

GOVERNOR'S MONTHLY REPORT  
March 2014



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 DLLC 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), and 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 March 2014, DLLC conducted investigations of seventeen (17) liquor-licensed establishments in Phoenix, Tubac, Rio Rico, Nogales, Tempe, Glendale, Tolleson, Eloy, and Casa Grande. Five (5) CUBs were used. Seven (7), or forty-one (41.2%) percent, of these establishments sold alcohol to a CUB resulting in eleven (11) criminal citations and administrative violations. All seventeen (17) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand five hundred fifty (3,550) establishments have been investigated and one thousand ninety-six (1,096) or thirty-one (30.9%) percent have sold to CUB buyers resulting in two thousand six hundred thirty-five (2,635) administrative violations and two thousand one hundred fifty-one (2,151) criminal citations.

**CUB Program Statistics**

<b>Calendar Year</b>	<b>Locations Investigated</b>	<b># Sold to CUB</b>	<b>% of Locations that Sold to CUB</b>	<b>Administrative Violations</b>	<b>Criminal Violations</b>
<b>2003</b>	122	33	29	70	71
<b>2004</b>	217	55	25	122	136
<b>2005</b>	337	108	32	342	283
<b>2006</b>	475	148	31	409	317
<b>2007</b>	450	108	24	200	201
<b>2008</b>	572	172	30	416	349
<b>2009</b>	392	115	29	234	229
<b>2010</b>	169	96	57	207	129
<b>2011</b>	234	62	26	143	69
<b>2012</b>	215	82	38	225	193
<b>2013</b>	310	98	32	220	143
<b>2014</b>	57	19	33	47	31

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:**

- Costco Managers Meeting – director participated
- Senate Energy Committee Meeting – director participated
- Arizona Substance Abuse Partnership – assistant director of administration participated
- Jazz in Arizona Board Members Meeting – assistant director of administration and sergeant participated
- ASAP Program Inventory Workgroup, AWLA, Meeting with Don Isaacson, NFR – assistant director of administration participated
- Alcohol Beverage Control Association (NABCA), Washington D.C. – sergeant participated
- Alcohol Beverage Control Association (NABCA) Survey – communications director participated
- Arizona Public Information Officer Symposium – communications director participated
- Social Media & Technology for Crisis Communications of the Future Training – communications director participated
- Bringing Citizen Engagement Online Training – communications director participated
- Nightclub & Bar Convention, Las Vegas, new products search – communications director participated

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

- CUB – Investigator Palubeskie conducted one
- CUB – Investigator Gothelf conducted one
- Vehicle inventory maintenance and assistance – Investigator Trevizo completed
- Lowrider Show – Investigator Trevizo
- Light Duty / Answer Person Duty – Investigator Parris
- Sick Leave – Investigator Chesley
- Trade Practice Training and guidance, Rules Writing & Review, Title 4 Training Management – Investigator Miller conducted
- Completed thirty-six Site Inspections and Title 4 Training Management – Ms. Strickland
- University of Phoenix Stadium Detail – Investigator Carruthers
- Harley Hog Rally – Investigator Sanchez
- DUI Taskforce with Sierra Vista Police Department – Investigator Zacarias assisted
- Title 4 and Fake ID Training – Investigator Palubeskie facilitated for Zipp's Bar in Tempe
- Title 4 Training – Investigator Webb facilitated for fifty-eight people
- Conducting RLI's Training – Investigator Sanchez facilitated class for eleven Officers
- Youth Alcohol Details (St. Patrick's Day) – entire division
- Out-of-area complaints – entire division

## 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 thirty-seven (237) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred one (101) criminal citations and one hundred thirty-seven (137) administrative violations. The following success statistics were completed by a staff of fourteen (14) full time sworn officers who uphold a statewide officer-to-liquor license ratio of 1:852.

Total investigative actions taken this month were one thousand four hundred thirty-two (1,432), which is an increase of ninety-one (91.4%) percent when compared to the seven hundred forty-eight (748) investigative actions taken in March 2013.

<b>Achievements:</b>	<b>Current Month</b>	<b>Total FY 2014</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2013</b>
Routine Liquor Inspections Completed	237	2,680	227	2,691
Criminal Citations Issued	101	828	60	1,295
Administrative Counts Charged	137	1,092	134	1,832
Hidden Ownerships Completed	0	9	0	22
Site Inspections Completed	18	211	20	333
Non-Actioned (criminal) Complaints	20	397	35	551
Actioned (administrative) Complaints	7	89	9	114
Compliance Case Reports Submitted	50	508	82	646
On-view Violation Case Reports	33	245	65	446
Law Enforcement Liaison Completed	61	632	61	875
Tax Deficiency Charges	31	258	no data available	no data available
MVD Affidavit/Suspension	13	120	13	198
<b>Underage Investigations Statistics:</b>				
Citations Issued to Underage	27	674	20	918
Total Violations	53	919	35	1,715
<b>Total Achievements:</b> (including police report reviews and completed protests not listed above)	1,432	11,880	748	12,503

The number of citations DLLC investigators issued to underage persons increased thirty-five (35.0%) percent and the total number of violations increased fifty-one (51.4%) percent compared to March 2013.

**SUCCESS STATISTICS**  
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	0	1	2	2	9

Underage persons who are cited for consuming appear to be closer to the legal drinking age. Of the citations issued to underage persons, sixty-four (64.3%) percent were within one year and fourteen (14.3%) percent were within two years of the legal drinking age.

Statute/ Definition	# of Citations Issued This Month	# of Citations Issued in FY 2014	1 Year Ago This Month	# of Citations Issued in FY 2013
<b>A.R.S. § 4-241.A</b> Failure to Check ID	5	39	7	62
<b>A.R.S. § 4-241.L</b> Use of false ID to buy alcohol	4	59	6	108
<b>A.R.S. § 4-241.M</b> Underage solicits third party buyer	0	23	0	17
<b>A.R.S. § 4-241.N</b> Use of false ID to enter premises	0	49	1	60
<b>A.R.S. § 4-244.9</b> Furnishing alcohol to an underage, underage in possession/consumption	9	90	15	367
<b>A.R.S. § 4-244.41</b> Alcohol in system of underage	13	215	2	254
<b>A.R.S. § 13-2907.01</b> Providing false information to state	1	13	0	12
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver's license	1	42	2	52
<b>A.R.S. § 28-3478.3</b> Using another person's driver's license	1	42	0	44

The number of citations issued due to furnishing alcohol to an underage, underage in possession, and consumption decreased forty (40.0%) percent from March 2013. The number of citations issued for alcohol in system of underage increased to thirteen (13) in March 2014 from two (2) in March 2013. The number of citations issued due to use of false ID to buy alcohol decreased thirty-three (33.3%) percent from March 2013. The number of citations issued due to unlawful use of a driver's license decreased fifty (50.0%) percent from March 2013.

**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, and 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**

<b>Calendar Year</b>	<b>Total # of New Cases</b>	<b>Administrative Violations</b>	<b>Criminal Violations</b>
<b>2005</b>	11	5	3
<b>2006</b>	11	24	12
<b>2007</b>	4	9	6
<b>2008</b>	6	6	3
<b>2009</b>	8	20	4
<b>2010</b>	5	13	4
<b>2011</b>	5	0	0
<b>2012</b>	8	9	0
<b>2013</b>	4	5	0
<b>2014</b>	1	0	5

There was one TRACE case opened 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 restaurants (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-eight (168) active Series 11 (hotel/motel) licenses and three thousand four hundred forty-eight (3,448) active Series 12 (restaurant) licenses statewide. Compared to March 2013, the number of hotel/motel with restaurant licenses increased by five (5) or three (3.1%) percent, and the number of restaurant licenses increased by ninety-five (95) or three (2.8%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand six hundred sixteen (3,616) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,808.

<b>Audit Status</b>	<b>Current Month</b>	<b>This Month Last Year</b>
<b>Audits closed</b>	10	8
<b>Audits initiated</b>	10	8
<b>Audits in progress</b>	16	16
<b>Open cases w/projected ratio of &gt;37%</b>	10	8
<b>Open cases w/projected ratio between 30 to 37%</b>	6	7
<b>Open cases w/projected ratio of &lt;30%</b>	0	1
<b>Locations granted 1 year to continue operation</b>	1	0
<b>Locations being monitored</b>	74	68

During March 2014, ten (10) audits were completed in Greenlee, Maricopa, Pinal and Yuma Counties, which resulted in actionable violations in seven (7) cases. On March 31, 2014, there were sixteen (16) audits in progress and seventy-four (74) locations being monitored.

<b>Audit Action</b>	<b>Current Month</b>	<b>Total FY 2014</b>	<b>This Month Last Year</b>	<b>Total FY 2013</b>	<b>Total 2003 To Present</b>
<b>Audits completed</b>	10	84	8	84	690
<b>Audits passed</b>	6	63	5	64	367
<b>Audits failed</b>	3	16	3	17	255
<b>Inconclusive</b>	1	5	0	3	62
<b>Other charges only</b>	0	0	0	0	6

In March 2014, audit fines assessed from violations totaled two thousand five hundred seventy-five (\$2,575) dollars. Compared to March 2013, total audit fines assessed from violations decreased by one thousand seven hundred fifty (\$1,750) dollars.

The Audit Unit is now conducting audit training/workshops. To view information on upcoming audit training/workshops, use this link to the DLLC website [http://www.azliquor.gov/contact\\_audit.cfm](http://www.azliquor.gov/contact_audit.cfm).

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

**Audit Revenue 2-year Comparison**

<b>Audit Action</b>	<b>Current Month</b>	<b>Total FY 2014</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2013</b>
<b>Fines Assessed</b>	\$2,575	\$47,300	\$4,325	\$55,425
<b>Continuation License (Grill Bill) Revenue</b>	\$0	\$120,000	\$0	\$60,000
<b>Pending Continuation Licenses (Grill Bill)</b>	0	0	1	n/a

**Audit statistics since FY 2007 are noted below:**

<b>Year</b>	<b>Audits Completed</b>	<b>Revenues Collected</b>	<b>Average Fine per Audit</b> (does not include continuation license fees)
<b>FY 2007</b>	27 audits	\$13,000	\$481
<b>FY 2008</b>	61 audits	\$36,500	\$598
<b>FY 2009</b>	103 audits	\$81,275	\$789
<b>FY 2010</b>	87 audits	\$81,750	\$940
<b>FY 2011</b>	82 audits	\$84,400	\$1,029
<b>FY 2012</b>	90 audits	\$64,355	\$715
<b>FY 2013</b>	84 audits	\$47,625	\$567
<b>FY 2014</b>	84 audits	\$40,800	\$486

## 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 2014	1 Year Ago This Month	Total FY 2013
Revocations	0	0	0	1
Suspensions	0	1	0	4
Surrenders	1	2	0	18
Divestitures	0	2	0	9
Administrative Complaints	0	3	0	7
Decisions & Orders	0	6	0	3
Cases Received	104	681	79	708
Cases Completed	25	148	23	151
Cases in Progress	79	533	56	557
Warning Letter Issued	1	37	3	25
Cases Sent to OAH	0	5	0	7

### Economic Impact:

Fines collected in the month totaled forty-two thousand seven hundred twenty-five (\$42,725) dollars from fifty-three (53) adjudicated compliance actions. Compared to last month, February 2014, this represents a fifty-five (55.4%) percent increase in collected revenues and a forty-seven (47.2%) percent increase in the number of compliance actions processed. Compared to March 2013, this represents a sixty-one (61.4%) percent increase in collected revenues and a forty-seven (47.2%) percent increase 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 during the current economic decline.

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
2013-2014	369	\$336,260	\$911

**SUCCESS STATISTICS**  
Compliance (continued)

**Adjudicated Underage Violations:**

Statute	Definition	Adjudicated This Month	TOTAL FY 2014	1 Year Ago This Month	TOTAL FY 2013
A.R.S. § 4-241.A	Failure to Check ID	5	46	7	36
A.R.S. § 4-244.1	Unlicensed Resale	0	2	0	0
A.R.S. § 4-244.9	Furnish alcohol to an underage	5	53	7	59
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	1	6	0	1

Fines from adjudicated underage violations total fifty-three thousand eight hundred seventy-five (\$53,875) dollars. To date in FY 2014, there has been one (1) license 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
2014	\$53,875	1	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.

<b>Achievements:</b>	<b>Current Month</b>	<b>Total FY 2014</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2013</b>
<b>Hearings Scheduled</b>	2	29	1	51
<b>Licenses Granted</b>	1	12	0	21
<b>Licenses Denied</b>	0	5	0	9
<b>Continuances Granted</b>	0	3	1	10
<b>Continuances Denied</b>	0	0	0	1
<b>Licenses Withdrawn</b>	1	5	0	7
<b>Appeals Heard</b>	0	2	0	0
<b>Rehearings Requested</b>	0	1	0	2
<b>Hearings Cancelled by Director</b>	0	1	0	1

One (1) license was granted for a Series 10 (Beer and Wine Store) Original Application. The Board also granted the withdrawal of an Agent Change/Acquisition of Control application for a Series 9 (Liquor Store) license.

### 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
Cyndy Valdez (R)	Pima County Wholesaler	Term Expires January 16, 2017
Vikki Scarafiotti (D)	Maricopa County No Financial Interest	Term Expires January 16, 2017
Robin Cantrell (I)	Graham County Retailer	Term Expires January 19, 2015
Jim Carruthers (R)	Yuma County No Financial Interest	Term Expires January 19, 2015
Vacant	Vacant	Term Expired January 21, 2013

## SUCCESS STATISTICS LICENSE DIVISION

The License 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, March 2013, the number of new liquor licenses issued in Arizona remained almost the same, the number of renewals increased by twenty-seven (26.6%) percent, and the number of active licenses increased by three (2.7%) percent. Also, compared with March 2013, monthly licensing revenues increased by eighteen (18.3%) percent from nine hundred ninety-one thousand six hundred ninety-eight (\$991,698) dollars during this time last year to one million one hundred seventy-two thousand nine hundred forty-one (\$1,172,941) dollars during the current month.

In February 2014, six (6) exempt locations were approved which brings the total active exempt locations in Arizona to ninety-seven (97). An exempt location is an establishment that has (1) met the criteria established in A.R.S. §4-244.05 and A.A.C. R19-1-113, (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 2014	1 Year Ago This Month	Total FY 2013
<b>New licenses issued</b>	121	1,257	122	1,560
<b>Renewed licenses</b>	1,878	9,981	1,483	11,104
<b>Lottery licenses issued</b>	0	0	0	1
<b>Collected Lottery Revenues</b>	\$0	\$0	\$0	\$349,950
<b>Number of Active Liquor Licenses</b>	11,926	11,926*	11,618	n/a*
<b>Exempt Locations Issued</b>	6	74	5	62
<b>Number of Exempt Locations</b>	97	97**	63	n/a**
<b>Collected Licensing Revenues (including lottery revenues)</b>	\$1,172,941	\$4,960,143	\$991,698	\$6,536,517

\*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 March 2014

Fair Market Value	0
Applications	13,925
License Fees	906,230
Out-of-State	0
Agent Change	6,950
Fines	39,900
Special Event	6,400
Club	0
Penalties	4,950
Copy Fees	10,763
Non-Use Surcharge	38,900
Audit Surcharge	45,690
Enforcement K Surcharge	57,960
Enforcement L Surcharge	35,025

**TOTAL REVENUES COLLECTED**    **\$ 1,166,693**  
**(fingerprints)**                            **6,248**

**TOTAL REPORT**                        **\$ 1,172,941**

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

### Liquor Board Members Appointed

Vikki R. Scarafiotti (D, Maricopa County) was reappointed to a three-year term ending January 16, 2017, by Governor Janice K. Brewer. The Senate confirmed her appointment on April 10, 2014. Ms. Scarafiotti has served on the State Liquor Board since March 2011.

Cyndy A. Valdez (R, Pima County) was appointed to a three-year term ending January 16, 2017, by Governor Janice K. Brewer. The Senate confirmed her appointment on April 10, 2014. Ms. Valdez has previously served on the Board and will represent Wholesaler interests.

### Public Meetings

DLLC, local law enforcement, and neighborhood associations will meet to address liquor establishment trends that impact parents and teens. These public meetings, dates and locations will be posted on the Department's website in April 2014.

### Liquor License Lottery

A liquor license lottery will be held in April/May 2014. Applications will be accepted beginning Monday, April 21, 2014 and ending on Friday, May 16, 2014.

Independent appraisers have established the fair market values (FMV) for lottery licenses. When all fifteen (15) counties meet population increase requirements for new license issuance, the lottery has produced up to \$2,975,355 in revenues. This year new licenses will be offered in four (4) counties. Proceeds from the lottery are deposited into the General Fund.

When the number of applicants exceeds the number of lottery licenses offered, a random selection drawing is held. If necessary, this year's drawing will be held on Monday, June 2, 2014.

FMVs, application forms, instructions, the lottery timeline, and random selection drawing details will be posted on the DLLC website on April 4, 2014.

Licenses will be available in four counties as shown in the table below.

County	Series 6 (Bar)	Series 7 (Beer & Wine Bar)	Series 9 (Liquor Store)
Maricopa	9	9	5
Fair Market Values	\$70,750	\$11,450	\$200,000
Pima	1	1	0
Fair Market Values	\$32,500	\$8,450	NA
Pinal	1	1	0
Fair Market Values	\$32,800	\$7,200	NA
Yuma	0	1	1
Fair Market Values	NA	\$6,600	\$78,150

END OF DLLC MARCH 2014 REPORT TO THE GOVERNOR