

GOVERNOR'S MONTHLY REPORT

August 2014

(Revised 9/17/15)



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 August 2014, DLLC conducted investigations of fifteen (15) liquor-licensed establishments in Phoenix, Apache Junction, Gilbert, Chandler, Glendale, Tucson and Marana. Five (5) CUBs were used. Nine (9), or sixty (60.0%) percent, of these establishments sold alcohol to a CUB resulting in twenty-four (24) administrative violations and fifteen (15) criminal citations. All fifteen (15) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand six hundred twenty-four (3,624) establishments have been investigated and one thousand one hundred thirty-six (1,136) or thirty-one (31.3%) percent have sold to CUB buyers resulting in two thousand seven hundred twenty-eight (2,728) administrative violations and two thousand two hundred ten (2,210) 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	131	59	45	140	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.

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 Marketer's Association (AFMA) 2014 Downtown Convention Meeting – director and communications director attended
- Meetings with licensees in Flagstaff, Cameron and Page – director facilitated
- Super Bowl meeting with Downtown Phoenix Partnership (DPP) – director attended
- Arizona League of Cities and Towns annual convention – director attended
- Underage Alcohol Issues meeting with the Maricopa County Sheriff's Office – deputy director attended
- Tribal Commissions meeting – deputy director attended
- Northern Arizona Chief of Police (NOAZ) Directors meeting – deputy director attended
- Arizona Substance Abuse Partnership meeting – assistant director of administration attended

Law Enforcement Special Detail:

- CUB – Investigator Palubeskie conducted one and Investigator Gothelf conducted two
- Back to School details – Investigator Palubeskie assisted Tempe PD
- University of Arizona – Investigator Gothelf conducted one
- Firearms qualification and decision shoot – Investigator Zacarias and Investigator Byrd conducted
- Vehicle inventory maintenance and assistance – Investigator Trevizo completed
- Payson Rodeo – Investigator Sanchez and Investigator Turner worked
- Concerts for Youth Alcohol – Investigator Turner, Investigator Trevizo and Investigator Carruthers worked
- Trade Practice Investigations, Title 4 Training Management – Investigator Miller
- Completed thirty Site Inspections and Title 4 Training Management – Ms. Strickland
- Liquor Law Update classes – Investigator Miller
- Title 4 Training – Investigator Webb facilitated classes for 113 Officers from 18 agencies
- Title 4 Training – Investigator Parris facilitated a class for 20 Officers and Investigator Gothelf facilitated a class for 25 civilians
- Title 4 and Fake ID Training – Investigator Gothelf facilitated a class for 18 Officers
- 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-seven (267) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in forty-eight (48) criminal citations and ninety-two (92) 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 one hundred seventy-two (1,172), which is a decrease of eleven (10.9%) percent when compared to the one thousand three hundred fifteen (1,315) investigative actions taken in August 2013.

Achievements:	Current Month	Total FY 2015	1 Year Ago This Month	Total FY 2014
Routine Liquor Inspections Completed	267	523	299	3,434
Criminal Citations Issued	48	80	94	1,254
Criminal Counts Charged	81	134	NA	NA
Administrative Counts Charged	92	250	115	1,473
Hidden Ownerships Completed	1	3	0	24
Site Inspections Completed	17	42	20	297
Non-Actioned (criminal) Complaints	43	78	59	507
Actioned (administrative) Complaints	14	27	12	120
Compliance Case Reports Submitted	49	85	64	648
On-view Violation Case Reports	26	40	15	341
Law Enforcement Liaison Completed	58	138	81	836
Tax Deficiency Charges	28	51	27	277
MVD Affidavit/Suspension	3	8	13	132
Underage Investigations Statistics:				
Citations Issued to Underage	37	50	77	981
Total Violations	81	119	110	1,312
Total Achievements: (including police report reviews and completed protests not listed above)	1,172	2,183	1,315	15,794

The number of citations DLLC investigators issued to underage persons decreased fifty-two (51.9%) percent and the total number of violations decreased twenty-six (26.4%) percent compared to August 2013.

SUCCESS STATISTICS
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	0	0	10	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, thirty-seven (37.1%) percent were within one year and thirty-four (34.3%) 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	10	17	3	53
A.R.S. § 4-241.L Use of false ID to buy alcohol	15	15	6	62
A.R.S. § 4-241.M Underage solicits third party buyer	5	5	3	24
A.R.S. § 4-241.N Use of false ID to enter premises	0	5	17	54
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	0	18	26	127
A.R.S. § 4-244.41 Alcohol in system of underage	10	20	17	375
A.R.S. § 13-2907.01 Providing false information to state	43	44	5	15
A.R.S. § 28-3478.1 Unlawful use of driver's license	9	9	5	44
A.R.S. § 28-3478.3 Using another person's driver's license	4	7	13	46

The number of citations issued due to furnishing alcohol to an underage, underage in possession, and consumption decreased by one hundred (100.0%) percent in August 2014 from August 2013. The number of citations issued for alcohol in the system of underage persons decreased by forty-one (41.2%) percent in August 2014 compared with August 2013. The number of citations issued due to use of false ID to buy alcohol increased one hundred fifty (150.0%) percent. The number of citations issued due to unlawful use of a driver's license increased eighty (80.0%) percent in August 2014 from August 2013.

SUCCESS STATISTICS
Investigations (continued)
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), a service providing out-of-hospital acute care and transport, and 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	8	9	0
2013	4	5	0
2014	7	3	5

There were three (3) TRACE cases opened this month.

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-four (164) active Series 11 (hotel/motel) licenses and three thousand three hundred seventy-seven (3,377) active Series 12 (restaurant) licenses statewide. Compared to August 2013, the number of hotel/motel with restaurant licenses decreased by three (3) or two (1.8%) percent, and the number of restaurant licenses increased by sixty-eight (68) or two (2.1%) percent. DLLC employs two (2) full time auditors. With a total of three thousand five hundred forty-one (3,541) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,771.

Audit Status	Current Month	This Month Last Year
Audits closed	6	6
Audits initiated	6	6
Audits in progress	16	16
Open cases w/projected ratio of >37%	9	12
Open cases w/projected ratio between 30 to 37%	7	4
Open cases w/projected ratio of <30%	0	0
Locations granted 1 year to continue operation	0	1
Locations being monitored	71	67

During August 2014, six (6) audits were completed in Maricopa and Mohave Counties, which resulted in actionable violations in four (4) cases. On August 31, 2014, there were sixteen (16) audits in progress and seventy-one (71) locations being monitored.

Audit Action	Current Month	Total FY 2015	This Month Last Year	Total FY 2014	Total 2003 To Present
Audits completed	6	14	6	92	725
Audits passed	3	7	5	69	386
Audits failed	2	5	1	17	266
Inconclusive	1	2	0	6	67
Other charges only	0	0	0	0	6

In August 2014, audit fines assessed from violations totaled four thousand four hundred fifty (\$4,450) dollars. Compared to August 2013, total audit fines assessed from violations increased by one thousand four hundred fifty (\$1,450) 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	\$4,450	\$9,075	\$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	30 audits	\$11,575	\$386

Online Sampling Requests:

Prior to June 1, 2014, the Audit Unit received, reviewed, approved, denied, cancelled, and tracked all requests by hand for distributors seeking to hold a sampling at Series 9 (Liquor Store) and Series 10 (Beer and Wine Store) establishments. In recent years, the amount of sampling requests received had been increasing substantially.

DLLC instituted online sampling requests effective June 1, 2014. The online process allows distributors to enter their own sampling data. The system then verifies whether (1) there are other sampling events at the same location on the same date, (2) the distributor has not exceeded its twelve (12) sampling events per establishment per year, and (3) the establishment is an approved sampling location. If the system determines the sampling request meets all of the requirements, the sampling event is booked, an email along with a "Notice of Sampling" credential is sent to the distributor, and a notification email is sent to the retail location.

During the month of August 2014, there were five hundred eleven (511) sampling requests entered into and approved by the new online system. Of these sampling requests fifteen (15) were cancelled.

Since the beginning of FY 2015, nine hundred (900) sampling requests were entered into and approved by the online system. Of these sampling requests, nineteen (19) were cancelled, saving the Audit Unit and the Department forty-five (45) 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	1	0	6
Divestitures	1	1	0	2
Administrative Complaints	0	1	1	5
Decisions & Orders	0	0	0	6
Cases Received	70	127	62	856
Cases Completed	21	28	8	183
Cases in Progress	49	99	54	672
Warning Letter Issued	0	1	0	41
Cases Sent to OAH	0	1	2	7

Economic Impact:

Fines collected during the month totaled forty-eight thousand four hundred sixty-five (\$48,465) dollars from fifty-one (51) adjudicated compliance actions. Compared to last month, July 2014, this represents a sixty-eight (67.6%) percent increase in collected revenues and a forty-two (41.7%) percent increase in the number of compliance actions processed. Compared to August 2013, this represents a twenty (19.5%) percent decrease in collected revenues and a sixteen (15.9%) 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
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	500	\$473,910	\$948
2014-2015	87	\$77,390	\$890

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	7	19	1	58
A.R.S. § 4-244.1	Unlicensed Resale	2	4	0	5
A.R.S. § 4-244.9	Furnish alcohol to an underage	7	19	5	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	0	0	5

To date during FY 2015, fines from adjudicated underage violations total twelve thousand two hundred fifty (\$12,250) 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	\$12,250	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	3	8	3	42
Licenses Granted	2	3	1	14
Licenses Denied	0	2	0	8
Continuances Granted	1	1	1	9
Continuances Denied	0	1	0	1
Licenses Withdrawn	1	2	0	5
Appeals Heard	0	0	1	3
Rehearings Requested	0	0	0	3
Hearings Cancelled by Director	0	1	0	1

Three (3) hearings were scheduled for the August 2014 meeting. The Board granted one (1) Series 6 (Bar) Person and Location Transfer Application and one (1) Series 9 (Liquor Store) Person Transfer Application.

STATE LIQUOR BOARD MEMBERS AND TERMS

J.D. Ghelfi (R)	Chairman Maricopa County No Financial Interest	Term Expires 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 Expires January 19, 2015
Jim Carruthers (R)	Yuma County No Financial Interest	Term Expires 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, August 2013, the number of new liquor licenses issued in Arizona decreased by seventeen (16.8%) percent and the number of active licenses increased by one (1.4%) percent. Also, compared with August 2013, monthly licensing revenues have increased by sixteen (15.5%) percent from four hundred seventy-five thousand nine hundred seventy-eight (\$475,978) dollars during this time last year to five hundred forty-nine thousand six hundred thirty-two (\$549,632) dollars during the current month.

In August 2014, seven (7) exempt locations were approved which brings the total active exempt locations in Arizona to ninety-eight (98). 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	89	216	107	1,629
Renewed licenses	735	1,590	812	11,645
Lottery licenses issued	2	2	0	1
Collected Lottery Revenues	\$144,400	\$389,850	\$0	\$3,300
Number of Active Liquor Licenses	11,969	11,969*	11,801	11,919*
Exempt Locations Issued	7	16	6	91
Number of Exempt Locations	98	98**	76	92**
Collected Licensing Revenues (including lottery revenues)	\$549,632	\$1,253,854	\$475,978	\$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 August 2014

Fair Market Value	144,400
Applications	15,225
License Fees	236,553
Out-of-State	0
Agent Change	5,900
Fines	47,040
Special Event	5,825
Club	5,200
Penalties	7,050
Copy Fees	4,249
Non-Use Surcharge	12,800
Audit Surcharge	12,750
Enforcement K Surcharge	24,990
Enforcement L Surcharge	21,960
Miscellaneous	15

TOTAL REVENUES COLLECTED **\$ 543,956**
(fingerprints) **5,676**

TOTAL REPORT **\$ 549,632**

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Forms and Website Changes

Recent legislative changes (e.g., Liquor Omnibus Bill, the Cider Luxury Privilege Tax Bill, and the Small Business Bill of Rights Bill) require significant amendments to the department's forms and website. The goal is to complete these revisions by mid-September 2014.

Below are links for transitional tools from the home page of the Department of Liquor website.

[New Liquor Law Training Presentation \(PDF\)](#)

[July 24, 2014 Title 4 \(Arizona liquor law\) Law Book](#)

[Signs At Liquor-licensed Retail Locations - Industry Notice](#)

[Use and Replacement of Vertical Arizona Driver License To Access Liquor](#)

[MVD Announcement of New Arizona Driver License](#)

[New Arizona Driver License Permit is Valid ID](#)

Small Business Bill of Rights

The new "Small Business Bill of Rights" law was passed in July 2014. Use this link for the definition of "small business" and a complete review of the [Small Business Bill of Rights](#).

END OF DLLC AUGUST 2014 REPORT TO THE GOVERNOR