

GOVERNOR'S MONTHLY REPORT
JUNE 2010



STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL
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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 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 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.

In June 2010, using twelve (12) CUBs and eight (8) officers, DLLC conducted investigations of seventeen (17) liquor-licensed establishments. Ten (10), or fifty-nine (59%) percent, of these establishments sold alcohol to a (CUB) resulting in twelve (12) criminal and twenty (20) administrative violations. All seventeen (17) locations were investigated in response to complaints received by DLLC.

In June 2010, DLLC saw a decrease of nine (9%) percent in liquor sales to the CUB compared to the previous month, May 2010. This represents an increase of twelve (12%) percent in sales to the CUB compared to sales during June 2009.

Since the inception of the program, two thousand six hundred forty-two (2,642) establishments have been investigated and seven hundred eighty-six (786) or twenty-eight (28%) percent have been sold to CUB buyers resulting in one thousand eight hundred thirty-six (1,836) administrative violations and one thousand six hundred sixty-two (1,662) 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	67	45	67%	90	76

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 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 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

Calendar Year	Total # of 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	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 June 2010:

Public Records Refresher Training – comm. dir. participated
Grant Management Course – comm. dir. participated

June 2010 Law Enforcement Special Detail:

Title 4 Training, U of A Campus Event Staff – Investigator Miller
Fake ID Training, Tucson PD – Investigator Miller
Tucson Area Enforcement - entire investigations division
Department of Gaming/DLLC Special Assignment – Investigators Ribera and Chesley
CUB Detail – Investigator Jaramillo assisted by Palubeskie and CUBS

Special Events Media

Media Outlet

New Times
Arizona Republic
azcentral.com
Modern Distillery Age
Arizona Daily Star
Arizona Republic
TheCopperDome
Azcentral.com

Story Content

Cherry Lounge & Pit citations, closure and hours of service details
Newly issued liquor licenses
Active liquor licenses in Tempe, Chandler and state-wide
Alan Everett's appointment
Oldest bar in Scottsdale
Scottsdale Fashion Square retail shop offers wine
Alan Everett's appointment
hours of service, new Arizona liquor laws

SUCCESS STATISTICS
Investigations

In June 2010, DLLC investigators completed one hundred forty-six (146) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in forty-eight (48) criminal citations and twelve (12) administrative violations. The following success statistics were completed by a staff of nine (9) fulltime, sworn officers who uphold a statewide officer-to-liquor license ratio of 1:1,287.

A decrease in total investigative achievements during June 2010 of thirty-eight (37.7%) percent compared to June 2009 is the result of an investigative staff reduction. The state budget deficit and hiring freeze has resulted in a staff decrease of fifty-five (55%) percent since July 2007; from twenty (20) sworn officers to nine (9); in addition to mandated travel restrictions.

Achievements	Current Month	Total FY 2010	1 Year Ago This Month	Total FY 2009
Hidden Ownerships Completed	1	17	1	49
Site Inspections Completed	64	653	109	959
Actioned (administrative) Complaints	8	128	12	256
Non-Actioned (criminal) Complaints	15	408	49	532
Administrative Counts Charged	74	1,615	204	2,643
Criminal Charges Issued	69	969	40	1,806
Routine Liquor Inspections	182	2,954	289	3,798
Compliance Case Reports Submitted	28	469	61	875
On-view Violation Case Reports	31	312	12	403
Law Enforcement Liaison	45	764	71	909

Underage Investigations Statistics:

	Current Month	Total FY 2010	1 Year Ago This Month	Total FY 2009
Citations Issued to Underage	40	736	23	919
Total Underage Violations Cited	48	721	100	1,234
Total Achievements	605	--	971	--

Current Month	Younger than Age 15	-----Age-----					
		15	16	17	18	19	20
Age of minor cited	1	0	0	0	1	6	3

SUCCESS STATISTICS
Investigations (continued)

Underage Investigations Statistics (continued):

Statute/ Definition	# of Citations issued this month	Total FY 2010	1 Year Ago This Month	# of Citations issued in FY '09
A.R.S. § 4-241.A Failure to Check ID	2	99	19	77
A.R.S. § 4-241.L Sold to CUB	1	54	22	157
A.R.S. § 4-241.N Use of false ID to enter premises	0	65	0	66
A.R.S. § 4-244.1 Unlicensed Resale	0	29	0	8
A.R.S. § 4-244.9 Furnishing alcohol to an underage	43	467	51	548
A.R.S. § 4-244.22 Consuming w/o permission of premises owner	1	15	139	146
A.R.S. § 4-244.33 Underage DUI	0	0	0	1
A.R.S. § 4-244.40 Alcohol in system of underage	0	73	51	202
A.R.S. § 4-244.41 Accept \$ to allow underage in bar	4	57	n/a	n/a
A.R.S. § 13-2907.01 Providing false information to state	0	0	0	1
A.R.S. § 13-3478 Unlawful use of a license	0	0	0	11
A.R.S. § 28-3478.1 Unlawful use of driver's license	0	1	0	2
A.R.S. § 28-3478.3 Using another person's driver's license	2	35	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 seventy-nine (3,079) active series 12 licenses statewide. Compared to June 2009, Arizona realized an increase of two (2) hotel/motel with restaurant licenses and an increase of thirty-three (33) restaurant licenses.

Due to the hiring freeze and budget cuts, DLLC now employs two (2) fulltime auditors, down from three (3) at this time last year. With a total of three thousand two hundred forty-two (3,242) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1: 1,621.

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits in progress	16	21
Audits closed	7	11
Audits initiated	12	10
Open cases w/projected ratio of >37%	4	13
Open cases w/projected ratio between 30 to 37%	12	6
Open cases w/projected ratio of < 30%	0	2
Locations granted 1 year to continue operation	1	3
Locations being monitored	81	72

In June 2010, seven (7) audits were closed and twelve (12) 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 June 2010, audits were completed in Maricopa and Pinal Counties.

	Current Month	This Month Last Year	Total FY 2010	Total FY 2009	Total 2003 - Present
Audits completed	7	11	87	103	363
Audits passed	5	4	51	56	150
Audits failed	1	6	30	33	164
Inconclusive	1	1	6	14	44
Other charges only	0	0	0	0	5

SUCCESS STATISTICS
Liquor License Audits (continued)

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

Year	Audits Completed
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	87 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. Applications for four (4) continuation licenses were received by the department and are in pending status at this time. Upon approval, revenue collected from these continuation licenses will total \$120,000 in issuance fees.

Revenue collected by the department for audit-related violations during the month of June 2010 is sixty-five hundred (\$6,500) dollars. Audit fines assessed during the month of June 2010 total are sixty-five hundred (\$6,500) dollars. Total fines collected in FY 2010 are eighty-one thousand seven hundred fifty (\$81,750) dollars.

Audit Revenue 2-year Comparison

	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Fines Collected	6,500	81,750	13,575	81,275
Fines Assessed	6,500	88,200	11,700	90,775
Continuation License (Grill Bill) Revenue	0	60,000	0	90,000
Pending Continuation Licenses (Grill Bill)	4	--	0	--

SUCCESS STATISTICS
Compliance

Achievements:	Current Month	Total FY 2010	Total FY 2009	1 Year Ago This Month
Revocations	1	10	9	0
Suspensions	3	31	13	1
Surrenders	3	26	17	0
Divestitures	1	6	6	0
Administrative Complaints	3	67	66	3
Decisions & Orders	2	27	48	3

Economic Impact:

The department has collected fines which total thirty-four thousand two hundred (\$34,200) dollars from thirty (30) compliance actions processed and adjudicated between June 1 and June 30, 2010. This is a sixty-six (66.4%) percent decrease from June 2009 collections and a fifty-five (55.2%) percent decrease in the number of compliance actions processed. A portion of the decrease 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.

	Current Month	1 Year Ago This Month	Total FY 2010	Total FY 2009
Fines collected	\$34,200	\$101,865	\$705,725	\$886,440
Cases adjudicated	30	67	415	584

Fiscal Year	Compliance Actions	Revenues Collected
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
2009-2010	415	\$705,725

SUCCESS STATISTICS
Compliance (continued)

Adjudicated Underage Violations		Adjudicated	1 Year Ago
Statute	Definition	This month	This Month
A.R.S. § 4-241.A	Failure to Check ID	1	13
A.R.S. § 4-241.L	Sold to CUB	0	0
A.R.S. § 4-244.1	Unlicensed Resale	2	5
A.R.S. § 4-244.9	Furnish alcohol to an underage	3	13
A.R.S. § 4-244.16	Knowingly allow furnishing liquor to underage	0	0
A.R.S. § 4-244.22	Consume w/o permission of premises owner	3	2
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	Provide 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	Use another person's driver's license	0	0

SUCCESS STATISTICS
Arizona Liquor Board

Achievements: Compliance	Current Month	Total YTD FY 2010	Total FY 2009
Hearings Scheduled	11	107	159
Licenses Granted	6	40	58
Licenses Denied	0	19	22
Continuances Granted	0	29	48
License Withdrawn	5	15	18
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 June 2010, one hundred (100%) percent of the license applications in protest were granted and no applications (0%) were denied. In FY 2010, sixty-eight (67.80%) percent of license applications in protest were granted and fifty-four (54.05%) were denied.

ARIZONA LIQUOR BOARD MEMBERS AND TERMS

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 June 2009, the number of new liquor license issued in Arizona has increased by twenty-three (22.9%) percent, renewals have decreased by less than one (0.07%) percent, and the number of active licenses has increased by one (1.1%) percent.

In comparison to June 2009, monthly licensing revenues have increased by twenty-two (21.8%) percent and total YTD revenues have decreased by thirty (30%) from \$8,725,445 at this time last year to \$6,503,816.

Achievements: Licensing	Current Month	1 Year Ago This Month	Total FY 2009	Total YTD FY 2010
New licenses issued	143	144	1,892	2,114
Renewed licenses	751	719	11,097	12,092
Lottery licenses issued	0	15	93	35
Collected Lottery Revenues:	\$ 0	\$ 307,781	\$ 6,954,292	\$ 562,824
Number of Active Liquor License:	11,580	11,182	n/a	n/a
Collected Licensing Revenues (including lottery revenues):	\$ 392,889	\$ 776,166	\$10,010,020	\$ 6,503,816

Collected Revenue By Fee Type in June 2010

Fair Market Value	0
Applications	13,300
License Fees	252,230
Out-of-State	-
Agent Change	3,100
Fines	34,200
Special Event	3,025
Club	3,150
Penalties	8,700
Copy Fees	514
Non-Use Surcharge	20,500
Audit Surcharge	10,020
Enforcement K Surcharge	23,065
Enforcement L Surcharge	21,085
Miscellaneous	-
TOTAL REVENUES COLLECTED	\$ 392,889
(fingerprints)	6,552
TOTAL REPORT	\$ 399,441

WHAT'S NEXT AT DLLC?

Upcoming Events/Milestones

FY 2010 Liquor License Lottery

DLLC continued to accept 2010 lottery applications through Monday, June 17, 2010. During the 27-day application period, eleven (11) disclosed and sixty-four (64) non-disclosed applications were received. In five (5) of the fifteen (15) counties in Arizona, more applications were submitted than the number of licenses offered in that county. This prompted a random selection drawing to be held on Monday, June 14, 2010. The drawing determined which applicants would win the available licenses and which applicants become alternates, should winners choose to withdraw. Based on lottery applications received and accepted from the drawing, the FY 2010 lottery is on track to produce three million three hundred thirty thousand three hundred sixty (\$3,330,360) dollars in state revenue. Fifty (50%) percent, or one million six hundred sixty-five thousand one hundred ninety-seven (\$1,665,197) dollars, are due by August 25, 2010 in non-refundable fees. The remaining balance is due by February 25, 2011. Last year, the FY 2009 lottery 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.

eLicensing

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 until October 2010 or later. DLLC has approval to hire an IT specialist to lead the agency through the final stages of design, implementation, and subsequent system improvements. The hire will be complete in July 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.

Performance Audit and Sunset Review

HB 2143, authorizing DLLC to continue for five (5) years will become law on July 29, 2010.

Legislation

The Arizona forty-ninth Legislature added, amended or revoked seven (7) Title 4 statutes which have been signed by Governor Brewer and will become law on July 29, 2010. All new Title 4 legislation is been posted on the homepage of the DLLC website.

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 June 2009.

Staffing

In addition to the IT specialist mentioned in the "eLicensing" heading above, DLLC has approval to hire a special investigator, bringing the investigation division staff to ten (10) sworn officers.

Jerry Oliver, the 16th Director for DLLC since the inception in 1939, retired this month. Alan Everett was appointed as the new Director.

Tim Black, DLLC's Deputy Director, retired this month. Mr. Black's replacement has not yet been announced.