

GOVERNOR'S MONTHLY REPORT
June 2015



STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL
John Cocca, 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 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 June 2015, DLLC conducted investigations of sixteen (16) liquor-licensed establishments in Phoenix, Glendale, Chandler, Gilbert, and Tucson. Three (3) CUBs were used. Three (3), or nineteen (18.8%) percent, of these establishments sold alcohol to a CUB resulting in seven (7) administrative violations and three (3) criminal citations. All sixteen (16) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand seven hundred eighty-five (3,785) establishments have been investigated and one thousand one hundred ninety-one (1,191) or thirty-two (31.5%) percent have sold to CUB buyers resulting in two thousand eight hundred fifty-nine (2,859) administrative violations and two thousand three hundred one (2,301) 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	111	38	34	92	59

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:

- West Valley Chief's meeting – director attended
- Arizona Chamber of Commerce luncheon with Golden Eagle Distributors general counsel – director and deputy director attended
- Lean Transformation Liquor Licensing Working Group – director, assistant director of administration, and assistant director of licensing facilitated
- Swearing In Ceremony for Chief Wingert, Paradise Valley PD – deputy director attended
- Liquor License Lottery Random Selection Drawing – communications director and assistant director of licensing facilitated
- Growler report with Arizona Craft Brewer's Guild – communications director attended

Law Enforcement Special Detail:

- CUB – Investigator Williams conducted one and Investigator Webb conducted one
- Fake ID Training for 200 Officers at Policia Internacional Sonora Arizona Conference – Investigator Sanchez
- Fake ID Training for 50 attendees at Office of the Inspector General - Investigator Williams and Investigator Webb
- Title 4 Training for 10 Officers – Investigator Zacarias
- Title 4 and Fake ID Training for 16 Officers at Avondale PD and Flagstaff PD – Investigator Carruthers
- Title 4 and Fake ID Training for 12 Officers at Flagstaff PD – Investigator Carruthers
- Completed 33 site inspections, Title 4 Training management and Complaint Hotline – Ms. Strickland
- Trade Practice Investigations, Title 4 Training management, Stats and Letters to Producers answering requests – Investigator Miller
- Vehicle and RV maintenance – Investigator Trevizo
- 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 sixty-four (264) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in fourteen (14) criminal citations and eighty-three (83) administrative violations. The following success statistics were completed by a nonsupervisory staff of eleven (11) full time sworn officers who uphold a statewide officer-to-liquor license ratio of 1:1,095.

Total investigative actions taken this month were one thousand seven (1,007), which is a decrease of seven (7.4%) percent when compared to the one thousand eighty-eight (1,088) investigative actions taken in June 2014.

Achievements:	Current Month	Total FY 2015	1 Year Ago This Month	Total FY 2014
Routine Liquor Inspections Completed	264	2,710	268	3,434
Criminal Citations Issued	14	660	55	1,254
Criminal Counts Charged	21	1,300	NA	NA
Administrative Counts Charged	83	1,140	152	1,473
Hidden Ownerships Completed	0	16	0	24
Site Inspections Completed	29	272	35	297
Non-Actioned (criminal) Complaints	57	423	50	507
Actioned (administrative) Complaints	7	96	15	120
Compliance Case Reports Submitted	34	423	52	648
On-view Violation Case Reports	25	256	30	341
Law Enforcement Liaison Completed	88	786	69	836
Tax Deficiency Charges	17	374	5	277
MVD Affidavit/Suspension	2	140	0	132
Underage Investigations Statistics:				
Citations Issued to Underage	9	505	7	981
Total Violations	19	1,087	53	1,312
Total Achievements: (including police report reviews and completed protests not listed above)	1,007	13,378	1,088	15,794

Compared to June 2014, the number of citations DLLC investigators issued to underage persons increased twenty-nine (28.6%) percent and the total number of violations decreased sixty-four (64.2%) percent.

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	0	5	3

Underage persons who are cited for consuming appear to be closer to the legal drinking age. Of the citations issued to underage persons, thirty-three (33.3%) percent were within one year and fifty-six (55.6%) 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	7	77	14	53
A.R.S. § 4-241.L Use of false ID to buy alcohol	1	128	0	62
A.R.S. § 4-241.M Underage solicits third party buyer	1	30	0	24
A.R.S. § 4-241.N Use of false ID to enter premises	0	12	2	54
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	11	499	18	127
A.R.S. § 4-244.41 Alcohol in system of underage	3	291	2	375
A.R.S. § 13-2907.01 Providing false information to state	0	49	1	15
A.R.S. § 28-3478.1 Unlawful use of driver's license	0	75	0	44
A.R.S. § 28-3478.3 Using another person's driver's license	1	24	0	46

The number of underage citations issued in June 2015 decreased thirty-five (35.1%) percent compared with June 2014.

SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred sixty-six (166) active Series 11 (hotel/motel) licenses and three thousand four hundred thirty-four (3,434) active Series 12 (restaurant) licenses statewide. Compared to June 2014, the number of hotel/motel with restaurant licenses remained the same, and the number of restaurant licenses increased by sixty-six (66) or two (2.0%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand six hundred (3,600) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,800.

Audit Status	Current Month	This Month Last Year
Audits closed	7	8
Audits initiated	7	8
Audits in progress	16	16
Open cases w/projected ratio of >37%	14	8
Open cases w/projected ratio between 30 to 37%	2	6
Open cases w/projected ratio of <30%	0	2
Locations granted 1 year to continue operation	1	1
Locations being monitored	83	76

During June 2015, seven (7) audits were completed in Maricopa, Mohave, and Yavapai Counties, which resulted in actionable violations in five (5) cases. On June 30, 2015, there were sixteen (16) audits in progress and eighty-three (83) locations being monitored.

Audit Action	Current Month	Total FY 2015	This Month Last Year	Total FY 2014	Total 2003 To Present
Audits completed	7	91	8	92	810
Audits passed	5	56	6	69	439
Audits failed	1	25	1	17	289
Inconclusive	1	10	1	6	76
Other charges only	0	0	0	0	6

In June 2015, audit fines assessed from violations totaled three thousand three hundred seventy-five (\$3,375) dollars. Compared to June 2014, total audit fines assessed from violations increased by three hundred seventy-five (\$375) 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	\$3,375	\$71,350	\$3,000	\$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	91 audits	\$47,725	\$524

Online Sampling Requests:

During the month of June 2015, there were five hundred and one (501) sampling requests entered into and approved by the new on-line system. Of these sampling requests twenty-four (24) were cancelled.

Since the beginning of FY 2015, seven thousand three hundred seven (7,385) sampling requests were entered into the online system saving the department three hundred sixty-nine (369) hours. Of these sampling requests, two hundred sixty-three (263) were cancelled.

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	1	2	0	1
Surrenders	0	10	1	6
Divestitures	1	7	0	2
Administrative Complaints	0	2	0	5
Decisions & Orders	0	1	0	6
Cases Received	41	843	55	856
Cases Completed	8	198	9	183
Cases in Progress	33	645	46	672
Warning Letter Issued	2	22	1	41
Cases Sent to OAH	0	7	1	7

Economic Impact:

Fines collected during the month totaled twenty-eight thousand three hundred seventy-five (\$28,375) dollars from thirty-six (36) adjudicated compliance actions. Compared to last month, May 2015, this represents a seventeen (16.8%) percent decrease in collected revenues and no change in the number of compliance actions processed. Compared to June 2014, this represents a twenty-six (25.6%) percent decrease in collected revenues and a thirteen (12.5%) 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	561	\$516,365	\$920

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	5	81	6	58
A.R.S. § 4-244.1	Unlicensed Resale	3	18	2	5
A.R.S. § 4-244.9	Furnish alcohol to an underage	5	66	6	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	5	0	5

During FY 2015, fines from adjudicated underage violations total eighty-two thousand three hundred seventy-five (\$82,375) 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	\$82,375	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	5	57	2	42
Licenses Granted	3	20	0	13
Licenses Denied	1	11	0	9
Continuances Granted	0	11	2	11
Continuances Denied	0	1	0	1
Licenses Withdrawn	0	13	0	5
Appeals Heard	0	0	0	2
Rehearings Requested	0	1	0	1
Hearings Cancelled by Director	1	3	0	1

There were five (5) hearings scheduled before the State Liquor Board in June. One (1) hearing was cancelled. Two (2) Series 10 Beer and Wine Store licenses were granted. One (1) Series 12 Restaurant license was granted. One (1) Series 6 Bar license was denied.

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
Vacant		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, June 2014, the number of new liquor licenses issued in Arizona increased twenty-nine (28.8%) percent and the number of active licenses increased one (1.1%) percent. Also, compared with June 2014, monthly licensing revenues have decreased one (1.0%) percent from three hundred eighty-nine thousand seven hundred thirty-nine (\$389,739) dollars during this time last year to three hundred twenty-one thousand one hundred twenty-four (\$321,124) dollars during the current month.

In June 2015, five (5) exempt locations were approved which brings the total active exempt locations in Arizona to eighty-six (86). An exempt location is an establishment that has: (1) met the criteria established in A.R.S. §4-244.05 and A.A.C. R19-1-324; (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	152	1,559	118	1,629
Renewed licenses	687	11,952	660	11,645
Lottery licenses issued	0	16	1	1
Collected Lottery Revenues	\$0	\$1,208,300	\$3,300	\$3,300
Number of Active Liquor Licenses	12,052	12,052*	11,919	11,919*
Exempt Locations Issued	5	84	3	91
Number of Exempt Locations	86	86**	102	102**
Collected Licensing Revenues (including lottery revenues)	\$321,124	\$7,884,153	\$389,739	\$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 June 2015

Fair Market Value	0
Applications	12,700
License Fees	196,282
Out-of-State	0
Agent Change	2,850
Fines	28,375
Special Event	2,850
Club	4,200
Penalties	4,950
Copy Fees	4,261
Non-Use Surcharge	13,300
Audit Surcharge	8,490
Enforcement K Surcharge	19,845
Enforcement L Surcharge	18,105
Miscellaneous	10

TOTAL REVENUES COLLECTED **\$316,218**
(fingerprints) **4,906**

TOTAL REPORT **\$321,124**

**LEAN TRANSFORMATION
STATEWIDE LICENSING INITIATIVE**

DLLC staff has been working with ADOA staff to engage customers in the continuous improvement process, reduce Series 12 application errors, and develop consistent licensing policies and procedures. CSRs review and resolve errors on a monthly basis.

In June 2015, DLLC staff, ADOA staff, and representatives from cities in the Phoenix Metro Area met to map out the licensing processes of each of the respective cities.

DLLC Implementation Plan

Objectives	Owner*	Deadline
Improve the License Application Format	Licensing Manager	May 1, 2015
Update the Website with Accurate and Current Information	Communications Director	May 1, 2015
Standardize Processes for All Customer Service Representatives (CSRs)	Licensing Manager	May 1, 2015
New Licensing System	Assistant Director of Administration	December 31, 2016
Reduce Wait Time to Access the Corporation Commission Website	Lean Coach	May 1, 2015
Reduce Wait Time at the Copier	Licensing Manager	May 31, 2015
Improve Date Stamp Process	Licensing Manager	June 15, 2015
Reduce CSR Errors	Licensing Manager	May 31, 2015

*Subject Matter Experts from all divisions are contributing to the implementation of Lean Transformation.

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

New Laws

Laws that become effective on July 3, 2015 are included in the 2015 Title 4 Law Book. This book is created for department staff and is provided as a public courtesy on the department's website. Follow this link for a PDF, printable version of the 2015 [Title 4 Law Book](#).

This compilation of the Arizona Revised Statutes is complete as amended through the 52nd Legislature, First Regular Session [adjourned April 3, 2015] and is available on the Legislature's and Secretary of State's websites.

Follow this link for the official reference to [Arizona Revised Statutes - Title 4](#).

Follow this link for the official reference to [Arizona Administrative Code - Title 19 Chapter 1](#).

Charity and Special Events

From July 1, 2014 to June 30, 2015, two thousand six hundred eighty-eight (2,688) special events were processed by DLLC. An organization may apply for a special event (series 15) liquor license if it is one of the following:

1. a political party or campaign committee supporting a candidate for public office or a ballot measure,
2. an organization formed for a specific charitable or civic purpose,
3. a fraternal organization in existence for over five years with a regular membership or a religious organization.

This temporary, non-transferable, on-sale retail privileges liquor license allows an organization to sell and serve all types of spirituous liquor for consumption only on the premises where the spirituous liquor is sold, and only for the period authorized on the license. Off-sale privileges apply only to special events holding auctions.

Follow this link for more information and an application kit for [Charity and Special Events](#).

Online Annual Production Reporting

Along with the seven audits completed during June 2015, the audit unit also sent one hundred fifty-three (153) investigation reports to Compliance for microbreweries, farm wineries, and limited out-of-state wineries that failed to report their annual production.

END OF DLLC JUNE 2015 REPORT TO THE GOVERNOR