

GOVERNOR'S MONTHLY REPORT  
APRIL 2010



STATE OF ARIZONA  
DEPARTMENT OF LIQUOR LICENSES AND CONTROL  
Jerry Oliver, Director  
800 W. Washington Street, 5<sup>th</sup> Floor  
Phoenix, Arizona 85007  
Office 602-542-9020      Fax 602-542-6799

**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. Once DLLC has reasonable suspicion that a liquor location may be selling alcohol to underage customers, the agency will send a CUB to attempt to purchase alcohol. Each CUB is between the ages of fifteen (15) and nineteen (19) years of age and is carefully trained to follow state laws and DLLC guidelines. DLLC provides CUB training to all Arizona law enforcement agencies, allowing the program to operate statewide.

In April 2010, using four (4) CUBs and three (3) officers, DLLC conducted investigations of sixteen (16) liquor-licensed establishments. Eleven (11), or sixty-nine (69%) percent, of these establishments sold alcohol to a (CUB) resulting in twenty-two (22) criminal and twenty-two (22) administrative violations. All eleven (11) locations were investigated in response to a complaint received by DLLC.

In April 2010, DLLC saw a decrease of eight (8%) percent in liquor sales to the CUB compared to the previous month, March 2010. This represents an increase of thirty-six (36%) percent in sales to the CUB compared to April 2009.

Since the inception of the program, two thousand six hundred twenty (2,620) establishments have been investigated and seven hundred seventy-three (773) or twenty-nine (29%) percent have been sold to CUB buyers resulting in one thousand eight hundred ten (1,810) administrative violations and one thousand six hundred forty-four (1,644) 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>	44	32	72%	64	58

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 December 2004 to develop a system of effective and rapid communication between local law enforcement and emergency medical services (EMS) personnel in high-profile cases involving underage drinking. Each TRACE case is considered concluded only when the source of alcohol is traced back to the supplier and the supplier is charged with a criminal and/or administrative violation.

TRACE is now statewide 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 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>	2	0	0

Investigator Palubeskie is currently working on one (1) 2009 and two (2) 2010 TRACE cases. Further action on this case is pending information which will be provided to DLLC by local law enforcement agencies.

## 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 of APRIL 2010:**

3-in-1 Off-Sale Retail Convention – comm. dir. participated

eLicensing Public Training – comm. dir. facilitated

West Valley Chiefs Meeting – deputy dir. participated

### **April 2010 Law Enforcement Special Detail:**

Border Kidnapping Training – Investigators Turner & Trevizo participated

Complaint Detail with Lake Havasu City PD – Investigator Eaton participated

Fake ID and Title 4 Training, Mesa PD – Investigator Miller facilitated

Fake ID Training x 2, Globe PD – Investigator Miller facilitated

Country Thunder 2010 – All officers participated

Annual Firearms and FATS Training – All officers participated

Verbal Judo – All officers participated

eLicensing Training – All officers participated

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**SPECIAL EVENTS**  
**Media**

**News Release**

Public eLicensing Training

**Content of Story/Release**

DLLC to offer public training for the upcoming Conversion to a new eLicensing system to Improve public access and efficiency of Arizona liquor license and law enforcement data storage.

Customized courses will be offer to:

- . Wholesalers
- . Agent/brokers
- . Licensees
- . Title 4 Training Providers
- . General Public
- . City, Town, County Agencies

**SUCCESS STATISTICS**  
**Investigations**

In April 2010, DLLC investigators completed two hundred thirty-seven (237) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred forty-seven (147) criminal citations and twelve (12) administrative violations. The following success statistics were completed by a staff of ten (10) fulltime, sworn officers who uphold a statewide officer-to-liquor license ratio of 1:1,128.

An increase in total investigative achievements during March 2010 of three (3.3%) percent compared to March 2009 was achieved with an investigative staff which has been reduced by fifty-three (53%) percent, in addition to mandated travel restrictions, during the past twelve (12) months . The restrictions and reductions are the result of recent account sweeps and budget cuts.

<b>Achievements</b>	<b>Current Month</b>	<b>Total FY 2010 YTD</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2009</b>
Hidden Ownerships Completed	0	16	4	49
Site Inspections Completed	68	546	73	959
Actioned (administrative) Complaints	9	106	13	256
Non-Actioned (criminal) Complaints	30	352	34	532
Administrative Counts Charged	197	1,474	167	2,643
Criminal Charges Issued	131	825	197	1,806
Routine Liquor Inspections	244	2,575	303	3,798
Compliance Case Reports Submitted	57	441	55	875
On-view Violation Case Reports	41	269	38	403
Law Enforcement Liaison	59	675	37	909

**Underage Investigations Statistics:**

	<b>Current Month</b>	<b>Total FY 2010 YTD</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2009</b>
Citations Issued to Underage	116	658	184	919
Total Underage Violations Cited	147	623	187	1,234

**Total Achievements** 1,099 -- 1,292 --

<b>Current Month</b>	<b>Younger than Age 15</b>	<b>-----Age-----</b>					
		<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>20</b>
Age of minor cited	0	0	0	4	9	12	15

**SUCCESS STATISTICS**  
**Investigations (continued)**

**Underage Investigations Statistics (continued):**

<b>Statute/ Definition</b>	<b># of Citations issued this month</b>	<b>Total FY 2010 YTD</b>	<b>1 Year Ago This Month</b>	<b># of Citations issued in FY '09</b>
<b>A.R.S. § 4-241.A</b> .Failure to Check ID	1	89	11	77
<b>A.R.S. § 4-241.L</b> Sold to CUB	0	53	10	157
<b>A.R.S. § 4-241.N</b> Use of false ID to enter premises	7	60	6	66
<b>A.R.S. § 4-244.1</b> Unlicensed Resale	0	29	3	8
<b>A.R.S. § 4-244.9</b> Furnishing alcohol to an underage	65	402	88	506
<b>A.R.S. § 4-244.20</b> Consuming w/o permission of premises owner	1	14	0	146
<b>A.R.S. § 4-244.33</b> Underage DUI	0	0	0	1
<b>A.R.S. § 4-244.40</b> Alcohol in system of underage	6	73	50	202
<b>A.R.S. § 4-244.41</b> Accept \$ to allow underage in bar	27	53	n/a	n/a
<b>A.R.S. § 13-2907.01</b> Providing false information to state	0	0	0	1
<b>A.R.S. § 13-3478</b> Unlawful use of a license	0	0	0	11
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver's license	0	1	0	2
<b>A.R.S. § 28-3478.3</b> Using another person's driver's license	1	32	15	38

**SUCCESS STATISTICS**  
**Liquor License Audits**

As stated in A.R.S. §4-213.C (commonly referred to as the "Grill Bill"), DLLC conducts audits of licensed liquor establishments holding a series 11 liquor license (hotel/motel with restaurant) or series 12 liquor license (restaurant) to determine if they maintain the required 40:60 food-to-liquor sales ratio.

Currently there are one hundred sixty-three (163) active series 11 licenses and three thousand one hundred fifteen (3,115) active series 12 licenses statewide. Compared to April 2009, Arizona realized a decrease of one (1) hotel/motel with restaurant licenses and a decrease of thirteen (13) restaurant licenses.

Due to the hiring freeze and budget cuts, DLLC employs two (2) fulltime auditors, down from three (3) at this time last year. With a total of three thousand one hundred seventy-eight (3,178) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1: 1,589.

<b>Number of Cases Now Open For Audit</b>	<b>Current Month</b>	<b>This Month Last Year</b>
Audits in progress	12	21
Audits closed	7	11
Audits initiated	3	13
Open cases w/projected ratio of >37%	10	6
Open cases w/projected ratio between 30 to 37%	2	12
Open cases w/projected ratio of < 30%	0	3
Locations granted 1 year to continue operation	3	1
Locations being monitored	96	72

In April 2010, seven (7) audits were closed and three (3) audits were initiated (audit considered initiated after an appointment date is set to pick up accounting records). Of the seven (7) audits completed this month, all seven (7) cases, or one hundred (100%) percent, revealed actionable violations. During the month of April 2010, audits were completed in Maricopa County.

	<b>Current Month</b>	<b>This Month Last Year</b>	<b>Total YTD FY 2010</b>	<b>Total FY 2009</b>	<b>Total 2003 - Present</b>
Audits completed	7	11	77	103	353
Audits passed	4	6	43	56	142
Audits failed	3	4	29	33	163
Inconclusive	0	2	5	14	43
Other charges only	0	0	0	0	5

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

**Audit statistics beginning on January 1, 2003 to present are:**

<b>Year</b>	<b>Audits Completed</b>
1/1 - 6/30/03	6 audits
FY 2004	23 audits
FY 2005	24 audits
FY 2006	32 audits
FY 2007	27 audits
FY 2008	61 audits
FY 2009	103 audits
FY 2010 YTD	77 audits

To date, fees collected from issuing series 11 and 12 continuation licenses, as stated in A.R.S. §4-209 D.12 (AKA "Grill Bill"), total one hundred fifty thousand (\$150,000) dollars. One (1) continuation license is pending at this time.

Revenue collected by the department for audit-related violations during the month of April 2010 is eight thousand six hundred and twenty-five (\$8,625) dollars. Audit fines assessed during the month of April 2010 total are three thousand six hundred twenty-five (\$3,625) dollars. Total fines collected in FY 2010 are seventy thousand five hundred (\$70,500) dollars.

**Audit Revenue 2-year Comparison**

	<b>Current Month</b>	<b>Total FY 2010 YTD</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2009</b>
Fines Collected	8,625	70,500	10,500	81,275
Fines Assessed	3,625	76,950	1,875	90,775
Continuation License (Grill Bill) Revenue	0	30,000	0	90,000
Pending Continuation Licenses (Grill Bill)	1	--	0	--

**SUCCESS STATISTICS**  
**Compliance**

<b>Achievements:</b>	<b>Current Month</b>	<b>Total YTD FY 2010</b>	<b>Total FY 2009</b>	<b>1 Year Ago This Month</b>
Revocations	0	9	9	0
Suspensions	1	26	13	2
Surrenders	1	20	17	1
Divestitures	0	5	6	1
Administrative Complaints	1	63	66	4
Decisions & Orders	1	270	48	1

**Economic Impact:**

The department has collected fines which total one hundred thirty-three thousand four hundred twenty-five (\$133,425) dollars from thirty-six (36) compliance actions processed and adjudicated between April 1 and April 30, 2010. This is an increase of twenty-one (21.2%) percent from April 2009 collections and a thirty-two (31.8%) percent decrease in the number of compliance actions processed. A portion of the increase in fine collections is attributed to a newly introduced payment plan which gives licensees the option to pay fines in installments rather than in one lump sum. A payment plan is agreed upon by the licensee and compliance officer during the compliance process. Although payments reduce monthly fine revenues in the short run, the long term outcome is anticipated to stimulate the economy by keeping establishments in business without reducing the amount in total collections.

	<b>Current Month</b>	<b>1 Year Ago This Month</b>	<b>Total YTD FY 2010</b>	<b>Total FY 2009</b>
Fines collected	\$133,425	\$105,050	\$638,725	\$886,440
Cases adjudicated	36	113	362	584

<b>Fiscal Year</b>	<b>Compliance Actions</b>	<b>Revenues Collected</b>
2002-2003	414	\$445,725
2003-2004	388	\$518,800
2004-2005	431	\$557,725
2005-2006	500	\$689,475
2006-2007	429	\$627,975
2007-2008	334	\$582,350
2008-2009	584	\$886,440
2009-2010YTD	362	\$638,725

**SUCCESS STATISTICS**  
**Compliance (continued)**

<b>Adjudicated Underage Violations</b>		<b>Adjudicated</b>	<b>1 Year Ago</b>
<b>Statute</b>	<b>Definition</b>	<b>This month</b>	<b>This Month</b>
A.R.S. § 4-241.A	Failure to Check ID	2	5
A.R.S. § 4-241.L	Sold to CUB	0	0
A.R.S. § 4-244.1	Unlicensed Resale	2	0
A.R.S. § 4-244.9	Furnishing alcohol to an underage	2	5
A.R.S. § 4-244.16	Knowingly allow furnishing liquor to underage	0	0
A.R.S. § 4-244.22	Consuming w/o permission of premises owner	0	0
A.R.S. § 4-244.33	Underage DUI	0	0
A.R.S. § 4-244.40	Alcohol in system of underage	0	0
A.R.S. § 13-2907.01	Providing false information to state	0	0
A.R.S. § 28-3478.1	Unlawful use of driver's license	0	0
A.R.S. § 28-3478.3	Using another person's driver's license	0	0

**SUCCESS STATISTICS**  
**Arizona Liquor Board**

<b>Achievements: Compliance</b>	<b>Current Month</b>	<b>Total YTD FY 2010</b>	<b>Total FY 2009</b>
Hearings Scheduled	6	102	174
Licenses Granted	6	40	63
Licenses Denied	0	19	25
Continuances Granted	0	24	50
License Withdrawn	0	15	23
Hearing Vacated, No Action Required	0	0	1
Hearing Removed From Agenda	0	0	0
Rehearing Requested	0	2	1
Exemption Received	0	0	0
Appeals Heard	0	2	11

During the month of April 2010, one hundred (100%) percent of the license applications in protest were granted. In FY 2010 to date, sixty-four (64.15%) percent of license applications in protest were granted and thirty-six (35.85%) were denied.

**ARIZONA LIQUOR BOARD MEMBERS AND TERMS**

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Charles Huellmantel (D)	Arizona Liquor Board Chair Maricopa County No Financial Interest	Term Expires January 17, 2011
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VACANT -----

Bill DuPont (D)	Arizona Liquor Board Member Pima County Neighborhood	Term Expires January 18, 2010
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J.D. Ghelfi, Member (R)	Arizona Liquor Board Member Maricopa County No Financial Interest	Term Expires January 16, 2012
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Jim Carruthers (R)	Arizona Liquor Board Member Yuma County No Financial Interest	Term Expires January 16, 2012
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Tim Linden (R)	Arizona Liquor Board Member Graham County Wholesaler	Term Expires January 17, 2011
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Robin Cantrell (I)	Arizona Liquor Board Member Graham County Retailer	Term Expires January 16, 2012
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**SUCCESS STATISTICS**  
**Licensing**

Compared to April 2009, the number of new liquor license issued in Arizona has increased by ten (9.8%) percent, renewals have decreased by twenty-one (20.7%) percent, and the number of active licenses has increased by two (1.5%) percent.

In comparison to April 2009, lottery license revenues are equal, monthly licensing revenues decreased by three (3.3%) percent and total YTD revenues have decreased by twenty-three (22.6%) from \$7,892,855 at this time last year.

<b>Achievements: Licensing</b>	<b>Current Month</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2009</b>	<b>Total YTD FY 2010</b>
<b>New licenses issued</b>	206	186	1,892	1,787
<b>Renewed licenses</b>	567	715	11,097	10,900
<b>Lottery licenses issued</b>	0	3	93	35
<b>Collected Lottery Revenues:</b>	0	0	\$ 6,954,292	\$ 562,824
<b>Number of Active Liquor License:</b>	11,283	11,125	n/a	n/a
<b>Collected Licensing Revenues (including lottery revenues):</b>	\$ 845,142	\$ 873,278	\$10,010,020	\$ 6,110,927

**Collected Revenue By Fee Type in April 2010**

Fair Market Value	0
Applications	16,250
License Fees	581,325
Out-of-State	-
Agent Change	3,500
Fines	133,425
Special Event	5,325
Club	1,075
Penalties	24,150
Copy Fees	177
Non-Use Surcharge	13,300
Audit Surcharge	21,210
Enforcement K Surcharge	28,000
Enforcement L Surcharge	17,380
Miscellaneous	25
<b>TOTAL REVENUES COLLECTED</b>	<b>\$ 845,142</b>
<b>(fingerprints)</b>	<b>5,592</b>
<b>TOTAL REPORT</b>	<b>\$ 850,734</b>

## WHAT'S NEXT AT DLLC?

### Upcoming Events/Milestones

#### 2010 Liquor License Lottery

In preparation of the 2010 liquor license lottery, DLLC has contracted three (3) independent auditing firms to determine the fair market value (FMV) for quota licenses (series 6 – bar, series 7 – beer and wine bar, and series 9 – liquor store). On Tuesday, April 20, 2010 the FMV, lottery applications, and instructions were publicly posted, the 2010 lottery opened and will accept application through Monday, May 17, 2010. If DLLC receives more applications than the newly available licenses per county, a Random Selection Drawing will be held on Monday, June 14, 2010 to determine which applications will participate in the lottery and which applications will become alternates should participants choose to withdraw. The FY 2009 lottery, conducted last May, produced revenues of six million, nine hundred fifty-four, two hundred ninety-two (\$6,954,292) dollars which were deposited into the state's General Fund.

#### E-licensing

DLLC's E-Licensing Information System, ELIS, is being developed in collaboration with GITA and NIC/CAVU. ELIS. As a result of budget cuts to all agencies involved, project staff and funds have been reduced forcing the "go-live" date to be postponed to mid 2010. The software which will run ELIS is now in the testing stages. Interagency training is underway. Licensee and stakeholder training will be held from April 19 – 23, 2010. ELIS will replace a twenty (20) year old licensing system currently used by DLLC and stakeholders to record and track liquor license activities and violations. To introduce the public to the eLicensing system, fourteen (14) public training courses were offered in April 2010 to address specific liquor industry audiences. In addition to a live demonstration of the new system, training participants were encouraged to offer suggestions to improve the system. Several suggestions will be implemented prior to "go-live".

#### Performance Audit and Sunset Review

The final step of the 12-step of the Performance Audit/ Sunset Review conducted by the Office of the Auditor General (OAG) began during a legislative hearing held on March 4, 2010. The Arizona forty-ninth legislature HB 2143 will determine DLLC's continuation of one (1) or five (5) years.

#### Resume Newly Proposed Rulemaking

Once the rulemaking moratorium is lifted, DLLC will review the Rules rewrite completed in late 2008 to include relevant updates which have occurred since the moratorium was announced in April 2009.