

GOVERNOR'S MONTHLY REPORT
MARCH 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. 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 March 2010, using four (4) CUBs and three (3) officers, DLLC conducted investigations of thirteen (13) liquor-licensed establishments. Ten (10), or seventy-seven (77%) percent, of these establishments sold alcohol to a (CUB) resulting in twenty (20) criminal and twenty (20) administrative violations. All thirteen (13) locations were investigated in response to a complaint received by DLLC.

In March 2010, DLLC saw an increase of eleven (11%) percent in liquor sales to the CUB compared to the previous month, January 2010, as no CUB details were conducted in February 2010. This represents an increase of thirty-three (33%) percent in sales to the CUB compared to March 2009.

Since the inception of the program, two thousand six hundred four (2,604) establishments have been investigated and seven hundred sixty-two (762) or twenty-eight (28%) percent have been sold to CUB buyers resulting in one thousand seven hundred eighty-eight (1,788) administrative violations and one thousand six hundred twenty-two (1,622) 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	28	21	75%	42	36

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

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 MARCH 2009:

DPS Radio Communication Training – deputy director participated

Underage Drinking Committee – deputy director participated

Phoenix PD "Drive Above The Influence" Training – comm. dir. participated

March 2010 Law Enforcement Special Detail:

Background Checks x 75 – Investigator Turner conducted

Tempe Beer Festival Detail – Investigators Kuhl, Miler, and Chesley conducted

Chandler Detail - Investigators Ribera, Miler, Chesley, and Palubeskie conducted

Candy Store, Tucson – Investigator Kuhl facilitated

Tucson Complaint Detail – Investigators Ribera, Chesley, Hall and Miller conducted

Fake ID and Title 4 Training, Department of Gaming – Investigator Miller facilitated

Fake ID and Title 4 Training, Greenlee & Graham Counties and Clifton PD – Investigator Miller facilitated

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

AZ DPS – All officers participated

St. Patrick's Day Detail – All officers participated

SPECIAL EVENTS
Media

Media Outlet	Content of Story
ABC15 News	New ID Checking Parameters
New Times	Baja Red's Cantina violations
KOLD Channel 13	Candy Store

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 March 2010, DLLC investigators completed two hundred thirty (230) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred seven (107) criminal citations and thirty-three (33) 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 1:1,119.

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.

Achievements	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Hidden Ownerships Completed	1	16	4	49
Site Inspections Completed	52	478	87	959
Actioned (administrative) Complaints	10	97	12	256
Non-Actioned (criminal) Complaints	42	322	68	532
Administrative Counts Charged	251	1,277	185	2,643
Criminal Charges Issued	113	694	116	1,806
Routine Liquor Inspections	245	2,331	228	3,798
Compliance Case Reports Submitted	46	384	60	875
On-view Violation Case Reports	34	228	38	403
Law Enforcement Liaison	65	616	64	909

Underage Investigations Statistics:

	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Citations Issued to Underage	89	658	87	919
Total Underage Violations Cited	107	623	112	1,234
Total Achievements	1,055	--	1,021	--

Current Month	Younger than Age 15	-----Age-----					
		15	16	17	18	19	20
Age of minor cited	1	1	1	01	1	8	29

SUCCESS STATISTICS
Investigations (continued)

Underage Investigations Statistics (continued):

Statute/ Definition	# of Citations issued this month	Total FY 2010 YTD	1 Year Ago This Month	# of Citations issued in FY '09
A.R.S. § 4-241.A Failure to Check ID	6	88	29	77
A.R.S. § 4-241.L Sold to CUB	0	53	5	157
A.R.S. § 4-241.N .Use of false ID to enter premises	16	53	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	37	337	108	506
A.R.S. § 4-244.22 Consuming w/o permission of premises owner	0	14	0	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	67	0	202
A.R.S. § 4-244.41 Accept \$ to allow underage in bar	26	26	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	3	31	0	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-five (165) active series 11 licenses and three thousand one hundred and seventy-two (3,172) active series 12 licenses statewide. Compared to March 2009, Arizona realized an increase of one (1) hotel/motel with restaurant licenses and a decrease of thirty-six (36) 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 three hundred twenty-seven (3,337) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1: 1,668.

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits in progress	16	24
Audits closed	9	6
Audits initiated	10	7
Open cases w/projected ratio of >37%	12	10
Open cases w/projected ratio between 30 to 37%	4	12
Open cases w/projected ratio of < 30%	0	2
Locations granted 1 year to continue operation	0	1
Locations being monitored	84	26

In March 2010, nine (9) audits were closed and ten (10) audits were initiated (audit considered initiated after an appointment date is set to pick up accounting records). Of the nine (9) audits completed this month, five (5) cases, or fifty-six (56%) percent, revealed actionable violations. During the month of March 2010, audits were completed in Maricopa and Pima Counties and initiated in Pima and Pinal Counties.

	Current Month	This Month Last Year	Total YTD FY 2010	Total FY 2009	Total 2003 - Present
Audits completed	9	6	70	103	346
Audits passed	7	3	39	56	138
Audits failed	2	1	26	33	160
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:

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 YTD	70 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 March 2010 is seventeen thousand five hundred (\$17,500) dollars. Audit fines assessed during the month of March 2010 total thirteen thousand seven hundred fifty (\$13,750) dollars. Total fines collected in FY 2010 are sixty-one thousand eight hundred seventy-five (\$61,875) dollars.

Audit Revenue 2-year Comparison

	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Fines Collected	17,500	61,875	2,750	81,275
Fines Assessed	13,750	73,325	1,250	90,775
Continuation License (Grill Bill) Revenue	0	30,000	0	90,000
Pending Continuation Licenses (Grill Bill)	1	--	0	--

SUCCESS STATISTICS
Compliance

Achievements:	Current Month	Total YTD FY 2010	Total FY 2009	1 Year Ago This Month
Revocations	0	9	9	0
Suspensions	1	25	13	1
Surrenders	1	19	17	1
Divestitures	1	5	6	0
Administrative Complaints	1	62	66	5
Decisions & Orders	0	269	48	1

Economic Impact:

The department has collected fines which total fifty-two thousand five hundred seventy-five (\$52,575) dollars from thirty-eight (38) compliance actions processed and adjudicated between March 1 and March 31, 2010. This is an increase of nineteen (12%) percent from March 2009 collections and a ten (10%) percent increase 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.

	Current Month	1 Year Ago This Month	Total YTD FY 2010	Total FY 2009
Fines collected	\$52,575	\$46,250	\$505,300	\$886,440
Cases adjudicated	38	34	326	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
2009-2010YTD	326	\$505,300

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	3	26
A.R.S. § 4-241.L	Sold to CUB	0	0
A.R.S. § 4-244.1	Unlicensed Resale	5	0
A.R.S. § 4-244.9	Furnishing alcohol to an underage	3	28
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	10
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

Achievements: Compliance	Current Month	Total YTD FY 2010	Total FY 2009
Hearings Scheduled	3	96	174
Licenses Granted	2	34	63
Licenses Denied	1	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

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 March 2009, the number of new liquor license issued in Arizona has increased by fifteen (15.2%) percent, renewals have increased by nine (9.2%) percent, and the number of active licenses has decreased by less than one (.06%) percent.

In comparison to March 2009, lottery license revenues have fallen one hundred (100%) percent, monthly licensing revenues have increased by fourteen (14.4%) percent from \$873,278 in March 2009, and total YTD revenues have decreased thirty-three (33.3%) from \$7,892,866 at this time last year.

Achievements: Licensing	Current Month	1 Year Ago This Month	Total FY 2009	Total YTD FY 2010
New licenses issued	165	140	1,892	1,581
Renewed licenses	1,580	1,436	11,097	10,185
Lottery licenses issued	0	3	93	35
Collected Lottery Revenues:	0	\$ 169,232	\$ 6,954,292	\$ 562,824
Number of Active Liquor License:	11,195	11,201	n/a	n/a
Collected Licensing Revenues (including lottery revenues):	\$ 1,019,680	\$ 1,149,009	\$10,010,020	\$ 5,265,785

Collected Revenue By Fee Type in March 2010

Fair Market Value	0
Applications	17,525
License Fees	787,625
Out-of-State	-
Agent Change	4,900
Fines	53,775
Special Event	5,450
Club	2,150
Penalties	10,350
Copy Fees	280
Non-Use Surcharge	21,700
Audit Surcharge	37,950
Enforcement K Surcharge	47,670
Enforcement L Surcharge	30,300
Miscellaneous	5
TOTAL REVENUES COLLECTED	\$ 1,019,680
(fingerprints)	6,624
TOTAL REPORT	\$ 1,026,304

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 27, 2010 the FMV, lottery applications, and instructions will be made public. The deadline to submit an application is Monday, May 24, 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.

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. The Sunset Audit/Performance Review 6-month Follow-up, a report in which DLLC documents the steps taken to incorporate recommendations made from OAG findings, was submitted to OAG on March 23, 2010 by DLLC.

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 March 2009.