

GOVERNOR'S MONTHLY REPORT SEPTEMBER 2012



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 age 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. 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. Six (6), or forty (40.0%) percent, of these establishments sold alcohol to a (CUB) resulting in twenty-two (22) criminal and twenty-two (22) administrative violations. All fifteen (15) locations were investigated in response to complaints received by DLLC.

DLLC saw a decrease of thirty-three (33.3%) percent in the number of establishments that sold to CUBS compared to the previous month, August 2012 (9). There was a twenty-five (25.0%) percent decrease in the number of establishments that sold to CUBs when compared to September 2011 (8). To date in CY 2012, thirty-seven (36.5%) percent of establishments investigated sold to CUBs.

Since the inception of the program, three thousand one hundred twenty (3,135) establishments have been investigated and nine hundred fifty-eight (958) or thirty-one (30.6%) percent have sold to CUB buyers resulting in two thousand three hundred and four (2,304) administrative violations and one thousand nine hundred and twenty-five (1,925) 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	167	61	37	161	141

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	4	8	0

There were no new TRACE cases opened this month. One (1) TRACE case was closed and resulted in no violations.

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) – Director attended
- Northern Arizona (NOAZ) Law Enforcement Director's meeting- Deputy Director attended
- Arizona Association of Chiefs of Police Vendor Show and Conference - Deputy Director attended
- ERMA Advanced Crisis Communications Strategies for PIOs- Director of Communications attended
- 17th Annual Conference- Wine, Beer and Spirits Law- Asst. Director of Administration attended

Law Enforcement Special Detail:

- 3 CUB details- Palubeskie and Turner
- Tempe Back to School detail- Palubeskie
- Wholesale case assignment- Miller
- Leadership/Integrity training- Jaramillo attended
- Interview Training- Turner and Trevizo attended
- Assisted Tucson with hidden ownership and State Gaming case - Ribera
- Worked out of area complaints and updated training for SB1070- All Officers
- Attended firearms training in Flagstaff and worked NAU back to school- All Officers
- Title 4 and Fake ID training to Mohave County Law Enforcement and civilian- Ribera instructed
- Title 4 and Fake ID to Bluewater Casino/civilian- Ribera instructed

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 two hundred and nine (209) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred forty-five (145) criminal citations and one hundred sixty-one (161) 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 1:837.

Total investigative achievements were nine hundred fifty-eight (958) this month which is an increase of sixteen (15.6%) percent when compared to the nine hundred forty-one (829) investigative achievements in September 2011.

Achievements:	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Hidden Ownerships Completed	2	9	1	25
Site Inspections Completed	31	95	78	760
Actioned (administrative) Complaints	11	26	3	72
Non-Actioned (criminal) Complaints	40	129	35	454
Administrative Counts Charged	161	486	57	1,666
Criminal Citations Issued	145	298	110	1,809
Routine Liquor Inspections Completed	209	679	210	2,503
Compliance Case Reports Submitted	49	125	42	889
On-view Violation Case Reports	26	76	39	758
Law Enforcement Liaison Completed	97	259	79	985
Underage Investigations Statistics:				
Citations Issued to Underage	55	124	63	918
Total Violations	132	297	112	1,715
Total Achievements:	958	2,603	829	12,554

The number of citations DLLC investigators issued to underage persons decreased from 63 to 55 and the total number of violations increased from 112 to 132 compared to September 2011.

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	1	0	0	1	9	20	24

Of the fifty-five (55) citations the DLLC investigators issued to underage persons, twenty-four (24) were twenty years old, twenty (20) were nineteen years old, nine (9) were eighteen years old, one (1) was seventeen years old and one (1) was under the age of fifteen.

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	9	23	5	59
A.R.S. § 4-241.L Use of false ID to buy alcohol	22	42	15	154
A.R.S. § 4-241.M Underage solicits third party buyer	3	6	4	34
A.R.S. § 4-241.N Use of false ID to enter premises	6	21	6	93
A.R.S. § 4-244.1 Selling without a license	0	0	0	9
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	50	91	42	554
A.R.S. § 4-244.20 Consume in a public place	3	14	0	59
A.R.S. § 4-244.34 Underage DUI	0	0	0	0
A.R.S. § 4-244.41 Alcohol in system of underage	17	42	29	548
A.R.S. § 4-244.42 Accept \$ to allow underage in bar or sell alcohol to underage	0	0	0	0
A.R.S. § 13-2907.01 Providing false information to state	0	1	1	28
A.R.S. § 28-3478.1 Unlawful use of driver's license	12	32	0	60
A.R.S. § 28-3478.3 Using another person's driver's license	6	14	6	84

The total number of citations issued due to Failure to Check ID increased from five (5) in September 2011 to nine (9) in September 2012 or by twenty-five (80.0%) percent. The number of citations issued due to Furnishing Alcohol to an Underage, Underage in Possession/Consumption increased from forty-two (42) in September 2011 to fifty (50) in September 2012 or by nineteen (19.0%) percent. The number of citations issued due to Use of False ID to Buy Alcohol increased from fifteen (15) in September 2011 to twenty-two (22) in September 2012 or by forty-seven (46.7%) 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 two hundred fifty (3,250) active Series 12 (restaurant) licenses statewide. Compared to September 2011, the number of hotel/motel with restaurant licenses has increased by two (2) licenses or one (1.2%) percent and the number of restaurant licenses has increased by sixty-eight (68) or two (2.1%) percent.

DLLC employs two (2) fulltime auditors. With a total of three thousand four hundred thirteen (3,413) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,707.

Audit Status	Current Month	This Month Last Year
Audits closed	10	11
Audits initiated	11	10
Audits in progress	16	15
Open cases w/projected ratio of >37%	11	5
Open cases w/projected ratio between 30 to 37%	5	10
Open cases w/projected ratio of < 30%	0	0
Locations granted 1 year to continue operation	0	0
Locations being monitored	82	100

Ten (10) audits were completed in Maricopa, Mohave and Pima Counties which resulted in actionable violations in eight (8) of those cases. There were sixteen (16) audits in progress and eighty-two (82) locations being monitored. In September 2011, there were eleven (11) audits completed, fifteen (15) audits in progress and one hundred (100) locations being monitored.

Audit Action	Current Month	Total FY 2013	This Month Last Year	Total FY 2012	Total 2003 To Present
Audits completed	10	21	11	90	556
Audits passed	7	14	7	58	260
Audits failed	3	6	1	23	233
Inconclusive	0	1	3	9	57
Other charges only	0	0	0	0	6

Of the ten (10) audits completed this month, seven (7) passed and three (3) 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	21 audits	\$3,150	\$150

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 was collected from the issuance of continuation licenses.

The department collected revenue for audit-related violation fines totaling two thousand one hundred twenty-five (\$2,125) dollars and audit fines assessed from violations totaled zero (\$0) dollars. Compared to September 2011, total fines collected decreased by seventy (70.2%) percent.

Audit Revenue 2-year Comparison

Audit Action	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Fines Collected	\$2,125	\$3,150	\$7,125	\$64,355
Fines Assessed	\$0	\$11,150	\$1,375	\$72,730
Continuation License (Grill Bill) Revenue	\$30,000	\$30,000	\$0	\$30,000
Pending Continuation Licenses (Grill Bill)	0	0	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	1	1	0	0
Suspensions	0	0	2	4
Surrenders	1	4	0	2
Divestitures	1	3	0	3
Administrative Complaints	0	0	2	5
Decisions & Orders	1	2	0	3

Achievements	Current Month	Total FY 2013	1 Year Ago This Month	Total FY 2012
Cases Received	48	146	49	888
Cases Completed	8	35	9	199
Cases in Progress	40	111	40	688
Warning Letter Issued	4	9	1	17
Cases Sent to OAH	0	0	0	7

Economic Impact:

Fines collected totaled twenty-eight thousand five hundred seventy-five (\$28,575) dollars from twenty-eight (28) adjudicated compliance actions. Compared to last month, August 2012, this represents a forty-one (41.3%) percent decrease in collected revenues and a twenty-six (26.3%) percent decrease in the number of compliance actions processed. Compared to September 2011, this represents a less than one (0.6%) percent decrease in collected revenues and a fifteen (15.2%) 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	\$28,575	\$114,600	\$28,750	\$428,445
Cases adjudicated	28	103	33	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	103	\$114,600	\$1,113

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	10	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	9	15	9	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 twenty-four thousand five hundred (\$24,375) dollars. To date in FY 2013, there have been no 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	\$24,375	0	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	8	21	5	60
Applications Protested	3	9	1	21
Licenses Granted	5	11	3	18
Licenses Denied	0	2	0	8
Continuances Granted	2	6	1	20
Continuances Denied	0	1	n/a	n/a
Licenses Withdrawn	1	1	1	11
Appeals Heard	0	0	0	0
Rehearings Requested	0	0	0	2
Hearings Cancelled by Director	0	0	2	4

There were eight (8) applications scheduled for hearing before the State Liquor Board and three (3) of the applications were protested by the public. Of the eight (8) applications heard, five (5) licenses were granted, two (2) hearings were continued, and one (1) application was withdrawn. To date in FY 2013, the State Liquor Board has granted fifty-two (52.4%) percent and denied ten (9.5%) percent of the license applications received and continued twenty-nine (28.6%) percent of hearings scheduled.

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 September 2011, the number of new liquor licenses issued in Arizona has decreased by six (6.2%) percent, renewals have increased by less than one (0.1%) percent, and the number of active licenses has increased by one (1.4%) percent. In comparison to September 2011, monthly licensing revenues (including lottery collections) have decreased by twenty-one (21.2%) percent from six hundred nineteen thousand three hundred seventy-nine (\$619,379) dollars during this time last year to four hundred eighty-eight thousand three hundred fifty-one (\$488,351) dollars during the current month.

There were three (3) exempt location issued raising the number to a total of sixty-nine (69) 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	122	393	130	1,640
Renewed licenses	899	2,542	898	10,022
Lottery licenses issued	0	1	1	1
Collected Lottery Revenues:	\$0	\$85,000	\$99,166	\$99,166
Number of Active Liquor License:	11,724	n/a	11,557	n/a
Exempt Locations Issued	3	14	4	61
Number of Exempt Locations	69	n/a	70	n/a
Collected Licensing Revenues (including lottery revenues):	\$488,351	\$1,570,460	\$619,378	\$6,097,046

Collected Revenue by Fee Type in September 2012

Fair Market Value	0
Applications	14,725
License Fees	319,993
Out-of-State	0
Agent Change	2,750
Fines	28,625
Special Event	6,525
Club	7,275
Penalties	6,750
Copy Fees	435
Non-Use Surcharge	21,600
Audit Surcharge	17,550
Enforcement K Surcharge	30,800
Enforcement L Surcharge	26,060
Miscellaneous	5

TOTAL REVENUES COLLECTED	\$ 483,093
(fingerprints)	5,258
TOTAL REPORT	\$ 488,351

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 are now being prepared for submittal to the Secretary of State's office for publication.

Staffing

The Licensing Unit hired a customer service representative to fill a vacant position.

NCSLA Western/Central Regional Conference

DLLC will host the 2012 National Conference of State Liquor Administrators Central/Western Regional Conference in Scottsdale, AZ. The conference will be held Thursday, November 1, 2012 through Sunday, November 4, 2012. Please visit <http://www.ncsla.org/Central-Western-Regional-Conference.html> for more information.

END OF DLLC SEPTEMBER 2012 REPORT TO THE GOVERNOR