Total FY 2014
New licenses issued	84	993	106	1,629
Renewed licenses	540	8,287	495	11,645
Lottery licenses issued	1	11	0	1
Collected Lottery Revenues	\$239,100	\$1,028,850	\$0	\$3,300
Number of Active Liquor Licenses	11,973	11,973*	11,848	11,919*
Exempt Locations Issued	12	65	8	91
Number of Exempt Locations	91	91**	102	102**
Collected Licensing Revenues (including lottery revenues)	\$555,405	\$5,151,798	\$333,151	\$6,448,750

*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 2015

Fair Market Value	239,100
Applications	10,100
License Fees	167,560
Out-of-State	0
Agent Change	6,450
Fines	38,600
Special Event	6,200
Club	3,450
Penalties	7,500
Copy Fees	4,723
Non-Use Surcharge	16,600
Audit Surcharge	14,130
Enforcement K Surcharge	18,690
Enforcement L Surcharge	17,655
Miscellaneous	5

TOTAL REVENUES COLLECTED **\$ 550,763**
(fingerprints) **4,642**

TOTAL REPORT **\$ 555,405**

LEAN TRANSFORMATION STATEWIDE LICENSING INITIATIVE

Governor Ducey initiated a Lean Transformation project that is intended to be a statewide effort for licensing agencies. There will be two waves of permits and/or licenses selected for initial transformation before statewide implementation. As conceptualized, the project will occur in three phases.

- *Phase I (1st Wave)* – Selection of approximately 20 licenses across state agencies for immediate review. The first wave launched the week of February 16, 2015.
- *Phase II (1st Wave)* – Selection of an additional 20 licenses from across state agencies for review. The review is expected to begin in April 2015.
- *Phase III (2nd Wave)* – All state agencies will have licenses go through the Lean Transformation process. The second wave will launch in FY 2016.

State agencies were asked to submit a spreadsheet, before February 9, 2015, comprised of the top 5 licenses that were possible candidates for Phase I of the Lean Transformation project. DLLC was notified that it was selected to be in the first phase of Lean Transformation for its Series 15, Special Event, license.

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Appointment of DLLC Director

Governor Doug Ducey appointed John Cocca to be Director of the Arizona Department of Liquor Licenses and Control in February 2015. The appointment is pending Senate confirmation.

Prior to this appointment, Director Cocca served the City of Scottsdale Police Department for 30 years. His last assignment was the Investigations/Personnel Development Services Bureau Assistant Chief. He is a certified police instructor for AZPOST (Arizona Police Officer Standardized Training) and has frequently instructed at the Arizona Law Enforcement Training Academy (ALEA).

Director Cocca is a member of the International Association of Chiefs of Police, FBI National Academy Associates, the Arizona Association of Chiefs of Police, the East Valley Chiefs of Police and is Past-Chairman of the Arizona Law Enforcement Academy (ALEA) Users Committee. He has served on a number of committees with the Boys and Girls Club and the Scottsdale Unified and Paradise Valley School Districts. He is a board member for MASK (Mother's Awareness for School Aged Kids).

Executive Order 2015-01

DLLC staff is preparing reports in response to Executive Order 2015-1 regarding evaluation of rules and electronic reporting/payment implementation.

Executive Order 2015-01 prohibits all state agencies from conducting any new rulemaking, except when changes to rules create efficiencies; protect public health and safety; are necessary to avoid violating a court order or federal law; and fulfill budgetary obligations.

Each state agency must provide to the governor's office, no later than September 1, 2015, an evaluation of their rules and any recommendations to ensure consistency with the priorities and principles outlined in the order.

Legislation

HB2057 STRIKE EVERYTHING AMENDMENT. Amends A.R.S. § 4-244 by adding subsection (46) which would prohibit alcohol. The language states it is unlawful for a person to "possess, consume, ingest, purchase, sell, offer for sale or furnish spirituous liquor in powdered form."

HB2178 STRIKE EVERYTHING AMENDMENT. Amends A.R.S. § 4-244(20) by adding wine as an exception to the prohibition that people cannot consume spirituous liquor in a public place. Under this statute, a person may consume beer OR WINE from a broken package in a public recreation area or on private property with permission of the owner or lessor.

HB2362 DEPARTMENT OF LIQUOR LICENSES; CONTINUATION. Amends A.R.S. § 41-3025.12 by continuing the Arizona Department of Liquor until July 1, 2025.

The bill passed as amended out of the Commerce Committee with an eight year continuance term. The bill passed Third Reading and was transmitted to the Senate, where it passed out of the Committee on Commerce & Workforce Development.

What is Alcohol?

Public health and safety concerns have brought powdered alcohol to the attention of Congress and state legislatures. To read or download a copy of the National Alcohol Beverage Control Association (NABCA) Research paper on the background and history of Alcohol, visit this link on the Department's website: http://www.azliquor.gov/assets/documents/homepage_docs/NABCA_Alcohol.pdf.

END OF DLLC FEBRUARY 2015 REPORT TO THE GOVERNOR