

GOVERNOR'S MONTHLY REPORT

December 2014

(Revised 9/17/15)



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 the department 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) who are 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 December 2014, DLLC conducted investigations of nine (9) liquor-licensed establishments in Tucson, Rio Rico, Nogales, and Tubac. Three (3) CUBs were used. Four (4), or forty-four (44.4%) percent, of these establishments sold alcohol to a CUB resulting in ten (10) administrative violations and eight (8) criminal citations. All nine (9) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand six hundred seventy-four (3,674) establishments have been investigated and one thousand one hundred fifty-three (1,153) or thirty-one (31.4%) percent have sold to CUB buyers resulting in two thousand seven hundred sixty-seven (2,767) administrative violations and two thousand two hundred forty-two (2,242) 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	310	98	32	220	143
2014	181	76	42	179	122

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:

- Senator Pierce meeting – director participated
- Arizona Licensed Beverage Association Holiday Party – director attended
- National Liquor Law Enforcement Association Board Meeting – interim deputy director participated
- Tribal Liaison Roundtable – interim deputy director participated
- Swearing In Reception for new ASU Police Chief Michael Thompson – interim deputy director participated
- National Conference of State Liquor Administrators Board Meeting – assistant director of administration participated

Law Enforcement Special Detail:

- CUB – Investigator Gothelf conducted two
- Fiesta Bowl – Investigator Trevizo
- New Year's Eve – Investigator Trevizo and Investigator Miller
- Completed 30 site inspections and Title 4 Training management – Ms. Strickland
- Trade Practice Investigations, Title 4 Training management, and Liquor Law update classes – Investigator Miller
- Vehicle and RV maintenance – Investigator Trevizo
- Title 4 and Fake ID Training – Investigator Webb taught 79 Officers
- Title 4 Training – Investigator Sanchez taught 10 Officers
- Youth Alcohol details – entire division
- Out-of-area complaints – entire division
- Many officers were on vacation during the month for the Holidays

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 one hundred forty-one (141) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in thirty (30) criminal citations and one hundred eight (108) 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 1:846.

Total investigative actions taken this month were nine hundred forty-nine (949), which is a decrease of twenty-two (22.1%) percent when compared to the one thousand two hundred eighteen (1,218) investigative actions taken in December 2013.

Achievements:	Current Month	Total FY 2015	1 Year Ago This Month	Total FY 2014
Routine Liquor Inspections Completed	141	1,466	266	3,434
Criminal Citations Issued	30	317	73	1,254
Criminal Counts Charged	65	585	NA	NA
Administrative Counts Charged	108	575	148	1,473
Hidden Ownerships Completed	1	9	1	24
Site Inspections Completed	27	140	28	297
Non-Actioned (criminal) Complaints	29	207	38	507
Actioned (administrative) Complaints	5	54	8	120
Compliance Case Reports Submitted	29	206	41	648
On-view Violation Case Reports	17	112	19	341
Law Enforcement Liaison Completed	55	392	52	836
Tax Deficiency Charges	47	177	40	277
MVD Affidavit/Suspension	15	86	9	132
Underage Investigations Statistics:				
Citations Issued to Underage	23	234	46	981
Total Violations	55	501	68	1,312
Total Achievements: (including police report reviews and completed protests not listed above)	949	6,801	1,218	15,794

The number of citations DLLC investigators issued to underage persons decreased fifty (50.0%) percent and the total number of violations decreased four (19.1%) percent compared to December 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	0	4	14	5

Underage persons who are cited for consuming appear to be closer to the legal drinking age. Of the citations issued to underage persons, twenty-two (21.7%) percent were within one year and sixty-one (60.9%) percent were within two years of the legal drinking age.

Statute/ Definition	# of Citations Issued This Month	# of Citations Issued in FY 2015	1 Year Ago This Month	# of Citations Issued in FY 2014
A.R.S. § 4-241.A Failure to Check ID	4	37	7	53
A.R.S. § 4-241.L Use of false ID to buy alcohol	14	85	8	62
A.R.S. § 4-241.M Underage solicits third party buyer	0	18	0	24
A.R.S. § 4-241.N Use of false ID to enter premises	1	6	5	54
A.R.S. § 4-244.9 Furnishing alcohol to an underage, underage in possession/consumption	25	213	22	127
A.R.S. § 4-244.41 Alcohol in system of underage	11	96	11	375
A.R.S. § 13-2907.01 Providing false information to state	0	45	0	15
A.R.S. § 28-3478.1 Unlawful use of driver's license	9	43	6	44
A.R.S. § 28-3478.3 Using another person's driver's license	0	12	2	46

The number of citations issued due to furnishing alcohol to an underage, underage in possession, and consumption increased fourteen (13.6%) percent in December 2014 from December 2013. The number of citations issued for alcohol in the system of underage persons remained the same in December 2014 compared with December 2013. The number of citations issued due to use of false ID to buy alcohol increased seventy-five (75.0%) percent. The number of citations issued due to unlawful use of a driver's license increased fifty (50.0%) percent in December 2014 from December 2013.

SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred sixty-seven (167) active Series 11 (hotel/motel) licenses and three thousand four hundred nineteen (3,419) active Series 12 (restaurant) licenses statewide. Compared to December 2013, the number of hotel/motel with restaurant licenses decreased by one (1) or one (0.5%) percent, and the number of restaurant licenses increased by twenty-six (26) or one (0.8%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand five hundred eighty-six (3,586) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,793.

Audit Status	Current Month	This Month Last Year
Audits closed	4	5
Audits initiated	6	5
Audits in progress	16	16
Open cases w/projected ratio of >37%	11	12
Open cases w/projected ratio between 30 to 37%	5	3
Open cases w/projected ratio of <30%	0	1
Locations granted 1 year to continue operation	0	0
Locations being monitored	58	82

During December 2014, four (4) audits were completed in Cochise and Maricopa Counties, which resulted in actionable violations in three (3) cases. On December 31, 2014, there were sixteen (16) audits in progress and fifty-eight (58) locations being monitored.

Audit Action	Current Month	Total FY 2015	This Month Last Year	Total FY 2014	Total 2003 To Present
Audits completed	4	39	5	92	758
Audits passed	4	23	4	69	406
Audits failed	0	10	1	17	274
Inconclusive	0	6	0	6	72
Other charges only	0	0	0	0	6

In December 2014, audit fines assessed from violations totaled one thousand three hundred twenty-five (\$1,325) dollars. Compared to December 2013, total audit fines assessed from violations decreased by one hundred seventy-five (\$175) dollars.

The Audit Unit is now conducting audit training/workshops. Licensees may gain information on how to prepare for an audit by using this link to the DLLC website http://www.azliquor.gov/contact_audit.cfm.

SUCCESS STATISTICS
Liquor License Audits (continued)

Audit Revenue 2-year Comparison

Audit Action	Current Month	Total FY 2015	1 Year Ago This Month	Total FY 2014
Fines Assessed	\$1,325	\$19,150	\$1,500	\$50,300
Continuation License (Grill Bill) Revenue	\$0	\$0	\$0	\$120,000

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	92 audits	\$49,625	\$539
FY 2015	39 audits	\$27,275	\$699

Online Sampling Requests:

During the month of December 2014, there were two hundred forty-three (243) sampling requests entered into and approved by the new online system. Of these sampling requests thirty-three (33) were cancelled.

Since the beginning of FY 2015, three thousand two hundred twenty-nine (3,229) sampling requests were entered into and approved by the online system. Of these sampling requests, one hundred twenty-seven (127) were cancelled, saving the Audit Unit and the Department over one hundred sixty-one (161) hours.

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 2015	1 Year Ago This Month	Total FY 2014
Revocations	0	0	0	1
Suspensions	0	0	0	1
Surrenders	1	6	0	6
Divestitures	1	3	0	2
Administrative Complaints	0	1	1	5
Decisions & Orders	0	0	3	6
Cases Received	76	406	74	856
Cases Completed	13	89	15	183
Cases in Progress	63	317	59	672
Warning Letter Issued	3	11	5	41
Cases Sent to OAH	0	2	0	7

Economic Impact:

Fines collected during the month totaled forty-nine thousand eight hundred twenty-five (\$49,825) dollars from fifty-two (52) adjudicated compliance actions. Compared to last month, November 2014, this represents a one hundred thirty (129.6%) percent increase in collected revenues and a forty-nine (48.6%) percent increase in the number of compliance actions processed. Compared to December 2013, this represents a twenty-five (25.0%) percent increase in collected revenues and a six (6.1%) 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.

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	500	\$473,910	\$948
2014-2015	263	\$234,490	\$892

SUCCESS STATISTICS
Compliance (continued)

Adjudicated Underage Violations:

Statute	Definition	Adjudicated This Month	TOTAL FY 2015	1 Year Ago This Month	TOTAL FY 2014
A.R.S. § 4-241.A	Failure to Check ID	3	44	4	58
A.R.S. § 4-244.1	Unlicensed Resale	0	7	0	5
A.R.S. § 4-244.9	Furnish alcohol to an underage	3	43	4	65
A.R.S. § 4-244.16	Knowingly allow furnishing liquor to underage	0	0	0	0
A.R.S. § 4-244.22	Consume w/o permission of premises owner	0	1	1	5

To date during FY 2015, fines from adjudicated underage violations total forty-four thousand three hundred seventy-five (\$44,375) dollars.

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	\$80,625	1	2
2015	\$44,375	0	0

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 2015	1 Year Ago This Month	Total FY 2014
Hearings Scheduled	3	24	4	42
Licenses Granted	1	6	2	13
Licenses Denied	1	5	0	9
Continuances Granted	0	5	1	11
Continuances Denied	0	1	0	1
Licenses Withdrawn	2	7	1	5
Appeals Heard	0	0	0	2
Rehearings Requested	0	1	0	1
Hearings Cancelled by Director	0	2	0	1

There were three (3) hearings scheduled before the State Liquor Board in December. One license application was withdrawn prior to scheduling hearings. Of the three cases heard, one (1) beer and wine store liquor license (series 10) was granted. One (1) restaurant liquor license (series 12) was denied and the interim permit revoked. One (1) license application was withdrawn at the hearing.

STATE LIQUOR BOARD MEMBERS AND TERMS

J.D. Ghelfi (R)	Chairman Maricopa County No Financial Interest	Term Expires January 19, 2015
Cyndy Valdez (R)	Vice Chairman Pima County Wholesaler	Term Expires January 16, 2017
Bill Du Pont (D)	Pima County Neighborhood Association	Term Expires January 18, 2016
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
Pud Colquitt (R)	Coconino County No Financial Interest	Term Expires January 18, 2016

SUCCESS STATISTICS LICENSING DIVISION

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 this month last year, December 2013, the number of new liquor licenses issued in Arizona increased twenty-four (23.8%) percent and the number of active licenses increased one (1.4%) percent. Also, compared with December 2013, monthly licensing revenues have increased twenty (19.5%) percent from six hundred four thousand five hundred eighty-two (\$604,582) dollars during this time last year to seven hundred twenty-two thousand seven hundred fifty-six (\$722,756) dollars during the current month.

In December 2014, ten (10) exempt locations were approved which brings the total active exempt locations in Arizona to eighty-nine (89). 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 2015	1 Year Ago This Month	Total FY 2014
New licenses issued	198	789	160	1,629
Renewed licenses	2,036	7,004	2,391	11,645
Lottery licenses issued	2	10	0	1
Collected Lottery Revenues	\$100,000	\$754,375	\$0	\$3,300
Number of Active Liquor Licenses	11,842	11,842*	11,678	11,919*
Exempt Locations Issued	10	45	12	91
Number of Exempt Locations	89	89**	98	92**
Collected Licensing Revenues (including lottery revenues)	\$722,756	\$4,178,262	\$604,582	\$6,448,750

*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 December 2014

Fair Market Value	100,000
Applications	24,200
License Fees	332,225
Out-of-State	0
Agent Change	6,550
Fines	49,000
Special Event	5,125
Club	2,350
Penalties	16,950
Copy Fees	5,834
Non-Use Surcharge	21,600
Audit Surcharge	1,440
Enforcement K Surcharge	75,845
Enforcement L Surcharge	75,785
Miscellaneous	0

TOTAL REVENUES COLLECTED **\$ 716,904**
(fingerprints) **5,852**

TOTAL REPORT **\$ 722,756**

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Private Parties

Private parties (held on residential or business properties) are required to comply with Arizona liquor laws and the local social host ordinance. One of the most common violations is the collection of, or request for, a donation or cover charge. When guests are charged to attend a party that provides alcohol the host is dealing in liquor, which is against the law without a liquor license. Officers from the Department of Liquor and local law enforcement liquor liaisons conduct compliance checks at private parties.

Another common violation that occurs at parties held at a private residence is the service of alcohol to persons under the age of 21. It is illegal to provide liquor to someone under age 21. If a person is under age 21, it is illegal for them to have liquor in their possession or in their system. The person providing the liquor or the underage consuming the liquor can be arrested and face Class 1 or Class 2 misdemeanor charges. Depending on the age and the number of previous arrests, misdemeanors can carry fines of up to \$2,500, a maximum of 12 months in jail, and driver license suspension of up to 12 months.

What is Palcohol?

Public health and safety concerns have brought powdered alcohol to the attention of Congress and state legislatures. To read or download a copy of the National Alcohol Beverage Control Association (NABCA) Research paper on the background and history of Palcohol, visit this link on the Department's website: http://www.azliquor.gov/assets/documents/homepage_docs/NABCA_Palcohol.pdf.

END OF DLLC DECEMBER 2014 REPORT TO THE GOVERNOR