

GOVERNOR'S MONTHLY REPORT  
DECEMBER 2009



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 nineteen (19) years of age or younger 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 December 2009, using four (4) CUBs and three (3) officers, DLLC conducted investigations of ten (10) liquor-licensed establishments. Six (6), or sixty (60%) percent, of these establishments sold alcohol to a (CUB) resulting in twelve (12) criminal and twelve (12) administrative violations. All ten (10) of the locations were investigated in response to a complaint received by DLLC.

In December 2009, DLLC saw an increase of ten (10%) percent in alcohol sales to the CUB compared to November 2009. This represents an increase of twenty-two (22%) percent in sales to the CUB compared to December 2008.

Since the inception of the program, two thousand five hundred seventy-six (2,576) establishments have been investigated and seven hundred forty-two (742) or twenty-eight (28%) percent have been sold to CUB buyers resulting in one thousand seven hundred fifty-seven (1,757) administrative violations and one thousand five hundred eighty-seven (1,587) criminal citations.

**CUB Program Statistics**

<b>Calendar Year</b>	<b>Locations Investigated</b>	<b># Sold to CUB</b>	<b>% of Locations that Sold to CUB</b>	<b>Administrative Violations</b>	<b>Criminal Violations</b>
<b>2003</b>	122	33	29%	70	71
<b>2004</b>	217	55	25%	122	136
<b>2005</b>	337	108	32%	342	283
<b>2006</b>	475	148	31%	409	317
<b>2007</b>	450	108	24%	200	201
<b>2008</b>	572	172	30%	416	349
<b>2009</b>	392	115	29%	234	229

The statistics above reflect totals of ten (10) new CUB complaints and ten (10) locations investigated during December 2009. Using seventy-six (76) CUBs, a total of three hundred ninety-two (392) locations were investigated in calendar year 2009. Of the locations investigated, one hundred fifteen (115), or twenty-nine (29) percent, sold to the CUB resulting in two hundred thirty-four (234) administrative violations and two hundred twenty-nine (229) criminal citations.

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 that involve those who are underage.

**TRACE Program Statistics**

<b>Calendar Year</b>	<b>Total # of Cases</b>	<b>Administrative Violations</b>	<b>Criminal Violations</b>
<b>2005</b>	11	5	3
<b>2006</b>	11	24	12
<b>2007</b>	4	9	6
<b>2008</b>	6	6	3
<b>2009</b>	9	19	4

Investigator Palubeskie is currently working on one (1) 2009 TRACE case. Further action on this case is pending information which will be provided to DLLC by local law enforcement agencies. The one (1) TRACE case concluded in December 2009 resulted in two (2) criminal citations issued and four (4) administrative violations alleged against the licensed establishment. Three TRACE cases were in response to an underage person's liquor-related death.

## 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 December 2009:**

DUI Task Force Press Conference – director and deputy director participated

Meet with Dept. of Gaming – deputy director participated

Valley Leadership - director participated

West Valley Underage Drinking Coalition - communication director participated

Meet with Avondale PD – director and deputy director participated

#### **December 2009 Law Enforcement Special Detail:**

McFadden's Fake ID Class (industry) – Investigators Palubskie Instructed

Southwest Behavioral Health Title 4 Class – Investigators Jaramillo Instructed

Yuma PD, "Gittem" and DPS Title 4 – Investigator Eaton Instructed

Developmental Disability Continuing Education – Investigators Ribera, Miller, Hall, Chesley, Jaramillo and Eaton attended

Univ. of Phoenix Youth Alcohol Enforcement (Cardinal Games) – entire investigations division participated

New Year's Eve Local Events - entire investigations division participated

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**SPECIAL EVENTS**  
**Media**

<b>Media Outlet</b>	<b>Content of Story</b>
Arizona Daily Star	Liquor license #06100106 in Tucson
Phoenix Magazine	Interesting liquor stats for the "best bars" publication in March 2010
Arizona Daily Star	Walgreen's multiple liquor license applications and their deadlines
New Times	Liquor License #6070636
KNXV TV 15 ABC	# of Scottsdale, Tempe and Phoenix locations inspected for contaminated liquor bottles and the results of those inspections
KTVK TV 3	How many restaurants in Arizona allow guns
Arizona Daily Star	Audits, RLs and law enforcement liaison statutes and procedures

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**SUCCESS STATISTICS**  
**Investigations**

In December 2009, DLLC investigators completed one hundred ninety-two (192) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in forty-one (41) criminal citations and eighty-two (82) administrative violations. The following success statistics were completed by a staff of ten (10) fulltime investigators who uphold a statewide investigator-to-liquor license ratio of 1:1106.

A decrease in total investigative achievements during December 2009 of forty-two (42%) percent compared to December 2008 is attributed to investigative staff reduction of fifty-three (53) percent in addition to travel restrictions. Both circumstances reflect the impact of recent sweeps and budget cuts.

<b>Achievements</b>	<b>Current Month</b>	<b>Total FY 2010 YTD</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2009</b>
Hidden Ownerships Completed	1	15	0	49
Site Inspections Completed	56	376	115	959
Actioned (administrative) Complaints	10	67	22	256
Non-Actioned (criminal) Complaints	24	204	53	532
Administrative Counts Charged	82	809	188	2,643
Criminal Charges Issued	41	506	200	1,806
Routine Liquor Inspections	192	1,329	327	3,798
Compliance Case Reports Submitted	31	231	74	875
On-view Violation Case Reports	22	147	71	403
Law Enforcement Liaison	67	426	81	909

**Underage Investigations Statistics:**

	<b>Current Month</b>	<b>Total FY 2010 YTD</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2009</b>
Citations Issued to Underage	17	440	80	919
Total Underage Violations Cited	33	470	86	1,234
<b>Total Achievements</b>	266	--	1,297	--

<b>Current Month</b>	<b>Younger than Age 15</b>	<b>-----Age-----</b>					
		<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>20</b>
Age of minor cited	0	0	0	1	5	11	19

**SUCCESS STATISTICS**  
**Investigations (continued)**

**Underage Investigations Statistics (continued):**

<b>Statute/ Definition</b>	<b># of Citations issued this month</b>	<b>Total FY 2010 YTD</b>	<b>1 Year Ago This Month</b>	<b># of Citations issued in FY '09</b>
<b>A.R.S. § 4-241.A</b> Failure to Check ID	3	65	0	77
<b>A.R.S. § 4-241.L</b> Sold to CUB	3	53	20	157
<b>A.R.S. § 4-241.N</b> Use of false ID to enter premises	0	25	6	66
<b>A.R.S. § 4-244.1</b> Unlicensed Resale	0	0	0	8
<b>A.R.S. § 4-244.9</b> Furnishing alcohol to an underage	30	237	80	506
<b>A.R.S. § 4-244.22</b> Consuming w/o permission of premises owner	4	13	0	146
<b>A.R.S. § 4-244.33</b> Underage DUI	0	0	0	1
<b>A.R.S. § 4-244.40</b> Alcohol in system of underage	0	62	29	202
<b>A.R.S. § 13-2907.01</b> Providing false information to state	0	0	0	1
<b>A.R.S. § 13-3478</b> Unlawful use of a license	0	0	10	11
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver's license	1	1	0	2
<b>A.R.S. § 28-3478.3</b> Using another person's driver's license	0	20	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 thirty-three (3,133) active series 12 licenses statewide. Compared to December 2008, Arizona realized an increase of six (6) hotel/motel with restaurant licenses and a decrease of thirty-eight (38) 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 two hundred ninety-eight (3,298) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1: 1,649.

The Audit Unit continued to increase DLLC's presence by conducting audits in several Arizona counties during the month of December 2009 including Maricopa, Pima, Pinal and Santa Fe Counties.

<b>Number of Cases Now Open For Audit</b>	<b>Current Month</b>	<b>This Month Last Year</b>
Audits in progress	15	19
Audits closed	6	6
Audits initiated	7	5
Open cases w/projected ratio of >37%	9	7
Open cases w/projected ratio between 30 to 37%	4	11
Open cases w/projected ratio of < 30%	2	1
Locations granted 1 year to continue operation	0	0
Locations being monitored	75	30

In December 2009, six (6) audits were closed and seven (7) audits were initiated (audit considered initiated after an appointment date is set to pick up accounting records). Of the six (6) audits completed this month, all six (6) cases, or one hundred (100%) percent, revealed actionable violations.

	<b>Current Month</b>	<b>This Month Last Year</b>	<b>Total YTD FY 2010</b>	<b>Total FY 2009</b>	<b>Total 2003 - Present</b>
Audits completed	6	6	48	103	324
Audits passed	4	6	28	56	127
Audits failed	2	0	16	33	150
Inconclusive	0	0	4	14	42
Other charges only	0	0	0	0	5

**SUCCESS STATISTICS**  
**Liquor License Audits (continued)**

**Audit statistics beginning in March 1, 2003 to present are:**

<b>Year</b>	<b>Audits Completed</b>
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	48 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.

Revenue collected by the department for audit-related violations during the month of December 2009 is three thousand two hundred-fifty (\$3,250) dollars. Audit fines assessed during the month of December 2009 total eight thousand (\$8,000) dollars.

**Audit Revenue 2-year Comparison**

	<b>Current Month</b>	<b>Total FY 2010 YTD</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2009</b>
Fines Collected	8,000	40,875	2,750	81,275
Fines Assessed	3,250	47,325	2,750	90,775
Continuation License (Grill Bill) Revenue	0	0	30,000	90,000
Pending Continuation Licenses (Grill Bill)	2	--	0	--

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**SUCCESS STATISTICS**  
**Compliance**

<b>Achievements:</b>	<b>Current Month</b>	<b>Total YTD FY 2010</b>	<b>Total FY 2009</b>	<b>1 Year Ago This Month</b>
Revocations	3	8	9	0
Suspensions	3	23	13	5
Surrenders	0	17	17	1
Divestitures	0	4	6	0
Administrative Complaints	2	57	66	10
Decisions & Orders	5	267	48	3

**Economic Impact:**

The department has collected fines which total one hundred three thousand two hundred fifty (\$103,250) dollars from forty-one (41) compliance actions processed and adjudicated between December 1, 2009 and December 31, 2009. This is an increase of fifty-one (51%) percent from December 2008 collections and a ten (10%) percent increase in the number of compliance actions processed. Fine collections increased in spite of 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.

	<b>Current Month</b>	<b>1 Year Ago This Month</b>	<b>Total YTD FY 2010</b>	<b>Total FY 2009</b>
Fines collected	\$103,250	\$50,150	\$380,300	\$886,440
Cases adjudicated	41	37	235	584

<b>Fiscal Year</b>	<b>Compliance Actions</b>	<b>Revenues Collected</b>
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	235	\$380,300

**SUCCESS STATISTICS**  
**Compliance (continued)**

<b>Adjudicated Underage Violations</b>		<b>Adjudicated</b>	<b>1 Year Ago</b>
<b>Statute</b>	<b>Definition</b>	<b>This month</b>	<b>This Month</b>
A.R.S. § 4-241.A	Failure to Check ID	0	22
A.R.S. § 4-241.L	Sold to CUB	0	0
A.R.S. § 4-244.1	Unlicensed Resale	0	3
A.R.S. § 4-244.9	Furnishing alcohol to an underage	0	21
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	4
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**

<b>Achievements: Compliance</b>	<b>Current Month</b>	<b>Total YTD FY 2010</b>	<b>Total FY 2009</b>
Hearings Scheduled	9	57	174
Licenses Granted	1	13	63
Licenses Denied	1	13	25
Continuances Granted	4	16	50
License Withdrawn	3	11	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 March 17, 2011
VACANT -----		
Bill DuPont (D)	Arizona Liquor Board Member Pima County Neighborhood	Term Expires March 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 March 19, 2009
Tim Linden (R)	Arizona Liquor Board Member Graham County Wholesaler	Term Expires March 17, 2011
Robin Cantrell (I)	Arizona Liquor Board Member Graham County Retailer	Term Expires March 16, 2012

**SUCCESS STATISTICS**  
**Licensing**

Compared to December 2008, the number of new liquor license issued has increased by twenty-six (26.4%) percent, renewals have increased by twenty-one (21.2%) percent, and the number of active licenses has increased by less than one (.027%) percent.

Also in comparison to December 2008, lottery license revenues have fallen by forty-six (46.6%) percent, monthly licensing revenues decreased by fifteen (14.6%) percent and total YTD revenues are down approximately fifty-nine (59.2%) from \$5,424,889 at this time last year.

<b>Achievements: Licensing</b>	<b>Current Month</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2009</b>	<b>Total YTD FY 2010</b>
<b>New licenses issued</b>	276	203	1,892	1,260
<b>Renewed licenses</b>	2,415	1,903	11,097	7,647
<b>Lottery licenses issued</b>	1	3	93	31
<b>Collected Lottery Revenues:</b>	\$ 111,667	\$ 209,348	\$ 6,954,292	\$ 304,567
<b>Number of Active Liquor License:</b>	11,132	11,103	n/a	n/a
<b>Collected Licensing Revenues (including lottery revenues):</b>	\$ 512,097	\$ 600,132	\$10,010,020	\$ 2,209,098

**Collected Revenue By Fee Type in December 2009**

Fair Market Value	111,667
Applications	15,725
License Fees	197,780
Out-of-State	-
Agent Change	3,900
Fines	33,750
Special Event	3,300
Club	12,875
Penalties	14,550
Copy Fees	147
Non-Use Surcharge	39,100
Audit Surcharge	15,450
Enforcement K Surcharge	31,920
Enforcement L Surcharge	31,905
Miscellaneous	10

**TOTAL REVENUES COLLECTED \$ 512,079**  
**(fingerprints) 4,896**

**WHAT'S NEXT AT DLLC?****Upcoming Events/Milestones**Title 4 Training

Records for state-approved Title 4 training providers are being updated using new application forms which indicate the type(s) of training each provider offers (online, classroom, management, basic, etc) to licensees and their staff. The deadline for training providers to update the application is January 30, 2010. Once complete, the DLLC website will reflect the type of training provided by each company which will assist licensees when selecting a training provider.

2010 Liquor License Lottery

In preparation of the 2010 liquor license lottery, DLLC's Audit Unit will begin to determine the fair market value for quota licenses (series 6 – bar, series 7 – beer and wine bar, and series 9 – liquor store) for counties in which three (3) of each license type were sold during the 2009-2010 fiscal year. The 2010 lottery will mark the first year DLLC has attempted to determine the fair market value, the catalyst being a savings to the General Fund of approximately \$60,000 in fees that, during the four (4) previous lotteries, were paid to for independent accounting firms. This year, DLLC will contact Arizona's liquor license brokers to request the following information from quota license sales in order to determine the fair market value; 1) the date of sale; 2) the sale price; the county in which the sale took place and; 3) the license type. If less than three (3) sales per license type were completed in one county or if research gathered is incomplete, DLLC will default to the practice used by hiring three (3) independent accounting firms to arrive at a fair market value as provided by A.R.S.§4-206.01(C).

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 January 2009. This rules rewrite, when accepted, is thought to be the first complete Title 4 rewrite since the early 1970s.

E-licensing

DLLC's E-Licensing Information System, ELIS, is being developed in collaboration with GITA and NIC/CAVU. ELIS will "go live" on Monday, April 26, 2010. The software which will run ELIS is now in the final stages of customization. Interagency and licensee training will begin in February 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 Office of the Auditor General (OAG) completed step 11 of the 12-step Sunset Review/Performance Report procedure) which includes public comment and information gathered during the legislative hearing held on December 4, 2009. OAG will complete all DLLC Performance Audit and Sunset Review reporting by March 2010.