

GOVERNOR'S MONTHLY REPORT
JULY 2011



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 June 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 July 2011, using four (4) CUBs DLLC conducted investigations of fifty-six (56) liquor-licensed establishments. Ten (10), or eighteen (17.9%) percent, of these establishments sold alcohol to a (CUB) resulting in six (6) criminal and twenty-three (23) administrative violations. All fifty-six (56) locations were investigated in response to complaints received by DLLC.

In July 2011, DLLC saw a decrease of sixty (60%) percent in liquor sales to the CUB compared to the previous month, June 2011. This represents an eighty-two (82%) percent decrease in sales to the CUB compared to July 2010.

Since the inception of the program, two thousand eight hundred ninety-seven (2,897) establishments have been investigated and eight hundred eighty (880) or thirty (30.4%) percent have sold to CUB buyers resulting in two thousand one hundred seven (2,107) administrative violations and one thousand seven hundred fifty-eight (1,758) 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	169	96	57	207	129
2011	163	45	28	107	43

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 June 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	5	13	4
2011	3	0	0

Investigator Palubeskie is currently working on three (3) 2011 TRACE cases. To complete these cases, DLLC requires additional information which will be provided by local law enforcement agencies. Five (5) cases were completed in calendar year 2010 resulting in thirteen (13) administrative and four (4) criminal violations. Three (3) new TRACE cases have been opened to-date in calendar year 2011.

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 July 2011:

Northwest Alcohol Conference-DLLC Leadership and Investigations Division hosted
Arizona Substance Abuse Prevention (ASAP) meeting- Director attended
Alcohol Industry Legislative meeting- DLLC Leadership and Industry Leadership
Yavapai County Sheriff meeting- Director attended
Arizona Information Officers Association meeting-Communications Director attended
31st Annual Law Enforcement Pow Wow- Deputy Director attended

July 2011 Law Enforcement Special Detail:

Tohono O'odum PD, Title 4 and Fake ID Training
GOHS Title 4 and Fake ID Training Northern Arizona
Tucson PD Fake ID Class
Tucson area licensed establishment Fake ID Training
Phoenix PD Drug/Hidden Ownership - Ribera
Alcohol Conference New Trends in Alcohol and Fake ID- all officers
Out of Phoenix Metro Area complaints – all officers

SUCCESS STATISTICS INVESTIGATIONS

In July 2011, investigators completed two hundred thirty (230) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in seventy-three (73) criminal citations and one hundred three (103) administrative violations. The following success statistics were completed by a staff of twelve (12) fulltime, sworn officers who uphold a statewide officer-to-liquor license ratio of 1:956.

DLLC realized an increase in total investigative achievements during July 2011 of forty-six (45.5%) percent compared to July 2010.

Achievements:	Current Month	Total FY 2012	1 Year Ago This Month	Total FY 2011
Hidden Ownerships Completed	1	1	1	18
Site Inspections Completed	69	69	73	698
Actioned (administrative) Complaints	4	4	9	102
Non-Actioned (criminal) Complaints	29	29	23	459
Administrative Counts Charged	103	103	99	1,425
Criminal Citations Issued	73	73	52	1,602
Routine Liquor Inspections Completed	230	230	212	2,459
Compliance Case Reports Submitted	41	41	28	686
On-view Violation Case Reports	34	34	15	528
Law Enforcement Liaison Completed	77	77	48	632
Underage Investigations Statistics:				
Citations Issued to Underage	14	14	28	580
Total Underage Violations	51	51	38	914
Total Achievements:	911	911	626	10,103

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	0	0	0	0	0

**At the time this report was completed, "age of minor cited" statistics were not yet available **

SUCCESS STATISTICS

Investigations (continued)

The number of citations DLLC investigators issued to underage persons decreased by fifty (50%) percent and total number of underage violations written by DLLC investigators increased by thirty four (34.2%) percent compared to July 2010. This is due to DLLC focus on preventing the sale of alcohol to underage rather than the elimination of underage drinking.

Statute/ Definition	# of Citations Issued This Month	# of Citations Issued in FY 2012 YTD	1 Year Ago This Month	# of Citations Issued in FY 2011
A.R.S. § 4-241.A Failure to Check ID	0	0	2	113
A.R.S. § 4-241.L Sold to CUB	4	4	2	114
A.R.S. § 4-241.N Use of false ID to enter premises	0	0	0	7
A.R.S. § 4-244.1 Unlicensed Resale	0	0	0	4
A.R.S. § 4-244.9 Furnishing alcohol to an underage	12	12	34	599
A.R.S. § 4-244.22 Consuming w/o permission of premises owner	4	4	6	27
A.R.S. § 4-244.34 Underage DUI	0	0	0	0
A.R.S. § 4-244.40 Alcohol in system of underage	0	0	0	0
A.R.S. § 4-244.41 Accept \$ to allow underage in bar	0	0	0	0
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	1	1	1	47
A.R.S. § 28-3478.3 Using another person's driver's license	1	1	1	14

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 (160) active series 11 licenses and three thousand one hundred seventy-two (3,172) active series 12 licenses statewide. Compared to July 2010, the number of hotel/motel with restaurant licenses has decreased by two (2) licenses or one (1.2%) percent and the number of restaurant licenses has increased by seventy-five (75) or two (2.4%) percent.

Today DLLC employs two (2) fulltime auditors. With a total of three thousand three hundred thirty-two (3,332) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,666.

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits in progress	13	16
Audits closed	8	5
Audits initiated	6	5
Open cases w/projected ratio of >37%	10	6
Open cases w/projected ratio between 30 to 37%	3	10
Open cases w/projected ratio of < 30%	0	0
Locations granted 1 year to continue operation	0	1
Locations being monitored	97	76

In July 2011, eight (8) audits were closed and six (6) audits were initiated (audit considered initiated after an appointment date is set to pick up accounting records). Of the eight (8) audits completed this month, all eight (8) revealed actionable violations. During the month of July 2011, audits were completed in Maricopa and Pinal Counties.

Audit Action	Current Month	Total YTD FY 2012	This Month Last Year	Total FY 2011	Total 2003 To Present
Audits completed	8	8	5	82	453
Audits passed	4	4	1	38	192
Audits failed	3	3	4	40	207
Inconclusive	1	1	0	3	48
Other charges only	0	0	0	1	6

SUCCESS STATISTICS
Liquor License Audits (continued)

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

Year	Audits Completed	Revenues Collected	Average Fine per Audit (does not include continuation license fees)
1/1 - 6/30/03	6 audits	--	--
FY 2004	23 audits	--	--
FY 2005	24 audits	--	--
FY 2006	32 audits	--	--
FY 2007	27 audits	\$13,000	\$481
FY 2008	61 audits	\$36,500	\$598
FY 2009	103 audits	\$81,275	\$789
FY 2010	87 audits	\$81,750	\$940
FY 2011	82 audits	\$84,400	\$1,029
FY 2012 YTD	8 audits	\$3,375	\$422

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 ten (10) continuation licenses total three hundred thousand (\$300,000) dollars. During FY 2012, no revenue has been collected from the issuance of continuation licenses. There are no continuation license applications in pending status at this time.

Revenue collected by the department for audit-related violation fines during the month of July 2011 is three thousand three hundred seventy-five (\$3,375) dollars. Audit fines assessed during the month of July 2011 total four thousand three hundred seventy-five (\$4,375) dollars. Total fines collected to-date in FY 2012 total three thousand three hundred seventy-five (\$3,375) dollars.

Audit Revenue 2-year Comparison

Audit Action	Current Month	Total FY 2012 YTD	1 Year Ago This Month	Total FY 2011
Fines Collected	\$3,375	\$3,375	\$6,500	\$84,400
Fines Assessed	\$4,375	\$4,375	\$6,500	\$99,900
Continuation License (Grill Bill) Revenue	\$0	\$0	\$0	\$180,000
Pending Continuation Licenses (Grill Bill)	0	0	4	--

**SUCCESS STATISTICS
COMPLIANCE**

Achievements	Current Month	Total YTD FY 2012	1 Year Ago This Month	Total FY 2011
Revocations	0	0	1	2
Suspensions	0	0	2	7
Surrenders	0	0	0	13
Divestitures	0	0	0	4
Administrative Complaints	0	0	1	9
Decisions & Orders	0	0	0	8

Newly Tracked Achievements	Current Month	Total YTD FY 2012	1 Year Ago This Month	Total FY 2011
Cases Received	44	44	n/a	752
Cases Completed	11	11	n/a	280
Cases in Progress	33	33	n/a	478
Warning Letter Issued	0	0	n/a	45
Cases Sent to OAH	5	5	n/a	6

Economic Impact:

Fines collected by the Compliance Unit between July 1 and July 31, 2011 total twenty-one thousand six hundred twenty-five (\$21,625) dollars from twenty-nine (29) adjudicated compliance actions. Compared to last month, June 2011, this is a forty-four (44.4%) percent decrease in collected revenues and a thirty-three (32.6%) percent decrease in the number of compliance actions processed. Compared to July 2010, this is a fifty-one (51.4%) percent decrease in collected revenues and a twenty-six (25.6%) percent decrease in the number of compliance actions processed.

A penalty fine payment plan 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 may reduce DLLC's monthly collection of fine revenues in the short term, the long term outcome is intended to keep establishments in business by easing the financial burden of fines during the current economic decline.

Action	Current Month	Total YTD FY 2012	1 Year Ago This Month	Total FY 2011
Fines collected	\$21,625	\$21,625	\$44,525	\$598,509
Cases adjudicated	29	29	39	425

SUCCESS STATISTICS
Compliance (continued)

Fiscal Year	Compliance Actions	Revenues Collected	Average Fine Per Action
2002-2003	414	\$445,725	\$1,077
2003-2004	388	\$518,800	\$1,337
2004-2005	431	\$557,725	\$1,294
2005-2006	500	\$689,475	\$1,379
2006-2007	429	\$627,975	\$1,464
2007-2008	334	\$582,350	\$1,744
2008-2009	584	\$886,440	\$1,518
2009-2010	415	\$705,725	\$1,701
2010-2011	425	\$598,509	\$1,408
2011-2012 YTD	29	\$21,625	\$746

Adjudicated Underage Violations

Statute	Definition	Adjudicated This Month	FY 2012 YTD	1 Year Ago This Month	TOTAL FY 2011
A.R.S. § 4-241.A	Failure to Check ID	4	4	4	44
A.R.S. § 4-241.L	Sold to CUB	0	0	0	0
A.R.S. § 4-244.1	Unlicensed Resale	0	0	0	10
A.R.S. § 4-244.9	Furnish alcohol to an underage	5	5	5	49
A.R.S. § 4-244.16	Knowingly allow furnishing liquor to underage	0	0	0	0
A.R.S. § 4-244.22	Consume w/o permission of premises owner	0	0	0	3
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	0	0
A.R.S. § 13-2907.01	Provide false information to state	0	0	0	0
A.R.S. § 28-3478.1	Unlawful use of driver's license	0	0	0	0
A.R.S. § 28-3478.3	Use another person's driver's license	0	0	0	0

In FY 2011, fines from adjudicated underage violations total two hundred fourteen thousand five hundred (\$214,500) dollars. Of the seven (7) licenses suspended and the two (2) revoked in FY 2011, two (2) suspensions and no (0) revocations resulted from underage violations.

In FY 2012, fines from adjudicated underage violations total seven thousand five hundred (\$7,500) dollars. To date in FY 2012, no licenses have been suspended or revoked.

Compliance Statistics Resulting From Underage Violations

Fiscal Year	Fines Collected	Licenses Suspended	Licenses Revoked
2010	\$365,875	4	1
2011	\$214,500	2	0
2012 YTD	\$7,500	0	0

**SUCCESS STATISTICS
STATE LIQUOR BOARD**

Achievements:	Current Month	Total YTD FY 2012	1 Year Ago This Month	Total FY 2011
Hearings Scheduled	3	3	8	89
Applications Protested	2	2	n/a	n/a
Licenses Granted	1	1	1	23
Licenses Denied	0	0	0	13
Continuances Granted	2	2	6	33
Licenses Withdrawn	0	0	1	16
Appeals Heard	0	0	0	3
Rehearings Requested	0	0	0	1
Hearings Cancelled by Director	0	0	n/a	n/a

In July 2011, there were three applications scheduled for hearing before the State Liquor Board. Two of the applications received protest. Of the three applications heard, one was granted and two were continued. To date in FY 2012, the State Liquor Board has granted thirty-three (33.3%) percent and denied zero (0%) percent of the licenses heard.

ARIZONA LIQUOR BOARD MEMBERS AND TERMS

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	Term Expires January, 21, 2013
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 20, 2014
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
Vikki Scarafiotti (D)	Arizona Liquor Board Member Maricopa County No Financial Interest	Term Expires January 20, 2014

SUCCESS STATISTICS LICENSING

Compared to July 2010, the number of new liquor license issued in Arizona has increased by fifteen (15.1%) percent, renewals have increased by seven (6.7%) percent, and the number of active licenses has increased by one (1.3%) percent.

In comparison to July 2010, monthly licensing revenues (which include lottery collections) have decreased by seventy three (72.7%) percent from one million four hundred seventy four thousand two hundred ninety eight (\$1,474,298) dollars at this time last year to four hundred two thousand five hundred seventy three (\$402,573) dollars during the current month. The decrease is attributed to there being no liquor license lottery held in FY 2011.

There were 8 exempt locations issued in the month of July and there are currently 65 total active exempt locations in Arizona. An exempt location is an establishment that meets the criterion in A.R.S. §4-244.05 and A.A.C. R19-1-315, has made application for the exemption, has been inspected by a DLLC investigator, and issued a 1-year exemption which allows patrons to bring and consume beer and wine on the premises.

Licensing	Current Month	Total YTD FY 2012	1 Year Ago This Month	Total FY 2011
New licenses issued	137	137	119	1,798
Renewed licenses	850	850	797	11,483
Lottery licenses issued	0	0	0	25
Collected Lottery Revenues:	\$0	\$0	\$1,032,504	\$2,422,579
Number of Active Liquor License:	11,468	11,468	11,320	n/a
Exempt Locations Issued	8	8	n/a	n/a
Number of Exempt Locations	65	65	n/a	63
Collected Licensing Revenues (including lottery revenues):	\$402,573	\$402,573	\$1,474,298	\$8,401,843

Collected Revenue By Fee Type in July 2011

Fair Market Value	0
Applications	13,400
License Fees	257,913
Out-of-State	0
Agent Change	2,650
Fines	21,625
Special Event	2,375
Club	6,000
Penalties	6,300
Copy Fees	104
Non-Use Surcharge	19,800
Audit Surcharge	11,670
Enforcement K Surcharge	28,630
Enforcement L Surcharge	25,885
Miscellaneous	5

TOTAL REVENUES COLLECTED	\$ 396,357
(fingerprints)	6,216
TOTAL REPORT	\$ 402,573

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

eLicensing

DLLC's eLicensing Information System (ELIS) is being developed in collaboration with GITA and NIC/CAVU. As a result of staff and funding reductions experienced by all agencies involved in the project, in addition to incomplete business process functionality of the system, the "go live" date has been postponed. Since hiring a new IT Specialist, contracting a project consultant, and receiving expert advice from GITA and the Registrar of Contractors (ROC), an agency that recently implemented the same eLicensing system, the project is progressing toward implementation in Fall 2011. 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.

Legislation

In anticipation of the January 2012 legislative session DLLC met with industry leaders in July to identify items for introduction. The industry agreed to draft proposed legislation. A follow up review date has not been established.

Resume Newly Proposed Rulemaking

Immediately prior to the January 2008 Regulatory Review Plan Moratorium, DLLC submitted a complete rules rewrite to the Governor's Regulatory Review Counsel. In August 2010, DLLC requested an exemption to the moratorium. In response to that request, the Governor's Office required evidence of industry collaboration and support, and DLLC's agreement that any rules proposed would not impose additional or undue burdens on businesses. DLLC's request remains in pending status at this time. DLLC has scheduled a rules review with industry leaders for August 2011 in order to respond to any industry concerns before resubmitting an exemption to the moratorium.

Agency Staffing Improvements

The Investigation Division is currently recruiting two sworn officers. Once hired, this would bring the number of investigators to a total of fourteen (14).

END OF DLLC JULY 2011 REPORT TO THE GOVERNOR