

GOVERNOR'S MONTHLY REPORT
MAY 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 May 2010, using one (1) CUB and one (1) officer, DLLC conducted investigations of six (6) liquor-licensed establishments. Three (3), or fifty (50%) percent, of these establishments sold alcohol to a (CUB) resulting in six (6) criminal and six (6) administrative violations. All six (6) locations were investigated in response to a complaint received by DLLC.

In May 2010, DLLC saw a decrease of nineteen (19%) percent in liquor sales to the CUB compared to the previous month, April 2010. This represents an increase of twenty-six (26%) percent in sales to the CUB compared to May 2009.

Since the inception of the program, two thousand six hundred twenty-six (2,626) establishments have been investigated and seven hundred seventy-six (776) or twenty-eight (28%) percent have been sold to CUB buyers resulting in one thousand eight hundred sixteen (1,816) administrative violations and one thousand six hundred fifty (1,650) 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	50	35	70%	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

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 MAY 2009:

Compliance Refresher Course – deputy dir. participated

Arizona Substance Abuse Partnership – comm. dir. participated

May 2010 Law Enforcement Special Detail:

Title 4 training, Prescott licensees – Investigator Miller facilitated

Memorial Day Detail – entire investigation division participated

Out-of-Phoenix Metro Area complaints - entire investigation division conducted

Gambling Case – Investigators Ribera and Chesley conducted

SUCCESS STATISTICS
Investigations

In May 2010, DLLC investigators completed one hundred forty-one (141) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in fifty (50) criminal citations and five (5) 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 1:1,125.

A decrease in total investigative achievements during April 2010 of thirty-six (35.6%) percent compared to April 2009 is the result of an investigative staff reduction. The state budget deficit and hiring freeze has resulted in a staff decrease of fifty (50%) percent; from eighteen (18) sworn officers to nine (9); in addition to mandated travel restrictions.

Achievements	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Hidden Ownerships Completed	0	16	4	49
Site Inspections Completed	43	589	63	959
Actioned (administrative) Complaints	14	120	18	256
Non-Actioned (criminal) Complaints	41	393	36	532
Administrative Counts Charged	67	1,541	208	2,643
Criminal Charges Issued	75	900	96	1,806
Routine Liquor Inspections	147	2,772	278	3,798
Compliance Case Reports Submitted	28	469	61	875
On-view Violation Case Reports	12	281	27	403
Law Enforcement Liaison	44	719	69	909

Underage Investigations Statistics:

	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Citations Issued to Underage	38	696	27	919
Total Underage Violations Cited	50	673	59	1,234
Total Achievements	599	--	929	--

Current Month	Younger than Age 15	-----Age-----					
Age of minor cited	0	15	16	17	18	19	20
	0	0	2	1	4	11	7

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	8	97	14	77
A.R.S. § 4-241.L Sold to CUB	0	53	0	157
A.R.S. § 4-241.N Use of false ID to enter premises	5	65	6	66
A.R.S. § 4-244.1 Unlicensed Resale	0	29	0	8
A.R.S. § 4-244.9 Furnishing alcohol to an underage	22	424	42	548
A.R.S. § 4-244.20 Consuming w/o permission of premises owner	0	14	3	149
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	0	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	1	33	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-three (163) active series 11 licenses and three thousand fifty-six (3,056) active series 12 licenses statewide. Compared to May 2009, Arizona realized an increase of four (4) hotel/motel with restaurant licenses and an increase of forty-three (43) restaurant licenses.

DLLC auditors were temporarily assigned to validate data for ELIS, the department's new eLicensing system in May 2010. In June, data validation will near completion and the focus will return to auditing. 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 nineteen (3,219) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1: 1,610.

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits in progress	11	22
Audits closed	3	10
Audits initiated	2	11
Open cases w/projected ratio of >37%	7	13
Open cases w/projected ratio between 30 to 37%	4	5
Open cases w/projected ratio of < 30%	0	4
Locations granted 1 year to continue operation	0	0
Locations being monitored	96	78

In May 2010, three (3) audits were closed and two (2) audits were initiated (audit considered initiated after an appointment date is set to pick up accounting records). Of the three (3) audits completed this month, two (2) cases, or thirty-three (33.3%) percent, revealed actionable violations. During the month of May 2010, audits were completed in Maricopa, Mohave and Pima Counties.

	Current Month	This Month Last Year	Total YTD FY 2010	Total FY 2009	Total 2003 - Present
Audits completed	3	10	80	103	356
Audits passed	3	8	46	56	145
Audits failed	0	2	29	33	163
Inconclusive	0	0	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	80 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 May 2010 is thirty-four thousand seven hundred fifty (\$34,750) dollars of which thirty thousand (\$30,000) was collected for an outstanding Restaurant Continuation License (AKA "Grill Bill"). Audit fines assessed during the month of May 2010 total are four thousand seven hundred fifty (\$4,750) dollars. Total fines collected in FY 2010 are seventy-five thousand two hundred fifty (\$75,250) dollars.

Audit Revenue 2-year Comparison

	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Fines Collected	4,750	75,250	11,500	81,275
Fines Assessed	4,750	81,700	11,750	90,775
Continuation License (Grill Bill) Revenue	30,000	60,000	0	90,000
Pending Continuation Licenses (Grill Bill)	0	--	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	2	28	13	1
Surrenders	3	23	17	0
Divestitures	0	5	6	0
Administrative Complaints	1	64	66	3
Decisions & Orders	0	27	48	3

Economic Impact:

The department has collected fines which total thirty-two thousand eight hundred (\$32,800) dollars from twenty-three (23) compliance actions processed and adjudicated between May 1 and May 31, 2010. This is a fifty-seven (56.5%) percent decrease from May 2009 collections and a sixty-two (62.3%) 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 YTD FY 2010	Total FY 2009
Fines collected	\$32,800	\$75,375	\$671,525	\$886,440
Cases adjudicated	23	61	385	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	385	\$671,525

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	0	31
A.R.S. § 4-241.L	Sold to CUB	0	0
A.R.S. § 4-244.1	Unlicensed Resale	0	12
A.R.S. § 4-244.9	Furnishing alcohol to an underage	0	44
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	1	3
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	15	117	159
Licenses Granted	9	49	58
Licenses Denied	2	21	22
Continuances Granted	3	27	48
License Withdrawn	1	16	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 May 2010, eighty-one (81.2%) percent of the license applications in protest were granted and eighteen (18.18%) were denied. 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

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

SUCCESS STATISTICS
Licensing

Compared to May 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 May 2009, lottery license revenues are equal, 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.

Achievements: Licensing	Current Month	1 Year Ago This Month	Total FY 2009	Total YTD FY 2010
New licenses issued	184	142	1,892	1,971
Renewed licenses	441	444	11,097	11,341
Lottery licenses issued	0	3	93	35
Collected Lottery Revenues:	0	0	\$ 6,954,292	\$ 562,824
Number of Active Liquor License:	11,252	11,130	n/a	n/a
Collected Licensing Revenues (including lottery revenues):	\$ 401,881	\$ 354,531	\$10,010,020	\$ 6,110,927

Collected Revenue By Fee Type in May 2010

Fair Market Value	0
Applications	10,600
License Fees	280,825
Out-of-State	-
Agent Change	4,400
Fines	32,800
Special Event	2,300
Club	2,850
Penalties	4,500
Copy Fees	51
Non-Use Surcharge	27,700
Audit Surcharge	7,350
Enforcement K Surcharge	15,085
Enforcement L Surcharge	13,420
Miscellaneous	-
TOTAL REVENUES COLLECTED	\$ 401,881
(fingerprints)	4,896
TOTAL REPORT	\$ 406,777

WHAT'S NEXT AT DLLC?

Upcoming Events/Milestones

2010 Liquor License Lottery

On Tuesday, April 20, 2010 the 2010 lottery opened. DLLC continued to accept applications through Monday, May 17, 2010. Eleven (11) disclosed and sixty-four (64) non-disclosed applications were received during the 27-day application period. DLLC received more applications than the newly available licenses in five counties, therefore a random selection drawing will be held on Monday, June 14, 2010 to determine which applications will win the available license and which applications will become alternates should winners choose to withdraw. The FY 2009 lottery, conducted in May 2009, 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 May 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

A bill was approved (HB 2143) authorizing DLLC to continue for five (5) years.

Legislation

During the 2010 second Legislative session, 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 May 2009.

END OF DLLC MAY 2010 REPORT TO THE GOVERNOR