

# GOVERNOR'S MONTHLY REPORT

## August 2015

(Revised 7/13/17)



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 2015, DLLC conducted investigations of sixteen (16) liquor-licensed establishments in Phoenix, Mesa, Chandler, Gilbert and Tucson. Six (6) CUBs were used. Six (6), or thirty-eight (37.5%) percent, of these establishments sold alcohol to a CUB resulting in sixteen (16) administrative violations and six (6) criminal citations. All sixteen (16) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand eight hundred nineteen (3,819) establishments have been investigated and one thousand two hundred four (1,204) or thirty-two (31.5%) percent have sold to CUB buyers resulting in two thousand eight hundred eighty-nine (2,889) administrative violations and two thousand three hundred twenty (2,320) 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>	181	76	42	179	122
<b>2015</b>	145	51	35	122	78

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:**

- Meeting with U.S. Marshall, director participated
- West Valley Chiefs meeting, director participated
- Meeting with Tempe PD, director attended
- MASK meeting, director attended
- Meeting with Arizona Craft Brewers Guild, director and deputy director attended
- Liquor Licensing Working Group meeting, director, deputy director, assistant director of licensing, and communications director attended
- Meeting with Page Springs Cellars, deputy director attended
- Meeting with Amazon, deputy director attended
- Meeting with Mesa PD, deputy director attended
- Indian Affairs Commission meeting, deputy director attended
- Tribal Liaison meeting, deputy director attended
- Meeting with Arizona Restaurant Association, deputy director attended

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

- CUB – Investigator Williams conducted two and Investigator Palubeskie conducted one
- Back to School in Tempe – Investigator Palubeskie, Investigator Williams and Investigator Swift participated
- Operations Safe Streets in Flagstaff – Investigator Carruthers
- Title 4 Briefing at Tempe PD for 15 Bike Officers – Investigator Palubeskie
- Title 4 Briefing at Mesa PD for 35 Officers – Investigator Parris and Investigator Williams
- Title 4 Briefing at Tucson PD for 2 Officers – Investigator Zacarias
- Fake IDs at Maricopa County Sheriff's Office Academy for 25 Cadets – Investigator Webb
- Title 4 at Maricopa County Sheriff's Office Academy for 23 Cadets – Investigator Webb
- Trade Practice, Title 4 Training Management, Stats, Letters to Producers answering requests, and In-House Training – Investigator Miller
- Completed 38 Site Inspections, Title 4 Training Management and Complaint Hotline – Ms. Strickland
- Out-of-area complaints – entire division
- Taser X2 Training – all Investigators participated; Investigators Webb, Palubeskie, Turner and Zacarias POST Qualified
- Decision Shoot – all Officers completed

## 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 forty (240) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in forty-four (44) criminal charges and seventy-eight (78) 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 1:1,096.

Total investigative actions taken this month were one thousand two hundred four (1,204), which is an increase of three (2.7%) percent when compared to the one thousand one hundred seventy-two (1,172) investigative actions taken in August 2014.

<b>Achievements:</b>	<b>Current Month</b>	<b>Total FY 2016</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2015</b>
Routine Liquor Inspections Completed	240	505	267	2,710
Criminal Citations Issued	25	46	48	660
Criminal Counts Charged	44	78	94	1,300
Administrative Counts Charged	78	165	92	1,140
Hidden Ownerships Completed	0	2	1	16
Site Inspections Completed	31	52	17	272
Non-Actioned (Criminal) Complaints	43	68	43	423
Actioned (Administrative) Complaints	8	21	14	96
Compliance Case Reports Submitted	41	74	49	423
On-view Violation Case Reports	32	46	26	256
Law Enforcement Liaison Completed	49	122	58	786
Tax Deficiency Charges	5	17	28	374
MVD Affidavit/Suspension	1	2	3	140
<b>Underage Investigations Statistics:</b>				
Citations Issued to Underage Persons	12	21	37	505
Total Underage Violations	44	66	81	1087
<b>Total Achievements:</b> (including police report reviews and completed protests not listed above)	1,204	2,313	1,172	13,373

Compared to August 2014, the number of citations DLLC investigators issued to underage persons decreased sixty-eight (67.6%) percent and the total number of underage violations decreased forty-six (45.7%) percent.

**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	4	1	4

Of the citations issued to underage persons, thirty-three (33.3%) percent were within one year and eight (8.3%) percent were within two years of the legal drinking age.

Statute/ Definition	Number of Counts Charged This Month	Number of Counts Charged in FY 2016	1 Year Ago This Month	Number of Counts Charged in FY 2015
<b>A.R.S. § 4-241(A)</b> Failure to request ID from underage; accepting unauthorized forms of ID	6	11	10	77
<b>A.R.S. § 4-241(L)</b> Underage who uses false ID to buy alcohol	2	2	15	128
<b>A.R.S. § 4-241(M)</b> Underage who solicits another person for alcohol	3	3	5	30
<b>A.R.S. § 4-241(N)</b> Underage who uses of false ID to gain entry to a liquor business	0	2	0	12
<b>A.R.S. § 4-241(P)</b> Person purchasing alcohol for underage	0	0	0	6
<b>A.R.S. § 4-244(9)</b> Furnishing alcohol to an underage; underage in possession/consumption	16	28	0	499
<b>A.R.S. § 4-244(20)</b> Consuming spirituous liquor in public place, thoroughfare or gathering	2	4	1	24
<b>A.R.S. § 4-244(41)</b> Underage with alcohol in system	7	10	10	291
<b>A.R.S. § 13-2907.01</b> False reporting to law enforcement agencies	0	0	0	5
<b>A.R.S. § 13-3613</b> Contributing to delinquency and dependency of a child	0	0	0	4
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver license	2	3	9	75
<b>A.R.S. § 28-3478.3</b> Using another person's driver license	1	3	4	24

The number of underage violations issued in August 2015 decreased thirty (30.2%) percent compared with August 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 forty-one (3,441) active Series 12 (restaurant) licenses statewide. Compared to August 2014, the number of hotel/motel with restaurant licenses increased by three (3) or two (1.8%) percent, and the number of restaurant licenses increased by sixty-four (64) or two (1.9%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand six hundred eight (3,608) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,804.

<b>Audit Status</b>	<b>Current Month</b>	<b>This Month Last Year</b>
<b>Audits closed</b>	8	6
<b>Audits initiated</b>	8	6
<b>Audits in progress</b>	16	16
<b>Open cases w/projected ratio of &gt;37%</b>	11	9
<b>Open cases w/projected ratio between 30 to 37%</b>	3	7
<b>Open cases w/projected ratio of &lt;30%</b>	2	0
<b>Locations being monitored</b>	100	71

During August 2015, eight (8) audits were completed in Maricopa, Graham, and Pima Counties, which resulted in actionable violations in six (6) cases. On August 31, 2015, there were sixteen (16) audits in progress and one hundred (100) locations being monitored.

<b>Audit Action</b>	<b>Current Month</b>	<b>Total FY 2016</b>	<b>This Month Last Year</b>	<b>Total FY 2015</b>	<b>Total 2003 To Present</b>
<b>Audits completed</b>	8	15	6	91	825
<b>Audits passed</b>	7	12	3	56	451
<b>Audits failed</b>	1	2	2	25	291
<b>Inconclusive</b>	0	1	1	10	77
<b>Other charges only</b>	0	0	0	0	6

In August 2015, audit fines assessed from violations totaled two thousand six hundred twenty-five (\$2,625) dollars. Compared to August 2014, total audit fines assessed from violations decreased by one thousand eight hundred twenty-five (\$1,825) dollars.

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

**Audit Revenue 2-year Comparison**

Audit Action	Current Month	Total FY 2016	1 Year Ago This Month	Total FY 2015
Fines Assessed	\$2,625	\$5,625	\$4,450	\$71,350

Audit statistics since FY 2007 are noted below:

Year	Audits Completed	Revenues Collected	Average Fine per Audit
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
FY 2016	15 audits	\$22,250	\$1,483

**Online Sampling Requests:**

DLLC developed and instituted online sampling requests. After the requesting licensee enters the date, time and location, the system then verifies whether: (1) there are other sampling events at the same location on the same date, (2) the requestor has not exceeded twelve (12) allowed sampling events per location per year, and (3) the location meets the requirements of a 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 instantly emailed to the distributor, and a notification email is sent to the retail location.

During the month of August 2015, there were six hundred fifty-eight (658) sampling requests entered into and approved by the online system. Of these sampling requests forty-nine (49) were cancelled. In FY 2016, the online system has saved over eighty-nine (89.8) staff 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 2016	1 Year Ago This Month	Total FY 2015
Revocations	0	0	0	0
Suspensions	0	0	0	2
Surrenders	2	4	0	10
Divestitures	0	2	1	7
Administrative Complaints	1	1	0	2
Decisions & Orders	0	0	0	1
Cases Received	57	390	70	843
Cases Completed	6	167	21	198
Cases in Progress	51	223	49	645
Warning Letter Issued	0	10	0	22
Cases Sent to OAH	0	0	0	7

### Economic Impact:

Fines collected during the month totaled forty-three thousand two hundred twenty-five (\$43,225) dollars from fifty-one (51) adjudicated compliance actions. Compared to last month, July 2015, this represents a thirty-nine (39.0%) decrease in collected revenues and a six (5.6%) percent decrease in the number of compliance actions processed. Compared to August 2014, this represents an eleven (10.8%) percent decrease in collected revenues and no change 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
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
2015-2016	105	\$114,125	\$1,087

**SUCCESS STATISTICS**  
Compliance (continued)

**Adjudicated Underage Violations:**

Statute	Adjudicated This Month	TOTAL FY 2016	1 Year Ago This Month	TOTAL FY 2015
<b>A.R.S. § 4-241(A)</b> Failure to request ID from underage; accepting unauthorized forms of ID; failure to follow the identification procedure prescribed by statutes	5	9	7	92
<b>A.R.S. § 4-241(L)</b> Underage who uses false ID to buy alcohol	0	0	0	0
<b>A.R.S. § 4-241(M)</b> Underage who solicits another person for alcohol	0	0	0	0
<b>A.R.S. § 4-241(N)</b> Underage who uses of false ID to gain entry to a liquor business	0	0	0	0
<b>A.R.S. § 4-241(P)</b> Person purchasing alcohol for underage	0	0	0	0
<b>A.R.S. § 4-244(1)</b> Unlicensed Resale	2	3	2	20
<b>A.R.S. § 4-244(9)</b> Furnishing alcohol to an underage; underage in possession/consumption	5	9	7	89
<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> Underage on premises without parent (on-sale); consume without permission of premises owner	0	0	0	6
<b>A.R.S. § 4-244(41)</b> Underage with alcohol in system	0	0	0	0
<b>A.R.S. § 13-2907(01)</b> False reporting to law enforcement agencies	0	0	0	0
<b>A.R.S. § 28-3478(1)</b> Unlawful use of driver license	0	0	0	0
<b>A.R.S. § 28-3478(3)</b> Using another person's driver license	0	0	0	0

During FY 2016, fines from adjudicated underage violations total thirty-three thousand five hundred (\$33,500) dollars.

**Compliance Statistics Resulting From Underage Violations:**

Fiscal Year	Fines Collected	Licenses Suspended	Licenses Revoked
<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>	\$82,375	0	0
<b>2016</b>	\$33,500	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 2016</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2015</b>
<b>Hearings Scheduled</b>	0	2	3	57
<b>Licenses Granted</b>	0	0	2	20
<b>Licenses Denied</b>	0	1	0	11
<b>Continuances Granted</b>	0	1	1	11
<b>Continuances Denied</b>	0	0	0	1
<b>Licenses Withdrawn</b>	0	0	1	13
<b>Appeals Heard</b>	0	0	0	0
<b>Rehearings Requested</b>	0	0	0	1
<b>Hearings Cancelled by Director</b>	0	0	0	3

There were no hearings scheduled before the State Liquor Board in August.

### 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, August 2014, the number of new liquor licenses issued in Arizona increased twenty-six (25.8%) percent and the number of active licenses increased one (0.7%) percent. Also, compared with August 2014, monthly licensing revenues have decreased twenty-one (20.7%) percent from five hundred forty-nine thousand six hundred thirty-two (\$549,632) dollars during this time last year to four hundred thirty-five thousand six hundred thirty-two (\$435,632) dollars during the current month.

In August 2015, thirteen (13) exempt locations were approved which brings the total active exempt locations in Arizona to ninety (90). 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 2016	1 Year Ago This Month	Total FY 2015
<b>New Licenses Issued</b>	112	231	89	1,559
<b>Renewed Licenses</b>	744	1,580	735	11,952
<b>Lottery Licenses Issued</b>	0	0	2	16
<b>Collected Lottery Revenues</b>	\$6,850	\$6,850	\$144,400	\$1,208,300
<b>Number of Active Liquor Licenses</b>	12,052*	12,052*	11,969*	12,052*
<b>Exempt Locations Issued</b>	13	19	7	84
<b>Number of Exempt Locations</b>	90**	90**	98**	86**
<b>Collected Licensing Revenues</b> (including lottery revenues)	\$435,632	\$1,037,367	\$549,632	\$7,884,153

\*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 2015

Fair Market Value	6,850
Applications	14,900
License Fees	264,408
Out-of-State	0
Agent Change	3,700
Fines	43,225
Special Event	5,300
Club	5,850
Penalties	4,650
Copy Fees	5,781
Non-Use Surcharge	14,300
Audit Surcharge	12,750
Enforcement K Surcharge	25,900
Enforcement L Surcharge	22,645
Miscellaneous	5

**TOTAL REVENUES COLLECTED**     **\$430,264**  
**(fingerprints)**     **5,368**

**TOTAL REPORT**     **\$435,632**

**LEAN TRANSFORMATION  
STATEWIDE LICENSING INITIATIVE**

In FY 2015, DLLC issued one thousand five hundred forty-one (1,541) new licenses. Beginning in FY 2016, all DLLC license applications will be included in the continuous improvement process. Customer service representatives (CSRs) have received training and resource materials to ensure that consistent licensing policies and procedures are used when processing applications. A standardized process will help reduce CSR errors, improve processing time, and improve customer satisfaction rates.

On a biweekly basis, the Licensing Manager will track process improvement with the LAG Metric, LEAD Metric, Touch Time, and Stop Sign.

**DLLC Process Improvement**

<b>Biweekly Measurement</b>	<b>Timeframe</b>	<b>Results</b>
LAG Metric (Goal: 80 days) (Average number of days to issue a liquor license from the date an application is received)	August 1-15, 2015	51 days
	August 16-31, 2015	91 days
LEAD Metric (Goal: 5 days) (Average number of days from the date an application is received to the date the application is accepted and entered into LCS)	August 1-15, 2015	3 days
	August 16-31, 2015	1 day
Touch Time (Average number of minutes a CSR "touches" an application during the process)	August 1-15, 2015	56 minutes
	August 16-31, 2015	39 minutes
Stop Sign (Target: 2) (Average number of applications with missing or incorrect information per CSR)	August 1-15, 2015	3 Stop Signs
	August 16-31, 2015	7 Stop Signs

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

### **Education • Communication • Enforcement**

DLLC's "education, communication and enforcement" model of regulation ensures liquor industry trade practice compliance. Since FY 2014, DLLC has broadened its educational reach within Arizona and tribal nations, and to liquor regulators and law enforcement professionals throughout the United States. Ninety-four (94) training events were conducted in FY 2015. Of the two thousand four hundred sixty-two (2,462) audience members in FY 2015, one thousand four hundred twenty (1,420) were law enforcement, seven hundred ninety-five (795) were industry, and two hundred forty-seven (247) were civilian.

In FY 2016, DLLC will host training events on a variety of topics including Title 4, Fake ID, Routine Liquor Inspection (for law enforcement), Trade Practice Investigation (for law enforcement), Event Management, Fake ID and Fraud Documents (for law enforcement), Parent and Teen Fake ID/Awareness, New Liquor Law and Rule Review, Online Sampling Request, Online Annual Production Reporting, and Local Government Liquor Law & Licensing.

Upcoming workshops and training are posted on DLLC's homepage (<http://azliquor.gov>).

END OF DLLC AUGUST 2015 REPORT TO THE GOVERNOR