GOVERNOR'S MONTHLY REPORT
October 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 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 covert underage buyer, or 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 October 2013, DLLC conducted investigations of fifteen (15) liquor-licensed establishments in Tucson, Phoenix, Tempe, Glendale, Mesa, Coolidge, and Apache Junction. Four (4) CUBs were used. Five (5), or thirty-three (33.3%) percent, of these establishments sold alcohol to a (CUB) resulting in eleven (11) criminal citations and fifteen (15) administrative violations. All fifteen (15) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand four hundred forty-two (3,442) establishments have been investigated and one thousand fifty-four (1,054) or thirty-one (30.6%) percent have sold to CUB buyers resulting in two thousand five hundred fifty-three (2,553) administrative violations and two thousand eighty-six (2,086) 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	259	75	29	185	109

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:

- Northern Arizona Directors Meeting - deputy director attended
- Tribal Liaison Roundtable – deputy director attended
- Valleywide Law Enforcement PIO group - communications director participated
- Rotary Club - New Products and Trends Presentation - communication director facilitated
- Industry Meeting to discuss 2014 liquor legislation – director, deputy director, assistant director of administration, and communications director participated

Law Enforcement Special Detail:

- CUB – Investigator Palubeskie conducted two (Big Surf Rave and ASU Homecoming) and Investigator Gothelf conducted one
- Vehicle Assistance – Investigator Trevizo completed
- Trade Practice Investigations, Rules Writing & Review, Title 4 Training Management – Investigator Miller conducted
- Site inspections, Title 4 Training Management – Ms. Strickland facilitated
- Tequila Sunrise Event in Flagstaff – Investigators Parris and Chesley
- Mesa Biker event – Investigators Parris and Chesley
- Harley Hog Rally – Investigator Sanchez
- AK-Chin Concert – Investigator Carruthers
- Tucson Police Department warrant – Investigator Zacarias assisted
- Title 4 Training – Investigator Webb facilitated four
- Fake ID Training – Investigator Webb facilitated three, assisted by Investigator Trevizo on one
- Out-of-area complaints – entire division
- Youth Alcohol details – 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 three hundred fifty-nine (359) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in ninety-eight (98) criminal citations and one hundred sixty-two (162) 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 1:782.

Total investigative actions taken this month were one thousand four hundred sixty-five (1,465), which is an increase of twenty-one (21.3%) percent when compared to the one thousand two hundred eight (1,208) investigative actions taken in October 2012.

Achievements:	**Current Month**	**Total FY 2014**	**1 Year Ago This Month**	**Total FY 2013**
Hidden Ownerships Completed	1	3	2	20
Site Inspections Completed	31	95	27	333
Actioned (administrative) Complaints	14	51	11	114
Non-Actioned (criminal) Complaints	30	216	48	551
Administrative Counts Charged	162	553	235	1,832
Criminal Citations Issued	98	398	203	1,295
Routine Liquor Inspections Completed	359	1,278	315	2,691
Compliance Case Reports Submitted	106	306	52	646
On-view Violation Case Reports	37	123	32	446
Law Enforcement Liaison Completed	80	320	87	875
Tax Deficiency Charges	47	105	no data available	no data available
MVD Affidavit/Suspension	15	61	no data available	198
Underage Investigations Statistics:				
Citations Issued to Underage	73	319	61	918
Total Violations	99	451	135	1,715
Total Achievements: (including police report reviews and completed protests not listed above)	1,465	5,080	1,208	12,503

The number of citations DLLC investigators issued to underage persons increased twenty (19.7%) percent and the total number of violations decreased twenty-seven (26.6%) percent compared to October 2012.

SUCCESS STATISTICS
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	0	3	11	21	8

Underage persons who are cited for consuming appear to be closer to the legal drinking age. Of the citations issued to underage persons, nineteen (18.6%) percent were within one year and forty-nine (48.8%) 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
A.R.S. § 4-241.A Failure to Check ID	9	25	4	62
A.R.S. § 4-241.L Use of false ID to buy alcohol	6	25	13	108
A.R.S. § 4-241.M Underage solicits third party buyer	4	23	3	17
A.R.S. § 4-241.N Use of false ID to enter premises	7	38	11	60
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	30	73	53	367
A.R.S. § 4-244.41 Alcohol in system of underage	26	103	29	254
A.R.S. § 13-2907.01 Providing false information to state	0	9	2	12
A.R.S. § 28-3478.1 Unlawful use of driver's license	3	19	4	52
A.R.S. § 28-3478.3 Using another person's driver's license	0	21	3	44

The number of citations issued due to Furnishing Alcohol to an Underage, Underage in Possession, and Consumption decreased to thirty (30) in October 2013 from seventy-three (73) in October 2012 or by forty-three (43.4%) percent. The number of citations issued for Alcohol in System of Underage decreased to twenty-six (26) in October 2013 from twenty-nine (29) in October 2012 or by ten (10.3%) percent. The number of citations issued due to Use of False ID to Buy Alcohol decreased to six (6) in October 2013 from thirteen (13) in October 2012 or by fifty-four (53.8%) percent. The number of citations issued due to Unlawful Use of a Driver's License decreased to three (3) in October 2013 from four (4) in October 2012 or by twenty-five (25%) 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, 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

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	2	0	0

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-eight (168) active Series 11 (hotel/motel) licenses and three thousand three hundred forty-six (3,346) active Series 12 (restaurant) licenses statewide. Compared to October 2012, the number of hotel/motel with restaurant licenses increased by seven (7) or four (4.3%) percent, and the number of restaurant licenses increased by seventy-four (74) or two (2.3%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand five hundred fourteen (3,514) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,757.

Audit Status	Current Month	This Month Last Year
Audits closed	7	4
Audits initiated	7	4
Audits in progress	16	16
Open cases w/projected ratio of >37%	12	8
Open cases w/projected ratio between 30 to 37%	3	5
Open cases w/projected ratio of <30%	1	3
Locations granted 1 year to continue operation	0	1
Locations being monitored	86	82

During October 2013, seven (7) audits were completed in Maricopa and Pima Counties, which resulted in actionable violation in four (4) cases. On October 31, 2013, there were sixteen (16) audits in progress and eighty-six (86) locations being monitored.

Audit Action	Current Month	Total FY 2014	This Month Last Year	Total FY 2013	Total 2003 To Present
Audits completed	7	32	4	84	651
Audits passed	7	27	3	64	337
Audits failed	0	4	1	17	248
Inconclusive	0	1	0	3	60
Other charges only	0	0	0	0	6

In October 2013, audit fines assessed from violations totaled four thousand three hundred seventy-five ($4,375) dollars. Compared to October 2012, total audit fines assessed from violations decreased by three thousand six hundred twenty-five ($3,625) dollars.

The Audit Unit is now conducting audit training/workshops. There will be two workshops in December 2013. To review them, use this link to the DLLC website: http://www.azliquor.gov/eventlist.cfm.

SUCCESS STATISTICS
Liquor License Audits (continued)

Audit Revenue 2-year Comparison

Audit Action	Current Month	Total FY 2014	1 Year Ago This Month	Total FY 2013
Fines Assessed	$4,375	$15,400	$8,000	$55,425
Continuation License (Grill Bill) Revenue	0	$120,000	$0	$60,000
Pending Continuation Licenses (Grill Bill)	0	0	0	n/a

Audit statistics since FY 2007 are noted below:

Year	Audits Completed	Revenues Collected	Average Fine per Audit (does not include continuation license fees)
FY 2007	27 audits	$13,000	$481
FY 2008	61 audits	$36,500	$598
FY 2009	103 audits	$81,275	$789
FY 2010	87 audits	$81,750	$940
FY 2011	82 audits	$84,400	$1,029
FY 2012	90 audits	$64,355	$715
FY 2013	84 audits	$47,625	$567
FY 2014	32 audits	$1,625	$51

In 2006, A.R.S. §4-213(E) introduced the continuation license (commonly referred to as the Grill Bill) into state liquor law. The continuation license, at a cost of $30,000, allowed 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 twenty (20) continuation licenses total six hundred thousand ($600,000) dollars. In FY 2014, one hundred twenty thousand ($120,000) dollars have been collected from the issuance of continuation licenses. As of October 31, 2013, there are no more pending continuation license applications. Effective June 30, 2013, no more continuation license applications can be accepted unless a Compliance Consent existed prior to June 30, 2013 giving the licensee that option.

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	1	4
Surrenders	0	0	0	18
Divestitures	1	2	0	9
Administrative Complaints	0	1	1	7
Decisions & Orders	0	1	0	3
Cases Received	111	315	49	708
Cases Completed	14	47	6	151
Cases in Progress	97	268	43	557
Warning Letter Issued	5	17	4	25
Cases Sent to OAH	3	5	1	7

Economic Impact:

Fines collected in the month totaled thirty-seven thousand three hundred sixty ($37,360) dollars from thirty-five (35) adjudicated compliance actions. Compared to last month, September 2013, this represents a seven (6.7%) percent decrease in collected revenues and a twenty-one (20.5%) percent decrease in the number of compliance actions processed. Compared to October 2012, this represents a one (1.1%) percent decrease in collected revenues and a nine (9.4%) 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 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.

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	153	$176,610	$1,067

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	10	21	2	36
A.R.S. § 4-244.9	Furnish alcohol to an underage	8	30	5	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	0	1	0	1

Fines from adjudicated underage violations total thirty-three thousand three hundred seventy-five ($33,375) dollars. To date in FY 2014, there have been three (3) 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
2014	$33,375	3	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 2014	1 Year Ago This Month	Total FY 2013
Hearings Scheduled	0	14	6	51
Licenses Granted	0	5	3	21
Licenses Denied	0	2	0	9
Continuances Granted	0	1	1	10
Continuances Denied	0	0	0	1
Licenses Withdrawn	0	3	1	7
Appeals Heard	0	1	0	0
Rehearings Requested	0	1	1	2
Hearings Cancelled by Director	0	1	0	1

There were no hearings scheduled before the State Liquor Board in October.

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
Tim Linden (R)	Graham County Wholesaler	Term Expires January 20, 2014
Vikki Scarafiotti (D)	Maricopa County No Financial Interest	Term Expires January 20, 2014
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, October 2012, the number of new liquor licenses issued in Arizona have decreased by thirty-seven (37.4%) percent, the number of renewals have decreased by thirty-six (36.1%) percent, and the number of active licenses increased by one (1.1%) percent. Also, compared with October 2012, monthly licensing revenues have decreased by thirteen (13.3%) percent from five hundred eighteen thousand four hundred two ($518,402) dollars during this time last year to four hundred forty-nine thousand four hundred ninety-two ($449,492) dollars during the current month.

In October 2013, ten (10) exempt locations were approved which brings the total active exempt locations in Arizona to seventy-five (75). An exempt location is an establishment that (1) meets the criteria established in A.R.S. §4-244.05 and A.A.C. R19-1-113, (2) has made application for the exemption, (3) has been inspected by a DLLC investigator, and (4) has 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
New licenses issued	107	635	171	1,560
Renewed licenses	615	3,206	962	11,104
Lottery licenses issued	0	0	0	1
Collected Lottery Revenues	$0	$0	$0	$349,950
Number of Active Liquor License	11,864	11,864*	11,739	n/a*
Exempt Locations Issued	10	26	5	62
Number of Exempt Locations	75	75**	62	n/a**
Collected Licensing Revenues (including lottery revenues)	$449,492	$2,103,445	$518,402	$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 October 2013

Fair Market Value	0
Applications	11,625
License Fees	265,595
Out-of-State	0
Agent Change	3,800
Fines	37,410
Special Event	7,900
Club	6,000
Penalties	9,300
Copy Fees	3,852
Non-Use Surcharge	24,400
Audit Surcharge	9,540
Enforcement K Surcharge	36,435
Enforcement L Surcharge	33,630
Miscellaneous	5
TOTAL REVENUES COLLECTED	**$449,492**
(fingerprints)	**5,808**
TOTAL REPORT	**$455,300**

WHAT'S NEXT AT DLLC?
Upcoming Events and Milestones

Restaurant Liquor Licensee's Audit Workshops

The Department will hold two free Restaurant Audit Workshops in December 2013; one in Phoenix and one in Tucson

Arizona's 2013 Holiday DUI Enforcement and Designated Driver campaign

The Department will be one of several law enforcement agencies that will participate in the Phoenix kickoff of Arizona's 2013 Holiday DUI Enforcement and Designated Driver campaign hosted by the Governor's Office of Highway Safety. The kickoff press conference will be held at the Arizona State Capitol in December 2013.

Free & Safe New Year's Eve - FREE RIDES Program

The Director will attend a press conference where Coors Light, Valley Metro, Phoenix Mayor Stanton, and Tempe Mayor Mitchell will announce a new partnership to provide Phoenix-area residents and visitors with free and safe transportation on New Year's Eve. The press conference will be held in Phoenix at the Central/Roosevelt light rail station in December 2013.

Legislative Discussions

The Director and staff will meet with industry leaders, lobbyists, and legislators in preparation of the 2014 legislative session.

END OF DLLC OCTOBER 2013 REPORT TO THE GOVERNOR