

GOVERNOR'S MONTHLY REPORT
OCTOBER 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 October 2010, using five (5) CUBs and four (4) officers, DLLC conducted investigations of seventeen (17) liquor-licensed establishments. Nine (9), or fifty-two (52%) percent, of these establishments sold alcohol to a (CUB) resulting in twelve (12) criminal and eighteen (18) administrative violations. Establishments were located in Phoenix, Tempe, Scottsdale, Arizona City, Picacho, Maricopa, Gilbert and Apache Junction. All seventeen (17) locations were investigated in response to complaints received by DLLC.

In October 2010, DLLC saw an increase of thirty (30%) percent in liquor sales to the CUB compared to the previous month, September 2010. This represents an identical number of sales to the CUB as reported in October 2009.

Since the inception of the program, two thousand six hundred ninety-four (2,694) establishments have been investigated and eight hundred twenty-four (824) or thirty (30%) percent have been sold to CUB buyers resulting in one thousand nine hundred three (1,903) administrative violations and one thousand six hundred ninety-seven (1,697) 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	127	80	37%	169	110

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 a statewide operation 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	3	2	2

Investigator Palubeskie is currently working on one (1) 2009 TRACE case and two (2) 2010 TRACE cases. To complete these cases, DLLC requires additional information which will be provided by local law enforcement agencies. Three cases have been completed in calendar year 2010 resulting in two (2) administrative and two (2) criminal violations.

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 October 2010:

Arizona League of Cities and Towns Sampling Privilege Training – Asst. Dir of Lic. and Comm. Dir. facilitated

October 2010 Law Enforcement Special Detail:

Mesa PD Title 4 and Fake ID Training
Tucson Area Homecoming

Special Events

Media

Media Outlet

Mohave Valley Daily News

Tombstone Epitaph

Story Content

License # 06080017, Whispers, outcome of hearing, did they ask for another continuance?

of liquor licenses and total liquor sales in Tombstone

SUCCESS STATISTICS
Investigations

In October 2010, investigators completed two hundred (200) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in eighty-nine (89) criminal citations and fourteen (14) 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 1:1,268.

A decrease in total investigative achievements during October 2010 of nineteen (19%) percent compared to October 2009 is the result of the state budget deficit, no funding for overtime, and a hiring freeze which have, collectively, reduced the investigative staff by fifty-five (55%) percent since October 2007; from twenty (20) sworn officers to nine (9). In addition to staff reduction, investigators have found it necessary to restrict travel expenses. In October 2009, DLLC employed ten (10) fulltime investigators.

Achievements	Current Month	Total FY 2011	1 Year Ago This Month	Total FY 2010
Hidden Ownerships Completed	1	4	18	17
Site Inspections Completed	71	326	79	653
Actioned (administrative) Complaints	8	32	14	128
Non-Actioned (criminal) Complaints	48	159	32	408
Administrative Counts Charged	153	504	305	1,615
Criminal Charges Issued	99	317	109	969
Routine Liquor Inspections	200	804	233	2,954
Compliance Case Reports Submitted	51	170	56	469
On-view Violation Case Reports	40	119	38	312
Law Enforcement Liaison	51	199	84	764

Underage Investigations Statistics:

	Current Month	Total FY 2011 YTD	1 Year Ago This Month	Total FY 2010
Citations Issued to Underage	23	159	70	736
Total Underage Violations Cited	89	225	94	721

Total Achievements 834 -- 1,034 --

Current Month	Younger than Age 15	-----Age-----					
		15	16	17	18	19	20
Age of minor cited	0	2	2	1	14	15	4

SUCCESS STATISTICS
Investigations (continued)

Underage Investigations Statistics (continued):

Statute/ Definition	# of Citations issued this month	Total FY 2011 YTD	1 Year Ago This Month	# of Citations issued in FY '10
A.R.S. § 4-241.A Failure to Check ID	14	28	9	99
A.R.S. § 4-241.L Sold to CUB	8	29	4	54
A.R.S. § 4-241.N Use of false ID to enter premises	0	7	9	65
A.R.S. § 4-244.1 Unlicensed Resale	0	4	0	29
A.R.S. § 4-244.9 Furnishing alcohol to an underage	32	132	34	467
A.R.S. § 4-244.22 Consuming w/o permission of premises owner	1	11	0	15
A.R.S. § 4-244.33 Underage DUI	0	0	0	0
A.R.S. § 4-244.40 Alcohol in system of underage	0	0	5	73
A.R.S. § 4-244.41 Accept \$ to allow underage in bar	0	0	n/a	57
A.R.S. § 13-2907.01 Providing false information to state	0	0	0	0
A.R.S. § 13-3478 Unlawful use of a license	0	0	0	0
A.R.S. § 28-3478.1 Unlawful use of driver's license	2	19	0	1
A.R.S. § 28-3478.3 Using another person's driver's license	1	3	5	35

SUCCESS STATISTICS
Liquor License Audits

To regulate licensed liquor establishments holding a series 11 (hotel/motel with restaurant) or series 12 (restaurant) liquor licenses, DLLC conducts audits to determine the required 40:60 food-to-liquor sales ratio is being maintained.

Currently there are one hundred sixty-two (162) active series 11 licenses and three thousand one hundred eighteen (3,118) active series 12 licenses statewide. Compared to October 2009, the number of hotel/motel with restaurant licenses has been reduced by three (3) license and the number of restaurant licenses has increased by fifty-one (51) licenses.

DLLC employs two (2) fulltime auditors. Prior to August 2009, DLLC employed three (3) fulltime auditors. With a total of three thousand two hundred eighty (3,280) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,640.

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits in progress	16	16
Audits closed	3	6
Audits initiated	3	5
Open cases w/projected ratio of >37%	5	8
Open cases w/projected ratio between 30 to 37%	7	3
Open cases w/projected ratio of < 30%	4	4
Locations granted 1 year to continue operation	0	0
Locations being monitored	77	83

In October 2010, three (3) 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 three (3) audits completed this month, none revealed actionable violations. During the month of October 2010, all audits were completed were establishments located in Maricopa County.

	Current Month	Total YTD FY 2011	This Month Last Year	Total FY 2010	Total 2003 - Present
Audits completed	3	22	6	87	385
Audits passed	3	10	4	51	150
Audits failed	0	12	1	30	164
Inconclusive	0	0	1	6	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
FY 2011 YTD	22 audits

In 2006, A.R.S. §4-213.C introduced the "continuation license" (commonly referred to as the "Grill Bill") into state liquor law. The continuation license, at a cost of \$30,000, allows restaurants that have not met the required 40:60 food-to-liquor sales ratio during the last 12-month period the option of continuing to operate with a food-to-liquor sales ratio below restaurant requirements. Since the 2006 introduction, fees collected from the issuance of eight (8) continuation licenses total two hundred forty thousand (\$240,000) dollars. In October 2010, an additional ninety thousand (90,000) dollars was collected from the issuance of three (3) continuation licenses. Applications for two (2) continuation licenses are in pending status at this time. Upon issuance, revenue collected from pending continuation licenses would total \$60,000 in issuance fees.

Revenue collected by the department for audit-related violation fines during the month of October 2010 is fifteen hundred (\$1,500) dollars. Audit fines assessed during the month of October 2010 total are three thousand seven hundred fifty (\$3,750) dollars. Total fines collected to-date in FY 2011 total thirty-three thousand one hundred seventy-five (\$33,175) dollars.

Audit Revenue 2-year Comparison

	Current Month	Total FY 2011 YTD	1 Year Ago This Month	Total FY 2010
Fines Collected	1,500	33,175	3,875	81,750
Fines Assessed	3,750	35,175	375	88,200
Continuation License (Grill Bill) Revenue	0	90,000	0	0
Pending Continuation Licenses (Grill Bill)	2	--	0	--

SUCCESS STATISTICS
Compliance

Achievements:	Current Month	Total YTD FY 2011	1 Year Ago This Month	Total FY 2010
Revocations	1	5	1	10
Suspensions	0	4	0	31
Surrenders	3	8	2	26
Divestitures	0	2	0	6
Administrative Complaints	0	5	7	67
Decisions & Orders	0	8	3	27

Newly Tracked Achievements:	Current Month	Total YTD FY 2011
Cases Received	44	184
Cases Completed	30	129
Cases in Progress	14	55
Warning Letter Issued	2	25
Cases Sent to OAH	0	1

Economic Impact:

The department has collected fines which total thirty-nine thousand and twenty five (\$39,025) dollars from thirty (30) compliance actions processed and adjudicated between October 1 and October 31, 2010. This is a thirty-one (31.5%) percent decrease from October 2009 collections and a fourteen (14%) percent decrease in the number of compliance actions processed.

A penalty fine payment plan, introduced in 2009, 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 compliance process. Although the payment plan will reduce DLLC's collection of fine revenues in the short term, the long term outcome is intended keep establishments in business by easing the financial burden of fines during the current economic decline.

	Current Month	Total YTD FY 2011	1 Year Ago This Month	Total FY 2010
Fines collected	\$39,025	\$241,075	\$51,325	\$705,725
Cases adjudicated	30	136	35	415

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
2010-2011 YTD	136	\$241,075

SUCCESS STATISTICS
Compliance (continued)

Adjudicated Underage Violations		Adjudicated	1 Year Ago	FY2010
Statute	Definition	This month	This Month	YTD
A.R.S. § 4-241.A	Failure to Check ID	5	7	28
A.R.S. § 4-241.L	Sold to CUB	0	0	0
A.R.S. § 4-244.1	Unlicensed Resale	1	0	3
A.R.S. § 4-244.9	Furnish alcohol to an underage	5	7	29
A.R.S. § 4-244.16	knowingly allow furnishing liquor to underage	0	5	0
A.R.S. § 4-244.22	Consume w/o permission of premises owner	0	0	2
A.R.S. § 4-244.33	Underage DUI	0	0	0
A.R.S. § 4-244.40	Alcohol in system of underage	0	0	0
A.R.S. § 13-2907.01	Provide false information to state	0	0	0
A.R.S. § 28-3478.1	Unlawful use of driver's license	0	0	0
A.R.S. § 28-3478.3	Use another person's driver's license	0	0	0

SUCCESS STATISTICS
Arizona Liquor Board

Achievements:	Current Month	Total YTD FY 2011	1 Year Ago This Month	Total FY 2010
Hearings Scheduled	10	29	12	107
Licenses Granted	2	6	3	40
Licenses Denied	1	2	3	19
Continuances Granted	4	15	3	29
License Withdrawn	2	5	2	15
Hearing Vacated, No Action Required	0	0	0	0
Hearing Removed From Agenda	0	0	0	0
Rehearing Requested	0	0	0	2
Exemption Received	0	0	0	0
Appeals Heard	1	1	1	2

During the month of October 2010, sixty-six (66.67%) percent of the license application in protest were granted and thirty-three (33.33%) percent of protested applications were denied. For the fiscal year 2011, the Board has granted fifty-seven (57%) percent of the licenses protested and denied forty-two (42%) percent.

The newly appointed Board Member, Michael Farley, was present for the October 7th hearings.

ARIZONA LIQUOR BOARD MEMBERS AND TERMS

Charles Huellmantel (D)	Arizona Liquor Board Chair Maricopa County No Financial Interest	Term Expires January 17, 2011
J.D. Ghelfi, Member (R)	Arizona Liquor Board Vice Chair Maricopa County No Financial Interest	Term Expires January 16, 2012
Bill DuPont (D)	Arizona Liquor Board Member Pima County Neighborhood	Term Expires January 18, 2010
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
Michael Farley (R)	Arizona Liquor Board Member Pima County Business Consultant	Term Expires January 21, 2013

SUCCESS STATISTICS
Licensing

Compared to October 2009, the number of new liquor license issued in Arizona has decreased by almost eleven (10.8%) percent, renewals have increased by more than eighteen (18.7%) percent, and the number of active licenses has increased by two (2.1%) percent.

In comparison to October 2009, monthly and FY licensing revenues (which include lottery collections) have decreased by almost eleven (10.9%) percent from \$550,294 at this time last year to \$489,999 during the current month.

Achievements: Licensing	Current Month	Total YTD FY 2011	1 Year Ago This Month	Total FY 2010
New licenses issued	140	598	157	2,114
Renewed licenses	812	3,556	684	11,162
Lottery licenses issued	0	0	7	35
Collected Lottery Revenues:	\$ 40,867	\$1,376,472	\$ 58,983	\$ 562,824
Number of Active Liquor License:	11,414	n/a	11,172	n/a
Collected Licensing Revenues (including lottery revenues):	\$489,888	\$3,382,143	\$ 550,294	\$6,503,816

Collected Revenue By Fee Type in October 2010

Fair Market Value	40,867
Applications	12,525
License Fees	288,650
Out-of-State	-
Agent Change	2,650
Fines	32,125
Special Event	5,700
Club	3,450
Penalties	18,150
Copy Fees	254
Non-Use Surcharge	11,400
Audit Surcharge	11,010
Enforcement K Surcharge	30,065
Enforcement L Surcharge	26,840
Miscellaneous	10
TOTAL REVENUES COLLECTED	\$ 483,696
(fingerprints)	6,192
TOTAL REPORT	\$ 489,888

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Liquor Store Sampling Privilege Issuance

In June 2010, legislation was passed that introduced sampling privileges to active and issued liquor store licensees. Prior to this legislation, the liquor store licensee could request a maximum of ten (10) sampling events per year. No fee was charged by DLLC. In addition, prior to the new legislation, the law required a wholesaler to supply and serve the liquor sampled at the event. The new legislation allows the liquor store to supply and serve liquor a permanent sampling area on the premises. DLLC was not given the authority to charge a fee for the sampling privilege, however local government charge up to \$2,100 to process the paperwork that adds the sampling privilege to the license. To date, 86 sampling privileges have been issued to active liquor store licenses.

New Liquor Board Member

Michael Farley, the most recently appointed Arizona Liquor Board member, attended his first Liquor Board hearing on Thursday, October 7th, 2010. Mr. Farley is a business consultant from Pima County. Members of the Arizona State Liquor Board are appointed by the Governor and confirmed by the Arizona State Senate. Seven Board Members are appointed for three-year terms. Mr. Farley's term will expire in January 2013. Mr. Farley's appointment filled the only vacancy on the Board, completing the seven (7) member Board.

FY 2010 Liquor License Lottery

Based on lottery applications received and accepted, 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. To date, one million three hundred seventy-six thousand four hundred seventy-two (\$1,376,472) dollars in FY 2010 lottery revenue have been collected. The remaining balance is due by February 25, 2011. 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.

Additional Grants & Funding

The deputy director met with the director of the Governor's Office of Highway Safety in October 2010 to explore additional grant funding for overtime incurred by DLLC investigators. Overtime funding became critical when the state budget deficit and hiring freeze reduced the investigative staff by fifty-five (55%) percent compared to October 2007; from twenty (20) sworn officers to nine (9). In addition to staff reduction, investigators have found it necessary to restrict travel expenses. The meeting concluded with GHOS awarding DLLC with additional grant monies of thirty thousand (\$30,000) dollars. This brings the total GOHS Underage Drinking Enforcement grants awarded to DLLC to eighty thousand (\$80,000) dollars.

eLicensing

DLLC's eLicensing Information System (ELIS) is being developed in collaboration with GITA and NIC/CAVU. As a result of budget cuts experienced by all agencies involved in this project, staff and funds reductions have forced the "go live" date to be postponed and no new date has been determined. Since hiring a new IT Specialist and gaining expert advice from GITA and the Registrar of Contractors (ROC), an agency that recently implemented the same eLicensing system, the project has made significant progress in moving toward an implementation date during this calendar year. 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.

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones (continued)

Legislation

The proposed legislation and technical corrections that were introduced by liquor industry leaders during meeting hosted by DLLC are underway. Frequent updates are shared between the industry and DLLC on these issues.

Resume Newly Proposed Rulemaking

In August 2010, DLLC requested from the Governor's Office an exception to the rulemaking moratorium. Once the rulemaking moratorium is lifted or an exception granted, DLLC will review the Rules rewrite completed in late 2008 to include relevant updates which have occurred since the moratorium was announced in October 2009.

Staffing

DLLC has approval to hire a special investigator which will elevate the number of sworn officers on the investigation division staff to ten (10). The new hire is expected to be complete in November 2010.

END OF DLLC OCTOBER 2010 REPORT TO THE GOVERNOR