

GOVERNOR'S MONTHLY REPORT

JUNE 2013



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 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 sixteen (16) 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 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.

Collaborating with Benson, Sierra Vista, Mescal, and Douglas PDs, and Cochise County SO, DLLC conducted investigations of eighty-two (82) liquor-licensed establishments using nineteen (19) CUBs. Nineteen (19) or twenty-two (21.9%) percent, of these establishments sold alcohol to a (CUB) resulting in ten (10) criminal citations issued by DLLC with the remainder issued by Sierra Vista, and Benson PDs, and Cochise County SO. Forty-one (41) administrative counts were issued by DLLC. All eighty-two (82) locations were investigated in response to complaints received by DLLC.

DLLC saw an eighteen (17.6%) percent decrease in the number of establishments that sold to CUBS compared to the previous month, May 2013.

Since the inception of the program, three thousand four hundred twelve (3,412) establishments have been investigated and one thousand forty-six (1,046) or thirty (27.8%) percent have sold to CUB buyers resulting in two thousand four hundred fifty-two (2,452) administrative violations and two thousand thirty-seven (2,037) 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	169	47	28	114	51

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 in Arizona.

Community and agency outreach during the month:

- Arizona Substance Abuse Partnership (ASAP) – asst. dir. admin. participated
- Arizona Information Officer's Assoc. – comm. dir. participated
- Arizona Wine Growers Assoc. – director participated
- Arizona Department of Homeland Security Tribal Seminar – dep. dir. attended
- National Council of State Law Administrators (NCSLA) – asst. dir. admin. participated
- Arizona Licensed Beverage Association (ALBA) – asst. dir. admin. participated
- Arizona Women's Lawyer Association - asst. dir. admin. participated
- Title 4 Training Provider Workshop - comm. dir. facilitated
- Cortez Junction Sheriff's Office - director participated

Law Enforcement Special Detail:

- CUB – Officers Gothelf, Parris and Webb
- Field Training for Officers Carruthers and Sanchez – Officer Palubeskie conducted
- East Valley enforcement assistance – Officers Parris and Chesley
- Kendrick Concert – Officers Parris, Miller, and Chesley
- Gila County Officer Training – Officers Zacarias, Byrd, and Carruthers attended
- Pitbull Concert – Sgt Dorn, Officers Zacarias, Trevizo, Sanchez, and Carruthers
- WARP Tour Concert – Sgt Dorn, Officers Zacarias, Trevizo, Sanchez, and Carruthers
- 61 site inspections completed – Strickland
- 24 site inspection w/backgrounds referred to officers – various officers
- Out-of-area complaints – entire division
- Rocky Mountain Information Network (RMIN) Training – entire division
- DUI Taskforce - entire division

SUCCESS STATISTICS INVESTIGATIONS

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

Investigators completed two hundred ninety-five (295) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one seventy (70) criminal citations and fifty-four (54) administrative violations. The following success statistics were completed by a staff of fifteen (15) fulltime, sworn officers who uphold a statewide officer-to-liquor license ratio of 1:782.

Total investigative actions taken were nine hundred ninety-one (991) this month which is an increase of two (2%) percent when compared to the nine hundred seventy-one (971) investigative actions taken in June 2012.

Achievements:	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Hidden Ownerships Completed	0	22	4	25
Site Inspections Completed	27	343	54	760
Actioned (administrative) Complaints	10	118	13	72
Non-Actioned (criminal) Complaints	40	531	68	454
Administrative Counts Charged	54	1,996	149	1,666
Criminal Citations Issued	70	1,279	301	1,809
Routine Liquor Inspections Completed	295	2,900	258	2,503
Compliance Case Reports Submitted	23	705	64	889
On-view Violation Case Reports	10	498	49	758
Law Enforcement Liaison Completed	57	497	62	985
Underage Investigations Statistics:				
Citations Issued to Underage	52	458	127	918
Total Violations	94	845	225	1,715
Total Achievements:	991	10,964	1,374	12,554

The number of citations DLLC investigators issued to underage persons increased from 46 to 52 or thirteen (13%) percent and the total number of violations decreased from 102 to 94 or eleven (11.3%) percent compared to June 2012.

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	0	2	3	10	16

Of the citations the DLLC investigators issued to underage persons, sixteen (16) were twenty years old, ten (10) were nineteen years old, three (3) were eighteen years old, and two (1) were seventeen 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	5	62	8	59
A.R.S. § 4-241.L Use of false ID to buy alcohol	4	108	1	154
A.R.S. § 4-241.M Underage solicits third party buyer	0	17	0	34
A.R.S. § 4-241.N Use of false ID to enter premises	4	60	18	93
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	11	367	14	554
A.R.S. § 4-244.41 Alcohol in system of underage	2	254	29	548
A.R.S. § 13-2907.01 Providing false information to state	0	12	1	28
A.R.S. § 28-3478.1 Unlawful use of driver's license	1	52	7	60
A.R.S. § 28-3478.3 Using another person's driver's license	6	44	14	84

The number of citations issued due to Furnishing Alcohol to an Underage/Underage in Possession/Consumption decreased from fourteen (14) in June 2012 to eleven (11) in June 2013 or by twenty-one (21.4%) percent. The number of citations issued for Alcohol in System of Underage decreased from twenty-nine (29) in June 2012 to two (2) in June 2013 or by ninety-three (93.1%) percent. The number of citations issued due to Use of False ID to Buy Alcohol increased from one (1) in June 2012 to four (4) in June 2013 or by three hundred (300%) percent. The number of citations issued due to Unlawful use of a Driver's License decreased from seven (7) in June 2012 to six (6) in June 2013 or by fourteen (14.2%) percent.

SUCCESS STATISTICS
Investigations (continued)
TRACE (TARGET RESPONSIBILITY FOR ALCOHOL CONNECTED EMERGENCY)

The TRACE (Target Responsibility for Alcohol Connected Emergency) program began in June 2004 to develop a system of effective and rapid communication between local law enforcement and emergency medical services (EMS), a service providing out-of-hospital acute care and transport), personnel in high-profile cases which involve underage drinking. Each TRACE case is concluded only when the source of liquor is traced back to the supplier and the supplier is charged with a criminal and/or administrative violation.

TRACE is a statewide operation with one (1) full time investigator available for immediate response to alcohol-related emergencies which involve an underage person(s).

TRACE Program Statistics

Calendar Year	Total # of New Cases	Administrative Violations	Criminal Violations
2005	11	5	3
2006	11	24	12
2007	4	9	6
2008	6	6	3
2009	8	20	4
2010	5	13	4
2011	5	0	0
2012	8	9	0
2013	1	0	0

There were no TRACE cases opened or closed this month.

SUCCESS STATISTICS LIQUOR LICENSE AUDITS

The Audit Unit monitors and performs audits of two types of liquor-licensed establishments; hotel/motel with restaurant (series 11); and 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 IV.

Currently there are one hundred sixty-four (164) active Series 11 (hotel/motel) licenses and three thousand two hundred ninety-three (3,293) active Series 12 (restaurant) licenses statewide. Compared to June 2012, 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-five (85) or three (2.6%) percent.

DLLC employs two (2) fulltime auditors. With a total of three thousand four hundred fifty-seven (3,457) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,729.

Audit Status	Current Month	This Month Last Year
Audits closed	9	6
Audits initiated	9	5
Audits in progress	16	13
Open cases w/projected ratio of >37%	12	8
Open cases w/projected ratio between 30 to 37%	4	5
Open cases w/projected ratio of <30%	0	0
Locations granted 1 year to continue operation	0	0
Locations being monitored	69	92

Nine (9) audits were completed in Mohave, Maricopa and Pima Counties which resulted in actionable violations in seven (7) cases. There were sixteen (16) audits in progress and sixty-nine (69) locations being monitored. In June 2012, there were six (6) audits completed, thirteen (13) audits in progress and ninety-two (92) locations being monitored.

Audit Action	Current Month	Total FY 2013	This Month Last Year	Total FY 2012	Total 2003 To Present
Audits completed	9	84	6	90	619
Audits passed	2	64	2	58	310
Audits failed	0	17	4	23	244
Inconclusive	0	3	0	9	59
Other charges only	0	0	0	0	6

Of the nine (9) audits completed this month, two (2) passed and none (0) 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	75 audits	\$45,625	\$608

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 (17) continuation licenses total four hundred eighty thousand (\$480,000) dollars. In FY 2013, sixty thousand (\$60,000) dollars have been collected from the issuance of continuation licenses.

Pursuant to A.R.S. §4-213(E), the option for a series 12 liquor license to operate under the provisions of a restaurant continuation license will sunset on June 30, 2013. In March 2013, the Department posted notification on the website, sent emails to all series 11 and 12 operators who provided the Department with their email address, and included notice in renewals to both license series.

In June 2013, the department collected revenue for audit-related violations totaling two thousand (\$2,000) dollars. Audit fines assessed from violations totaled two thousand six hundred twenty-five (\$2,625) dollars. Compared to June 2012, total fines collected decreased by seven thousand eighty (\$7,080) dollars or seventy-eight (77.9%) percent and total audit fines assessed from violations decreased by forty-four thousand fifty-five (\$4,455) dollars or seventy-eight (77.9%) percent.

Audit Revenue 2-year Comparison

Audit Action	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Fines Collected	\$2,000	\$47,625	\$9,080	\$64,355
Fines Assessed	\$2,625	\$55,425	\$7,080	\$72,730
Continuation License (Grill Bill) Revenue	\$30,000	\$60,000	\$0	\$30,000
Pending Continuation Licenses (Grill Bill)	2	4	0	-

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	4	0	4
Surrenders	0	18	0	2
Divestitures	2	9	0	3
Administrative Complaints	0	7	0	5
Decisions & Orders	0	3	0	3

Achievements	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Cases Received	29	708	70	888
Cases Completed	3	151	6	199
Cases in Progress	26	557	64	688
Warning Letter Issued	1	25	1	17
Cases Sent to OAH	0	7	0	7

Economic Impact:

Fines collected totaled eighty-two thousand five hundred (\$82,500) dollars from thirty-four (34) adjudicated compliance actions. Compared to last month, May 2013, this represents a one hundred eighty-one (181.3%) percent increase in collected revenues and an eleven (10.5%) percent decrease in the number of compliance actions processed. Compared to June 2012, this represents a fifty-two (51.7%) percent increase in collected revenues and a twenty-three (22.7%) 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 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	\$82,500	\$673,710	\$54,380	\$428,445
Cases adjudicated	34	440	44	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	440	\$673,710	\$1,531

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	5	36	3	36
A.R.S. § 4-241.L	Sold to CUB	0	0	11	11
A.R.S. § 4-244.1	Unlicensed Resale	0	0	0	0
A.R.S. § 4-244.9	Furnish alcohol to an underage	9	59	0	74
A.R.S. § 4-244.16	Knowingly allow furnishing liquor to underage	1	1	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 sixty-five thousand (\$125,500) dollars. To date in FY 2013, there have been four (4) 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	\$125,500	4	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	3	51	2	60
Applications Protested	3	22	0	21
Licenses Granted	1	21	0	18
Licenses Denied	0	9	0	8
Continuances Granted	0	10	2	20
Continuances Denied	0	1	n/a	n/a
Licenses Withdrawn	1	7	0	11
Appeals Heard	0	0	0	0
Rehearings Requested	0	2	0	2
Hearings Cancelled by Director	1	1	0	4

There were four (4) applications scheduled before the State Liquor Board for three licenses. One (1) original application for a Restaurant (series 12) license was granted; one (1) agent change and acquisition of control for a Bar (series 6) license was cancelled by the Director; and one (1) original application for a Restaurant (series 12) license was withdrawn. To date in FY 2013, the State Liquor Board has granted forty-one (41.2%) percent and denied eighteen (17.6%) percent of the license applications heard. Fourteen (13.7%) percent of the applications set for hearing withdrew. The remaining twenty-seven (27.5%) percent of hearings were continued, cancelled or reheard.

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 18, 2016
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
Vacant	Vacant	Term Expired 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 with June 2012, the number of new liquor licenses issued in Arizona have decreased by thirty-two (31.6%) percent, the number of renewals have increased by six (5.6%) percent, and the number of active licenses increased by one (.9%) percent. In comparison with June 2012, monthly licensing revenues (including lottery collections) have decreased by two (1.5%) percent from four hundred sixty-two thousand five hundred forty-one (\$462,541) dollars during this time last year to three hundred ninety-six thousand one hundred seven (396,107) dollars during the current month.

There were three (3) exempt locations approved this month raising the number to a total of seventy-nine (85) 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	119	1,560	174	1,640
Renewed licenses	641	11,104	607	10,022
Lottery licenses issued	0	1	0	1
Collected Lottery Revenues:	\$0	\$349,950	\$0	\$99,166
Number of Active Liquor License:	11,727	n/a	11,619	n/a
Exempt Locations Issued	3	62	7	61
Number of Exempt Locations	85	n/a	75	n/a
Collected Licensing Revenues (including lottery revenues):	\$396,107	\$6,536,517	\$462,541	\$6,097,046

Collected Revenue by Fee Type in May 2013

Fair Market Value	0
Applications	13,400
License Fees	202,970
Out-of-State	0
Agent Change	3,400
Fines	82,550
Special Event	2,150
Club	5,100
Penalties	5,550
Copy Fees	4,105
Non-Use Surcharge	17,200
Audit Surcharge	9,810
Enforcement K Surcharge	23,170
Enforcement L Surcharge	21,175
Miscellaneous	5

TOTAL REVENUES COLLECTED **\$390,585**

(fingerprints) 5,522

TOTAL REPORT **\$396,107**

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Proposed Rulemaking

The Notice of Final Rulemaking (NFR) was approved by the Governor's Regulatory Review Council (GRRC), Tuesday, May 7, 2013. DLLC staff will be trained by the Asst. A.G., stakeholders are being notified via mail, email, and website. Title 4 training providers will have the opportunity to attend one of two workshops in June and July. The workshop will review the new rules in depth.

During the rewrite, five (5) sections of the rules were identified as requiring further discussion based on comments received from industry stakeholders. As a result, the department is making changes to these sections (i.e., Knowledge of Liquor Law; Sign Limitations; Practices Permitted by a Producer or Wholesaler, Practices Permitted by a Wholesaler, and Standards for Exemption of an Unlicensed Business) through a Notice of Supplemental Proposed Rulemaking (NSPR). The NSPR is expected to be finalized by December 2013, and approved sometime in calendar year 2014. Upon approval by the Governor's Regulatory Review Council, stakeholders will be notified by supplemental notice regarding the NSPR when it is approved by the Governor's Regulatory Review Council.

Legislation

The Department tracked four bills during the 2013 session, three were signed, one vetoed.

- HB 2578 - vetoed April 5, 2013
- HB 2205 – signed June 19, 2013
- SB 1301 - signed April 11, 2013
- SB 1345 - signed June 19, 2013

Events

The National Liquor Law Enforcement Association (NLLEA) will hold its 2013 Annual Conference in Phoenix. Co-hosted by Arizona Department of Liquor Licenses and Control, an international panel of presenters will focus on Advancing Liquor Law Enforcement to Meet the Challenges of Today's Society. The conference will be attended by law enforcement personnel from across the U.S beginning Wednesday, July 31 through Friday, August 2, 2013.

END OF DLLC JUNE 2013 REPORT TO THE GOVERNOR