

# GOVERNOR'S MONTHLY REPORT

## September 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 September 2014, DLLC conducted investigations of fifteen (15) liquor-licensed establishments in Phoenix, Glendale, Tempe, and Tucson. Three (3) CUBs were used. Three (3), or twenty (20.0%) percent, of these establishments sold alcohol to a CUB resulting in six (6) administrative violations and four (4) 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 thirty-nine (3,639) establishments have been investigated and one thousand one hundred thirty-nine (1,139) or thirty-one (31.3%) percent have sold to CUB buyers resulting in two thousand seven hundred thirty-four (2,734) administrative violations and two thousand two hundred fourteen (2,214) criminal citations.

**CUB Program Statistics**

<b>Calendar Year</b>	<b>Locations Investigated</b>	<b># Sold to CUB</b>	<b>% of Locations that Sold to CUB</b>	<b>Administrative Violations</b>	<b>Criminal Violations</b>
<b>2003</b>	122	33	29	70	71
<b>2004</b>	217	55	25	122	136
<b>2005</b>	337	108	32	342	283
<b>2006</b>	475	148	31	409	317
<b>2007</b>	450	108	24	200	201
<b>2008</b>	572	172	30	416	349
<b>2009</b>	392	115	29	234	229
<b>2010</b>	169	96	57	207	129
<b>2011</b>	234	62	26	143	69
<b>2012</b>	215	82	38	225	193
<b>2013</b>	310	98	32	220	143
<b>2014</b>	146	62	43	146	94

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:**

- 2014 Alcohol Policy Conference – director participated
- Illinois Department of Liquor discussion with director – director attended
- Meet with Senator Begay – director participated
- Meeting with Prescott supervisor Rowlie Simmons – director facilitated
- Arizona Association of Chiefs of Police (AACOP) Conference – deputy director attended
- Arizona State University (ASU) College of Public Programs internship update – communications director attended
- 2014 Census of State and Local Law Enforcement Agencies (CSLLEA-14) sponsored by the Department of Justice – communications director participated

#### **Law Enforcement Special Detail:**

- National Liquor Law Enforcement Association Conference – Sergeant Kuhl attended
- CUB – Investigator Webb conducted two and Investigator Gothelf conducted one
- Assisted Tempe PD with back to School Details – Investigator Webb
- Off-Duty Officer Program – Investigator Parris started
- Vehicle inventory maintenance and assistance – Investigator Trevizo completed
- Trade Practice Investigations and Title 4 Training Management – Investigator Miller
- Completed 36 Site Inspections and Title 4 Training Management – Ms. Strickland
- Liquor Law Update classes – Investigator Miller
- Title 4 Training – Investigator Webb taught 39 Officers
- Fake ID Training – Investigator Webb taught 27 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 three hundred twenty-four (324) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in fifty-six (56) criminal citations and one hundred (100) 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 1:857.

Total investigative actions taken this month were one thousand three hundred sixty-one (1,361), which is a decrease of three (2.9%) percent when compared to the one thousand four hundred one (1,401) investigative actions taken in September 2013.

<b>Achievements:</b>	<b>Current Month</b>	<b>Total FY 2015</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2014</b>
Routine Liquor Inspections Completed	324	847	326	3,434
Criminal Citations Issued	56	136	126	1,254
Criminal Counts Charged	98	245	NA	NA
Administrative Counts Charged	100	350	160	1,473
Hidden Ownerships Completed	5	8	2	24
Site Inspections Completed	25	67	19	297
Non-Actioned (criminal) Complaints	47	125	72	507
Actioned (administrative) Complaints	10	37	15	120
Compliance Case Reports Submitted	40	125	76	648
On-view Violation Case Reports	25	65	43	341
Law Enforcement Liaison Completed	69	207	87	836
Tax Deficiency Charges	23	74	11	277
MVD Affidavit/Suspension	24	32	22	132
<b>Underage Investigations Statistics:</b>				
Citations Issued to Underage	48	98	62	981
Total Violations	89	208	97	1,312
<b>Total Achievements:</b> (including police report reviews and completed protests not listed above)	1,361	3,544	1,401	15,794

The number of citations DLLC investigators issued to underage persons decreased twenty-three (22.6%) percent and the total number of violations decreased eight (8.2%) percent compared to September 2013.

**SUCCESS STATISTICS**  
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	1	1	1	15	14	13

Underage persons who are cited for consuming appear to be closer to the legal drinking age. Of the citations issued to underage persons, twenty-nine (28.9%) percent were within one year and thirty-one (31.1%) 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
<b>A.R.S. § 4-241.A</b> Failure to Check ID	4	21	8	53
<b>A.R.S. § 4-241.L</b> Use of false ID to buy alcohol	20	35	7	62
<b>A.R.S. § 4-241.M</b> Underage solicits third party buyer	2	7	12	24
<b>A.R.S. § 4-241.N</b> Use of false ID to enter premises	0	5	2	54
<b>A.R.S. § 4-244.9</b> Furnishing alcohol to an underage, underage in possession/consumption	47	65	31	127
<b>A.R.S. § 4-244.41</b> Alcohol in system of underage	16	36	19	375
<b>A.R.S. § 13-2907.01</b> Providing false information to state	0	44	0	15
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver's license	9	18	4	44
<b>A.R.S. § 28-3478.3</b> Using another person's driver's license	0	7	3	46

The number of citations issued to persons furnishing alcohol to an underage, underage in possession, and consumption increased by fifty-two (51.6%) percent in September 2014 from September 2013. The number of citations issued for alcohol in the system of underage persons decreased by sixteen (15.8%) percent in September 2014 compared with September 2013. The number of citations issued due to use of false ID to buy alcohol increased one hundred eighty-six (185.7%) percent. The number of citations issued due to unlawful use of a driver's license increased one hundred twenty-five (125.0%) percent in September 2014 from September 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-six (166) active Series 11 (hotel/motel) licenses and three thousand three hundred seventy-seven (3,377) active Series 12 (restaurant) licenses statewide. Compared to September 2013, the number of hotel/motel with restaurant licenses decreased by two (2) or one (1.2%) percent, and the number of restaurant licenses increased by fifty-five (55) or two (1.7%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand five hundred forty-three (3,543) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,772.

<b>Audit Status</b>	<b>Current Month</b>	<b>This Month Last Year</b>
<b>Audits closed</b>	8	12
<b>Audits initiated</b>	8	12
<b>Audits in progress</b>	16	16
<b>Open cases w/projected ratio of &gt;37%</b>	13	12
<b>Open cases w/projected ratio between 30 to 37%</b>	3	3
<b>Open cases w/projected ratio of &lt;30%</b>	0	1
<b>Locations granted 1 year to continue operation</b>	0	0
<b>Locations being monitored</b>	68	83

During September 2014, eight (8) audits were completed in Maricopa and Mohave Counties, which resulted in actionable violations in five (5) cases. On September 30, 2014, there were sixteen (16) audits in progress and sixty-eight (68) locations being monitored.

<b>Audit Action</b>	<b>Current Month</b>	<b>Total FY 2015</b>	<b>This Month Last Year</b>	<b>Total FY 2014</b>	<b>Total 2003 To Present</b>
<b>Audits completed</b>	8	22	12	92	733
<b>Audits passed</b>	5	12	10	69	391
<b>Audits failed</b>	0	5	2	17	266
<b>Inconclusive</b>	3	5	0	6	70
<b>Other charges only</b>	0	0	0	0	6

In September 2014, audit fines assessed from violations totaled two thousand seven hundred fifty (\$2,750) dollars. Compared to September 2013, total audit fines assessed from violations decreased by four thousand two hundred seventy-five (\$4,275) 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](http://www.azliquor.gov/contact_audit.cfm).

**SUCCESS STATISTICS**  
Liquor License Audits (continued)

**Audit Revenue 2-year Comparison**

<b>Audit Action</b>	<b>Current Month</b>	<b>Total FY 2015</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2014</b>
<b>Fines Assessed</b>	\$2,750	\$11,825	\$7,025	\$50,300
<b>Continuation License (Grill Bill) Revenue</b>	\$0	\$0	\$60,000	\$120,000

**Audit statistics since FY 2007 are noted below:**

<b>Year</b>	<b>Audits Completed</b>	<b>Revenues Collected</b>	<b>Average Fine per Audit</b> (does not include continuation license fees)
<b>FY 2007</b>	27 audits	\$13,000	\$481
<b>FY 2008</b>	61 audits	\$36,500	\$598
<b>FY 2009</b>	103 audits	\$81,275	\$789
<b>FY 2010</b>	87 audits	\$81,750	\$940
<b>FY 2011</b>	82 audits	\$84,400	\$1,029
<b>FY 2012</b>	90 audits	\$64,355	\$715
<b>FY 2013</b>	84 audits	\$47,625	\$567
<b>FY 2014</b>	92 audits	\$49,625	\$539
<b>FY 2015</b>	22 audits	\$14,575	\$663

**Online Sampling Requests:**

Prior to June 1, 2014, the Audit Unit reviewed, processed, 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 September 2014, there were nine hundred seventy-one (971) sampling requests entered into and approved by the new online system. Of these sampling requests thirty-one (31) were cancelled.

Since the beginning of FY 2015, one thousand eight hundred seventy-one (1,871) sampling requests were entered into and approved by the online system. Of these sampling requests, fifty (50) were cancelled, saving the Audit Unit and the Department over ninety-three (93) 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	2	3	0	6
Divestitures	1	2	0	2
Administrative Complaints	0	1	0	5
Decisions & Orders	0	0	0	6
Cases Received	85	212	74	856
Cases Completed	19	47	15	183
Cases in Progress	66	165	59	672
Warning Letter Issued	3	4	8	41
Cases Sent to OAH	0	1	0	7

### Economic Impact:

Fines collected during the month totaled thirty-six thousand four hundred (\$36,400) dollars from forty-nine (49) adjudicated compliance actions. Compared to last month, August 2014, this represents a twenty-five (24.9%) percent decrease in collected revenues and a four (3.9%) percent decrease in the number of compliance actions processed. Compared to September 2013, this represents a nine (9.1%) percent decrease in collected revenues and an eleven (11.4%) 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	136	\$113,790	\$837

**SUCCESS STATISTICS**  
Compliance (continued)

**Adjudicated Underage Violations:**

<b>Statute</b>	<b>Definition</b>	<b>Adjudicated This Month</b>	<b>TOTAL FY 2015</b>	<b>1 Year Ago This Month</b>	<b>TOTAL FY 2014</b>
<b>A.R.S. § 4-241.A</b>	Failure to Check ID	9	28	5	58
<b>A.R.S. § 4-244.1</b>	Unlicensed Resale	0	4	0	5
<b>A.R.S. § 4-244.9</b>	Furnish alcohol to an underage	8	27	12	65
<b>A.R.S. § 4-244.16</b>	Knowingly allow furnishing liquor to underage	0	0	0	0
<b>A.R.S. § 4-244.22</b>	Consume w/o permission of premises owner	0	0	1	5

To date during FY 2015, fines from adjudicated underage violations total eighteen thousand one hundred twenty-five (\$18,125) dollars.

**Compliance Statistics Resulting From Underage Violations:**

<b>Fiscal Year</b>	<b>Fines Collected</b>	<b>Licenses Suspended</b>	<b>Licenses Revoked</b>
<b>2010</b>	\$365,875	4	1
<b>2011</b>	\$214,500	2	0
<b>2012</b>	\$82,265	1	0
<b>2013</b>	\$125,500	4	1
<b>2014</b>	\$80,625	1	2
<b>2015</b>	\$18,125	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.

<b>Achievements:</b>	<b>Current Month</b>	<b>Total FY 2015</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2014</b>
<b>Hearings Scheduled</b>	4	12	5	42
<b>Licenses Granted</b>	1	4	3	14
<b>Licenses Denied</b>	1	3	0	8
<b>Continuances Granted</b>	2	3	0	9
<b>Continuances Denied</b>	0	1	0	1
<b>Licenses Withdrawn</b>	0	2	0	5
<b>Appeals Heard</b>	0	0	0	3
<b>Rehearings Requested</b>	0	0	1	3
<b>Hearings Cancelled by Director</b>	0	1	1	1

Four (4) hearings were scheduled for the September 2014 meeting. The Board granted one (1) Series 10 (Beer and Wine Store) Original Application, and denied one (1) Series 7 (Beer and Wine Bar) Person and Location 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, September 2013, the number of new liquor licenses issued in Arizona decreased by twenty-one (20.7%) percent and the number of active licenses increased by one (1.4%) percent. Also, compared with September 2013, monthly licensing revenues have increased by fifty-five (55.4%) percent from six hundred forty-nine thousand seven hundred seventy-eight (\$649,778) dollars during this time last year to one million, nine thousand eight hundred sixty-two (\$1,009,862) dollars during the current month. This increase was largely due to lottery revenues and license fees.

In September 2014, eight (8) exempt locations were approved which brings the total active exempt locations in Arizona to one hundred three (103). 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
<b>New licenses issued</b>	107	323	135	1,629
<b>Renewed licenses</b>	953	2,543	918	11,645
<b>Lottery licenses issued</b>	3	5	0	1
<b>Collected Lottery Revenues</b>	\$114,575	\$504,425	\$0	\$3,300
<b>Number of Active Liquor Licenses</b>	11,993	11,993*	11,823	11,919*
<b>Exempt Locations Issued</b>	8	24	4	91
<b>Number of Exempt Locations</b>	103	103**	73	92**
<b>Collected Licensing Revenues</b> (including lottery revenues)	\$1,009,862	\$2,263,716	\$649,778	\$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 September 2014

Fair Market Value	114,575
Applications	13,150
License Fees	685,643
Out-of-State	0
Agent Change	16,850
Fines	49,225
Special Event	9,900
Club	3,175
Penalties	9,300
Copy Fees	4,582
Non-Use Surcharge	24,900
Audit Surcharge	8,940
Enforcement K Surcharge	33,110
Enforcement L Surcharge	30,515
Miscellaneous	35

**TOTAL REVENUES COLLECTED**    **\$1,003,900**  
**(fingerprints)**                            **5,962**

**TOTAL REPORT**                        **\$1,009,862**

## WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

### **PREPARATION FOR SUPER BOWL**

More than thirty special event applications are submitted to the License Division daily; and that number is expected to increase. The License Division recommends that special events and extensions of premises applications be submitted no later than 60 days before the start of the event.

The department is working with the Super Bowl Planning Committee, local law enforcement, government agencies, and licensees to ensure plans are in compliance and licensed as quickly as possible.

Follow the links below to new special event liquor laws that became effective in July 2014.

1. [New Special Event Liquor Law](#)
2. [New Special Event Rule](#)
3. [Special Event Application & Planning Guide](#)

### **PRIVATE PARTIES**

Private parties (held on residential or business properties) are required to comply with Arizona liquor laws and the local social host ordinance. One of the most common violations is the collection of, or request for, a donation or cover charge. Charging guests to attend a party that provides alcohol is against the law. Officers from the Department of Liquor and local law enforcement liquor liaisons conduct compliance checks at private parties.

Another common violation that occurs at parties held at private residences is serving alcohol to persons under the age of 21. It is illegal to provide liquor to someone under age 21. It is illegal for a person under age 21 to have liquor in their possession or in their system. The person providing the liquor or the underage consuming the liquor can be arrested and face Class 1 or Class 2 misdemeanor charges. Depending on the person's age and the number of previous arrests, misdemeanors carry fines of up to \$2,500, a maximum of 12 months in jail, and driver license suspension of up to 12 months.

END OF DLLC SEPTEMBER 2014 REPORT TO THE GOVERNOR