

GOVERNOR'S MONTHLY REPORT
DECEMBER 2012



STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL

Alan Everett, Director
800 W. Washington Street, 5th Floor
Phoenix, Arizona 85007
Office 602-542-9020 Fax 602-542-6799

The information reported in this document is used to keep the Governor and staff apprised of accomplishments, key issues, and upcoming events as they relate to the Department of Liquor Licenses and Control, and its three divisions (Licensing, Administration, and Investigations) on a monthly basis.

GRANTS & FUNDING
LIQUOR ENFORCEMENT & EDUCATION OUTREACH GRANT
CUB (COVERT UNDERAGE BUYER) PROGRAM

In an effort to curb the sale of liquor to underage persons, the Covert Underage Buyer (CUB) program was instituted in June of 2003. This program provides the resources necessary for DLLC to investigate reported complaints of liquor licensed businesses suspected of one or more underage liquor law violations. When DLLC has reasonable suspicion that a liquor-licensed establishment is selling liquor to underage customers, the agency will send in a covert underage buyer, or CUB, to attempt to purchase liquor. The CUBs are between the ages of fifteen (15) and nineteen (19), and are carefully trained by DLLC investigators to understand and follow state laws, including DLLC's CUB investigations guidelines, personal and public safety measures. Currently there is one (1) officer and a total of twelve (12) 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.

DLLC conducted investigations of fifteen (15) liquor-licensed establishments using six (6) CUBs. Seven (7), or forty-seven (46.7%) percent, of these establishments sold alcohol to a (CUB) resulting in eighteen (18) criminal and twenty (20) administrative violations. All fifteen (15) locations were investigated in response to complaints received by DLLC.

DLLC saw a decrease of twenty-two (22.2%) percent in the number of establishments that sold to CUBs compared to the previous month, November 2012. To date in CY 2012, thirty-eight (38.1%) percent of establishments investigated sold to CUBs.

Since the inception of the program, three thousand one hundred eighty-three (3,183) establishments have been investigated and nine hundred seventy-nine (979) or thirty-one (30.8%) percent have sold to CUB buyers resulting in two thousand three hundred sixty-eight (2,368) administrative violations and one thousand nine hundred seventy-seven (1,977) 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

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.

GRANTS & FUNDING
LIQUOR ENFORCEMENT & EDUCATION OUTREACH GRANT
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), 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

There were no new TRACE cases opened this month. There is one open case in Tempe still pending with administrative charges to be filed.

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 in Arizona.

Community and agency outreach during the month:

- Oral Proceeding on Newly Proposed Rules- Director, Asst. Director of Administration, Asst. Director of Licensing and Director of Communications attended
- Phoenix Brewers Invitational 2012- Director of Communications attended
- ASLAPR Records Management Training- Director of Communications attended
- Arizona Safe Bar Alliance (ASBA) Video Tape Training- Director of Communications attended
- ADOA Performance Management Supervisor Training- All Management staff attended
- Continuity of Operations Conference Meeting- Director, Deputy Director, Asst. Director of Administration and Asst. Director of Licensing attended
- Legislation On-Line Arizona training- Asst. Director of Administration attended
- Representative David Stevens stakeholder meeting- Asst. Director of Administration attended
- Communities Preventing Substance Abuse Work Group- Asst. Director of Administration attended

Law Enforcement Special Detail:

- 3 CUB details- Palubeskie and Turner
- 2 CUB details-Gothelf
- Phoenix PD High Intensity Drug Trafficking Areas (HIDTA)- Ribera
- Statewide Continuity of Operations Conference (COOP)- Ribera
- Arizona Department of Emergency Management training- Ribera
- Navajo Nation meeting in Sanders, AZ- Parris attended
- Special Events worked in Phoenix Metro area including East Valley DUI
- Mohave County work-Eaton
- Wholesale case- Miller
- Annual Firearms Qualification- All Officers
- Worked out of area complaints- All Officers

SUCCESS STATISTICS INVESTIGATIONS

It is the responsibility of the Investigations Division to ensure that all licensees statewide adhere to A.R.S. Title 4 (Arizona liquor laws) and all Rules established by the DLLC.

Investigators completed one hundred seventy-three (173) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred twenty-three (123) criminal citations and one hundred eight-two (182) administrative violations. The following success statistics were completed by a staff of fourteen (14) fulltime, sworn officers who uphold a statewide officer-to-liquor license ratio of 1:827.

Total investigative achievements were eight hundred sixty-two (862) this month which is an increase of thirteen (12.5%) percent when compared to the seven hundred sixty-six (766) investigative achievements in December 2011.

Achievements:	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Hidden Ownerships Completed	3	15	0	25
Site Inspections Completed	32	180	145	760
Actioned (administrative) Complaints	14	69	2	72
Non-Actioned (criminal) Complaints	48	284	25	454
Administrative Counts Charged	182	1,057	102	1,666
Criminal Citations Issued	123	767	84	1,809
Routine Liquor Inspections Completed	173	1,419	122	2,503
Compliance Case Reports Submitted	62	313	58	889
On-view Violation Case Reports	43	205	50	758
Law Enforcement Liaison Completed	83	513	90	985
Underage Investigations Statistics:				
Citations Issued to Underage	25	250	28	918
Total Violations	74	609	60	1,715
Total Achievements:	862	5,681	766	12,554

The number of citations DLLC investigators issued to underage persons decreased from 28 to 25 and the total number of violations increased from 60 to 74 compared to December 2011.

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	1	0	5	8	11

Of the twenty-five (25) citations the DLLC investigators issued to underage persons, eleven (11) were twenty years old, eight (8) were nineteen years old, five (5) were eighteen years old and one (1) was sixteen years old.

SUCCESS STATISTICS
Investigations (continued)

Statute/ Definition	# of Citations Issued This Month	# of Citations Issued in FY 2013	1 Year Ago This Month	# of Citations Issued in FY 2012
A.R.S. § 4-241.A Failure to Check ID	11	47	0	59
A.R.S. § 4-241.L Use of false ID to buy alcohol	9	75	12	154
A.R.S. § 4-241.M Underage solicits third party buyer	5	16	1	34
A.R.S. § 4-241.N Use of false ID to enter premises	6	43	7	93
A.R.S. § 4-244.1 Selling without a license	0	1	2	9
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	26	216	24	554
A.R.S. § 4-244.13 Employee consuming on duty	0	4	n/a	n/a
A.R.S. § 4-244.20 Consume in a public place	0	17	0	59
A.R.S. § 4-244.41 Alcohol in system of underage	8	98	1	548
A.R.S. § 4-251 Consumption/open container in vehicle	1	8	n/a	n/a
A.R.S. § 13-2907.01 Providing false information to state	0	3	0	28
A.R.S. § 28-3478.1 Unlawful use of driver's license	0	38	3	60
A.R.S. § 28-3478.3 Using another person's driver's license	8	29	0	84

The total number of citations issued due to Failure to Check ID increased from zero (0) in December 2011 to eleven (11) in December 2012. The number of citations issued due to Furnishing Alcohol to an Underage, Underage in Possession/Consumption increased from twenty-four (24) in December 2011 to twenty-six (26) in December 2012 or by eight (8.3%) percent. The number of citations issued due to Use of False ID to Buy Alcohol decreased from twelve (12) in December 2011 to nine (9) in December 2012 or by twenty-five (25.0%) percent.

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 restaurant (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-three (163) active Series 11 (hotel/motel) licenses and three thousand three hundred thirty-two (3,332) active Series 12 (restaurant) licenses statewide. Compared to December 2011, the number of hotel/motel with restaurant licenses remained the same and the number of restaurant licenses increased by one hundred and one (101) or three (3.1%) percent.

DLLC employs two (2) fulltime auditors. With a total of three thousand four hundred ninety-five (3,495) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,748.

Audit Status	Current Month	This Month Last Year
Audits closed	2	3
Audits initiated	2	4
Audits in progress	16	16
Open cases w/projected ratio of >37%	8	8
Open cases w/projected ratio between 30 to 37%	5	8
Open cases w/projected ratio of < 30%	3	0
Locations granted 1 year to continue operation	0	1
Locations being monitored	79	91

Two (2) audits were completed in Maricopa County which resulted in actionable violations in both cases. There were sixteen (16) audits in progress and seventy-nine (79) locations being monitored. In December 2011, there were three (3) audits completed, sixteen (16) audits in progress and ninety-one (91) locations being monitored.

Audit Action	Current Month	Total FY 2013	This Month Last Year	Total FY 2012	Total 2003 To Present
Audits completed	2	34	3	90	569
Audits passed	1	22	1	58	268
Audits failed	1	10	1	23	237
Inconclusive	0	2	1	9	58
Other charges only	0	0	0	0	6

Of the two (2) audits completed this month, one (1) passed and one (1) failed.

SUCCESS STATISTICS
Liquor License Audits (continued)

Audit statistics since January 1, 2003 are noted below:

Year	Audits Completed	Revenues Collected	Average Fine per Audit (does not include continuation license fees)
1/1 - 6/30/03	6 audits	--	--
FY 2004	23 audits	--	--
FY 2005	24 audits	--	--
FY 2006	32 audits	--	--
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	34 audits	\$22,850	\$672

In 2006, A.R.S. §4-213.C introduced the "continuation license" (commonly referred to as the "Grill Bill") into state liquor law. The continuation license, at a cost of \$30,000, allows restaurants that have not met the required 40:60 food-to-liquor sales ratio during the last 12-month period the option of continuing to operate with a food-to-liquor sales ratio below restaurant requirements. Since the 2006 introduction, fees collected from the issuance of fifteen (15) continuation licenses total four hundred fifty thousand (\$450,000) dollars. In FY 2013, thirty thousand (\$30,000) dollars were collected from the issuance of continuation licenses.

The department collected revenue for audit-related violation fines totaling nine thousand four hundred fifty (\$9,450) dollars and audit fines assessed from violations totaled zero (\$0) dollars. Compared to December 2011, total fines collected increased by eight thousand three hundred seventy-five (\$8,375) dollars.

Audit Revenue 2-year Comparison

Audit Action	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Fines Collected	\$9,450	\$22,850	\$1,075	\$64,355
Fines Assessed	\$0	\$33,150	\$1,075	\$72,730
Continuation License (Grill Bill) Revenue	\$0	\$30,000	\$0	\$30,000
Pending Continuation Licenses (Grill Bill)	0	0	1	-

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 2013	1 Year Ago This Month	Total FY 2012
Revocations	0	1	0	0
Suspensions	1	2	1	4
Surrenders	1	6	0	2
Divestitures	0	3	0	3
Administrative Complaints	1	2	0	5
Decisions & Orders	0	2	0	3

Achievements	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Cases Received	74	326	115	888
Cases Completed	9	57	42	199
Cases in Progress	65	269	73	688
Warning Letter Issued	3	18	3	17
Cases Sent to OAH	0	1	0	7

Economic Impact:

Fines collected totaled sixty thousand six hundred sixty (\$60,660) dollars from forty (40) adjudicated compliance actions. Compared to last month, November 2012, this represents a two hundred forty-five (245.1%) percent increase in collected revenues and a forty-eight (48.1%) percent increase in the number of compliance actions processed. Compared to December 2011, this represents a one hundred and one (101.2%) percent increase in collected revenues and a five (4.8%) percent decrease in the number of compliance actions processed.

A penalty fine 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 a 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 during the current economic decline.

Action	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Fines collected	\$60,660	\$230,610	\$30,150	\$428,445
Cases adjudicated	40	202	42	479

SUCCESS STATISTICS
Compliance (continued)

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	202	\$230,610	\$1,142

Adjudicated Underage Violations

Statute	Definition	Adjudicated This Month	TOTAL FY 2013	1 Year Ago This Month	TOTAL FY 2012
A.R.S. § 4-241.A	Failure to Check ID	3	13	2	36
A.R.S. § 4-241.L	Sold to CUB	0	0	0	11
A.R.S. § 4-244.1	Unlicensed Resale	0	0	0	0
A.R.S. § 4-244.9	Furnish alcohol to an underage	4	21	3	74
A.R.S. § 4-244.16	Knowingly allow furnishing liquor to underage	0	0	0	1
A.R.S. § 4-244.22	Consume w/o permission of premises owner	0	1	0	0
A.R.S. § 4-244.33	Underage DUI	0	0	0	0
A.R.S. § 4-244.40	Alcohol in system of underage	0	0	0	0
A.R.S. § 13-2907.01	Provide false information to state	0	0	0	0
A.R.S. § 28-3478.1	Unlawful use of driver's license	0	0	0	0
A.R.S. § 28-3478.3	Use another person's driver's license	0	0	0	0

Fines from adjudicated underage violations total thirty-one thousand eight hundred seventy-five (\$31,875) dollars. To date in FY 2013, there have been two (2) licenses suspended and one (1) license revoked.

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	\$31,875	2	1

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 2013	1 Year Ago This Month	Total FY 2012
Hearings Scheduled	5	36	6	60
Applications Protested	0	13	1	21
Licenses Granted	0	15	2	18
Licenses Denied	3	5	1	8
Continuances Granted	0	9	2	20
Continuances Denied	0	1	n/a	n/a
Licenses Withdrawn	2	5	1	11
Appeals Heard	0	0	0	0
Rehearings Requested	0	1	0	2
Hearings Cancelled by Director	0	0	0	4

There were five (5) applications scheduled for hearing before the State Liquor Board. Of the five (5) applications heard, three (3) licenses were denied and two (2) applications were withdrawn. To date in FY 2013, the State Liquor Board has granted forty-two (41.7%) percent and denied fourteen (13.9%) percent of the license applications heard and fourteen (13.9%) percent of applications set for hearing withdrew.

STATE LIQUOR BOARD MEMBERS AND TERMS

J.D. Ghelfi (R)	Chairman Maricopa County No Financial Interest	Term Expires January 19, 2015
Bill DuPont (D)	Vice Chairman Pima County Neighborhood Association	Term Expires January, 21, 2013
Jim Carruthers (R)	Yuma County No Financial Interest	Term Expires January 19, 2015
Tim Linden (R)	Graham County Wholesaler	Term Expires January 20, 2014
Robin Cantrell (I)	Graham County Retailer	Term Expires January 19, 2015
Michael Farley (R)	Pima County No Financial Interest	Term Expires January 21, 2013
Vikki Scarafiotti (D)	Maricopa County No Financial Interest	Term Expires January 20, 2014

SUCCESS STATISTICS LICENSING

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 December 2011, the number of new liquor licenses issued in Arizona remained the same, renewals have increased by eleven (11.0%) percent, and the number of active licenses has increased by two (1.9%) percent. In comparison to December 2011, monthly licensing revenues (including lottery collections) have increased by ten (10.4%) percent from four hundred ninety-three thousand three hundred twelve (\$493,312) dollars during this time last year to five hundred forty-four thousand six hundred and three (\$544,603) dollars during the current month.

There were six (6) exempt location issued raising the number to a total of seventy-five (75) active exempt locations in Arizona. An exempt location is an establishment that (1) meets the criterion established in A.R.S. §4-244.05 and A.A.C. R19-1-315, (2) has made application for the exemption, (3) has been inspected by a DLLC investigator, and (4) has been issued a 1-year exemption which allows patrons to bring and consume beer and wine on the premises.

Licensing	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
New licenses issued	190	892	190	1,640
Renewed licenses	2,272	6,891	2,046	10,022
Lottery licenses issued	0	1	0	1
Collected Lottery Revenues:	\$0	\$85,000	\$0	\$99,166
Number of Active Liquor License:	11,575	n/a	11,364	n/a
Exempt Locations Issued	6	33	8	61
Number of Exempt Locations	75	n/a	67	n/a
Collected Licensing Revenues (including lottery revenues):	\$544,603	\$2,977,697	\$493,312	\$6,097,046

Collected Revenue by Fee Type in December 2012

Fair Market Value	0
Applications	16,025
License Fees	266,763
Out-of-State	0
Agent Change	6,400
Fines	60,485
Special Event	4,925
Club	750
Penalties	9,300
Copy Fees	528
Non-Use Surcharge	8,800
Audit Surcharge	1,320
Enforcement K Surcharge	82,425
Enforcement L Surcharge	82,395
Miscellaneous	0

TOTAL REVENUES COLLECTED	\$ 540,115
(fingerprints)	4,488
TOTAL REPORT	\$ 544,603

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

eLicensing

DLLC's eLicensing Information System (ELIS) is being developed in collaboration with ASET and NIC/CAVU-IDS. ELIS, a web-based application, will replace DLLC's sixteen (16) year old licensing system which has served the agency's staff and stakeholders. DLLC continues to perform data conversion.

Proposed Rulemaking

Immediately prior to the January 2008 Regulatory Review Plan Moratorium, DLLC submitted a complete rules rewrite to the Governor's Regulatory Review Counsel. In August 2010, DLLC requested an exemption to the moratorium. In response to that request, the Governor's Office requested that DLLC ensure that no financial burden was imposed on the alcohol beverage industry and there was industry collaboration and support. The department has held several meetings with industry leaders in an effort to solicit comments and input regarding the proposed rules. Since that time, a final version of the proposed rules has been in-process. The department submitted a Notice of Proposed Rulemaking package, including an exemption to the moratorium and industry-members letters of support, to the Governor in February 2012. The proposed rules were filed with the Secretary of State's office and Notice of Proposed Rulemaking was published in the Arizona Administrative Register on November 16, 2012. An oral proceeding was held on December 18, 2013 to collect comments. The Department plans to file the Notice of Final Rulemaking with the Governor's Regulatory Review Council by Tuesday, January 22, 2013.

END OF DLLC DECEMBER 2012 REPORT TO THE GOVERNOR