

GOVERNOR'S MONTHLY REPORT

September 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 September 2015, DLLC conducted investigations of sixteen (16) liquor-licensed establishments in Phoenix, Flagstaff, Holbrook, Tempe, Green Valley, Benson, 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 nineteen (19) administrative violations and nine (10) 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 thirty-five (3,835) establishments have been investigated and one thousand two hundred ten (1,210) or thirty-two (31.6%) percent have sold to CUB buyers resulting in two thousand nine hundred eight (2,908) administrative violations and two thousand three hundred thirty (2,330) 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	161	57	35	141	88

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 Association of Chiefs of Police (AACOP) Conference, director and deputy director attended
- Young's Market meeting, director and deputy director attended
- Senator Don Shooter meeting, director and deputy director attended
- Southern Arizona Law Enforcement Managers (SALEM) meeting, director attended
- Arizona Wine and Spirits Wholesalers of America (AWSWA) meeting, director and deputy director facilitated
- Alliance Beverage meeting, director attended
- Chandler Police Department meeting, director attended
- Arizona Substance Abuse Partnership meeting, deputy director attended
- Embassy Suites meeting, assistant director of licensing attended
- Arizona Food Marketing Alliance (AFMA) meeting, communications director attended

Law Enforcement Special Detail:

- CUB – Investigator Palubeskie conducted two and Investigator Williams conducted two
- Mad Decent RAVE for 14,000 attendees – Investigators Williams, Swift, and Miller
- Operations Safe Streets in Flagstaff – Investigator Carruthers
- Title 4 Training at Northern Arizona Regional Training Academy (NARTA) for 40 Recruits – Investigator Webb
- Title 4/Fake IDs at South Tucson PD for 11 Civilians – Investigator Zacarias
- Vehicle assignment – Investigator Trevizo
- Trade Practice, Title 4 Training Management, Stats, Letters to Producers answering requests, and In-House Training – Investigator Miller
- Completed 43 Site Inspections, Title 4 Training Management and Complaint Hotline – Ms. Strickland
- Out-of-area complaints – entire division
- Special Event Training – all Investigators participated
- Driver Training for Investigations – all Investigators participated

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-seven (247) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in forty-two (42) criminal charges and seventy-four (74) 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 1:1,100.

Total investigative actions taken this month were one thousand one (1,001), which is a decrease of twenty-seven (26.5%) percent when compared to the one thousand three hundred sixty-one (1,361) investigative actions taken in September 2014.

Achievements:	Current Month	Total FY 2016	1 Year Ago This Month	Total FY 2015
Routine Liquor Inspections Completed	247	752	324	2,710
Criminal Citations Issued	28	74	56	660
Criminal Counts Charged	42	120	98	1,300
Administrative Counts Charged	74	205	74	1,140
Hidden Ownerships Completed	0	2	5	16
Site Inspections Completed	28	80	25	272
Non-Actioned (Criminal) Complaints	15	83	47	423
Actioned (Administrative) Complaints	3	24	10	96
Compliance Case Reports Submitted	12	86	40	423
On-view Violation Case Reports	9	55	25	256
Law Enforcement Liaison Completed	53	175	69	786
Tax Deficiency Charges	15	32	23	374
MVD Affidavit/Suspension	2	4	24	140
Underage Investigations Statistics:				
Citations Issued to Underage Persons	19	40	48	505
Total Underage Violations	42	108	98	1087
Total Achievements: (including police report reviews and completed protests not listed above)	1,001	3,314	1,361	13,373

Compared to September 2014, the number of citations DLLC investigators issued to underage persons decreased fifty-eight (58.3%) percent and the total number of underage violations increased five (4.5%) 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	0	4	5	10

Of the citations issued to underage persons, fifty-three (52.6%) percent were within one year and twenty-eight (26.3%) 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
A.R.S. § 4-241(A) Failure to request ID from underage; accepting unauthorized forms of ID	6	17	4	77
A.R.S. § 4-241(L) Underage who uses false ID to buy alcohol	0	2	20	128
A.R.S. § 4-241(M) Underage who solicits another person for alcohol	1	4	2	30
A.R.S. § 4-241(N) Underage who uses of false ID to gain entry to a liquor business	5	7	0	12
A.R.S. § 4-241(P) Person purchasing alcohol for underage	0	0	0	6
A.R.S. § 4-244(9) Furnishing alcohol to an underage; underage in possession/consumption	18	46	47	499
A.R.S. § 4-244(20) Consuming spirituous liquor in public place, thoroughfare or gathering	0	4	0	24
A.R.S. § 4-244(41) Underage with alcohol in system	9	19	16	291
A.R.S. § 13-2907.01 False reporting to law enforcement agencies	0	0	0	5
A.R.S. § 13-3613 Contributing to delinquency and dependency of a child	0	0	0	4
A.R.S. § 28-3478.1 Unlawful use of driver license	1	4	9	75
A.R.S. § 28-3478.3 Using another person's driver license	3	6	0	24

The number of underage violations issued in September 2015 decreased fifty-six (56.1%) percent compared with September 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 fifty-seven (3,457) active Series 12 (restaurant) licenses statewide. Compared to September 2014, the number of hotel/motel with restaurant licenses increased by one (1) or one (0.6%) percent, and the number of restaurant licenses increased by eighty (80) or two (2.4%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand six hundred twenty-four (3,624) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,812.

Audit Status	Current Month	This Month Last Year
Audits closed	11	8
Audits initiated	11	8
Audits in progress	16	16
Open cases w/projected ratio of >37%	11	13
Open cases w/projected ratio between 30 to 37%	4	3
Open cases w/projected ratio of <30%	1	0
Locations granted 1 year to continue operation	0	0
Locations being monitored	94	68

During September 2015, seven (7) audits were completed in Maricopa, Mohave, and Pima Counties, which resulted in actionable violations in six (6) cases. On September 30, 2015, there were sixteen (16) audits in progress and ninety-four (94) locations being monitored.

Audit Action	Current Month	Total FY 2016	This Month Last Year	Total FY 2015	Total 2003 To Present
Audits completed	11	26	8	91	836
Audits passed	8	20	5	56	459
Audits failed	2	4	0	25	293
Inconclusive	1	2	3	10	78
Other charges only	0	0	0	0	6

In September 2015, audit fines assessed from violations totaled two thousand eight hundred twenty-five (\$2,825) dollars. Compared to September 2014, total audit fines assessed from violations increased by seventy-five (\$75) 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	\$2,825	\$8,450	\$2,750	\$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	26 audits	\$26,700	\$1,027

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 September 2015, there were nine hundred forty-four (944) sampling requests entered into and approved by the online system. Of these sampling requests thirty-three (33) were cancelled. In FY 2016, the online system has saved over one hundred ninety-eight (198.35) 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	6	2	10
Divestitures	0	2	1	7
Administrative Complaints	1	2	0	2
Decisions & Orders	0	0	0	1
Cases Received	24	414	85	843
Cases Completed	7	174	19	198
Cases in Progress	17	240	66	645
Warning Letter Issued	0	10	3	22
Cases Sent to OAH	0	0	0	7

Economic Impact:

Fines collected during the month totaled thirty-five thousand three hundred seventy-five (\$35,375) dollars from thirty-five (35) adjudicated compliance actions. Compared to last month, August 2015, this represents an eighteen (18.2%) percent decrease in collected revenues and a thirty-one (31.4%) percent decrease in the number of compliance actions processed. Compared to September 2014, this represents a three (2.8%) percent decrease in collected revenues and a twenty-nine (28.6%) percent decrease 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	176	\$177,875	\$1,011

SUCCESS STATISTICS
Compliance (continued)

Adjudicated Underage Violations:

Statute	Adjudicated This Month	TOTAL FY 2016	1 Year Ago This Month	TOTAL FY 2015
A.R.S. § 4-241(A) Failure to request ID from underage; accepting unauthorized forms of ID; failure to follow the identification procedure prescribed by statutes	6	15	9	92
A.R.S. § 4-241(L) Underage who uses false ID to buy alcohol	0	0	0	0
A.R.S. § 4-241(M) Underage who solicits another person for alcohol	0	0	0	0
A.R.S. § 4-241(N) Underage who uses of false ID to gain entry to a liquor business	0	0	0	0
A.R.S. § 4-241(P) Person purchasing alcohol for underage	0	0	0	0
A.R.S. § 4-244(1) Unlicensed Resale	0	3	0	20
A.R.S. § 4-244(9) Furnishing alcohol to an underage; underage in possession/consumption	6	15	8	89
A.R.S. § 4-244(16) Knowingly allow furnishing liquor to underage	0	0	0	0
A.R.S. § 4-244(22) Underage on premises without parent (on-sale); consume without permission of premises owner	2	2	0	6
A.R.S. § 4-244(41) Underage with alcohol in system	0	0	0	0
A.R.S. § 13-2907(01) False reporting to law enforcement agencies	0	0	0	0
A.R.S. § 28-3478(1) Unlawful use of driver license	0	0	0	0
A.R.S. § 28-3478(3) Using another person's driver license	0	0	0	0

During FY 2016, fines from adjudicated underage violations total forty thousand seven hundred fifty (\$40,750) dollars.

Compliance Statistics Resulting From Underage Violations:

Fiscal Year	Fines Collected	Licenses Suspended	Licenses Revoked
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
2016	\$40,750	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 2016	1 Year Ago This Month	Total FY 2015
Hearings Scheduled	5	7	4	57
Licenses Granted	1	1	1	20
Licenses Denied	1	2	1	11
Continuances Granted	0	1	2	11
Continuances Denied	0	0	0	1
Licenses Withdrawn	0	0	0	13
Appeals Heard	0	0	0	0
Rehearings Requested	1	1	0	1
Hearings Cancelled by Director	1	1	0	3

There were five (5) hearings scheduled before the State Liquor Board in September. One (1) hearing was cancelled prior to the meeting. One (1) hearing was continued to the November meeting. Of the two (2) Series 10 Beer and Wine Store licenses, one (1) was granted and one (1) was denied. One (1) Request for Rehearing 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, September 2014, the number of new liquor licenses issued in Arizona increased eleven (11.2%) percent and the number of active licenses increased one (0.9%) percent. Also, compared with September 2014, monthly licensing revenues have decreased twenty-one (20.6%) percent from one million nine thousand eight hundred sixty-two (\$1,009,862) dollars during this time last year to eight hundred one thousand seven hundred eighty-three (\$801,783) dollars during the current month.

In September 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 2016	1 Year Ago This Month	Total FY 2015
New Licenses Issued	119	350	107	1,559
Renewed Licenses	1,003	2,583	953	11,952
Lottery Licenses Issued	0	1	3	16
Collected Lottery Revenues	\$220,625	\$227,475	\$114,575	\$1,208,300
Number of Active Liquor Licenses	12,095*	12,095*	11,993*	12,052*
Exempt Locations Issued	5	24	8	84
Number of Exempt Locations	86**	86**	103**	86**
Collected Licensing Revenues (including lottery revenues)	\$801,783	\$1,839,150	\$1,009,862	\$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 September 2015

Fair Market Value	220,625
Applications	16,400
License Fees	397,773
Out-of-State	0
Agent Change	3,450
Fines	24,125
Special Event	11,225
Club	3,500
Penalties	7,050
Copy Fees	6,034
Non-Use Surcharge	22,100
Audit Surcharge	22,590
Enforcement K Surcharge	33,740
Enforcement L Surcharge	27,095
Miscellaneous	5

TOTAL REVENUES COLLECTED **\$795,711**
(fingerprints) **6,072**

TOTAL REPORT **\$801,783**

**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

Biweekly Measurement	Timeframe	Results
LAG Metric (Goal: 80 days) (Average number of days to issue a liquor license from the date an application is received)	September 1-12, 2015	90 days
	September 13-26, 2015	94 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)	September 1-12, 2015	2 days
	September 13-26, 2015	1 day
Touch Time (Average number of minutes a CSR "touches" an application during the process)	September 1-12, 2015	58 minutes
	September 13-26, 2015	47 minutes
Stop Sign (Target: 2) (Average number of applications with missing or incorrect information per CSR)	September 1-12, 2015	2 Stop Signs
	September 13-26, 2015	6 Stop Signs

In September 2015, licensing staff identified solutions for eliminating last minute amendments and the total number of amendments to applications.

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Upcoming Training Presented by DLLC Investigations

Date: October 2, 2015
Courses: Fake IDs Commonly Used in Bars for Law Enforcement
Title 4 Liquor Law Update for Law Enforcement
Location: Snowflake/Taylor Police Department

Date: October 14, 2015
Course: Alcohol Myths & Fakes
Location: Fred Acosta Job Corp

Date: October 26, 2015
Course: Title 4 for Civilians
Location: Peaks & Valleys Restaurant, Phoenix

Date: October 27, 2015
Courses: Special Events for Producer / Supplier / Wholesaler
Producer / Supplier Training
Location: Scottsdale Civic Library

Date: October 28, 2015
Courses: Special Events for Producer / Supplier / Wholesaler
Producer / Supplier Training
Location: Scottsdale Civic Library

Date: November 5, 2015
Courses: Special Events for Law Enforcement and Civilians
Location: Tempe Downtown Community (TDC)

Date: November 7, 2015
Courses: Title 4 for American Legion members
Location: DoubleTree Hilton Hotel, Tucson

Date: November 13, 2015
Courses: Liquor Licensing, Law, and Special Event Training for Law Enforcement and Local Government Agencies
Location: Flagstaff City Council Chambers

Date: November 17, 2015
Courses: Liquor Licensing, Law, and Special Event Training for Law Enforcement and Local Government Agencies
Location: Scottsdale Civic Library

Date: November 20, 2015
Courses: Liquor Licensing, Law, and Special Event Training for Law Enforcement and Local Government Agencies
Location: Tucson Rillito Police Department

Date: November 21, 2015
Courses: Title 4 Liquor Law Update for Law Enforcement
Location: Sedona Police Department

Date: December 1, 2015
Courses: Liquor Licensing, Law, and Special Event Training for Law Enforcement and Local Government Agencies
Location: Yuma Public Library

Date: December 4, 2015
Courses: Wholesaler Liquor Law Training and Update for Wholesale Employees
Location: Young's Market Arizona

Date: December 7, 2015
Courses: New Liquor Law and Rule Review for Casino Management
Location: Wild Horse Pass Casino Resort

Date: December 10, 2015
Courses: Liquor Licensing, Law, and Special Event Training for Law Enforcement and Local Government Agencies
Location: Show Low Council Chambers

END OF DLLC SEPTEMBER 2015 REPORT TO THE GOVERNOR