

GOVERNOR'S MONTHLY REPORT  
FEBRUARY 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 February 2010, using four (4) CUBs and three (3) officers, DLLC conducted investigations of fifteen (15) liquor-licensed establishments. Ten (10), or sixty-six (66%) percent, of these establishments sold alcohol to a (CUB) resulting in fifteen (15) criminal and eleven (11) administrative violations. All fifteen (15) locations were investigated in response to a complaint received by DLLC.

In February 2010, there were no CUB details conducted.

Since the inception of the program, two thousand five hundred ninety-one (2,591) establishments have been investigated and seven hundred fifty-two (752) or twenty-nine (29%) percent have been sold to CUB buyers resulting in one thousand seven hundred sixty-eight (1,768) administrative violations and one thousand six hundred two (1,602) 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
<b>2010</b>	15	10	66%	11	15

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**

<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
<b>2010</b>	0	0	0

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 most recent TRACE case (concluded in December 2009) resulted in two (2) criminal citations issued and four (4) administrative violations alleged against the licensed establishment. This TRACE case was opened 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 FEBRUARY 2009:**

Meet with BACIC (an Arizona liquor industry coalition) regarding HB 2444 (DLLC move to DPS) – director, deputy director and assit director of admin participated

Meet with Legislators regarding HB 2444 (DLLC move to DPS) – director, deputy director and assit. director of admin participated

Meet with Legislators regarding HB 2143 (DLLC continuation) – director, deputy director and assit. director of admin participated

Meet with ROC regarding eLicensing conversion – assit. director of admin participated

Leadership in communications seminar – director of comm. participated

Committee on Commerce and Economic Development - assit. director of admin participated

Liquor industry leadership meeting on HB 2002 (series 6, 7, and 9 licenses) – director and deputy director participated

Meeting with Legislators regarding HB 2444 (DLLC move to DPS) – deputy director participated

Meet with Director Halliday (DPS) regarding HB 2444 (DLLC move to DPS) – director participated

Liquor industry leadership meeting on HB 1164 (commerce and economic development) – assit. director of admin participated

Meeting with Legislators regarding HB 2444 (DLLC move to DPS) and 2143 (DLLC continuation – director, deputy director assit. director of admin participated

Executive committee meeting – director participated

6 month follow up to Auditor General regarding Performance Audit and Sunset Review – leadership team participated

Meeting with DPS director – director participated

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## OUTREACH Community & Agency Outreach

### **February 2010 Law Enforcement Special Detail:**

East Valley underage cases – Investigator Rivera assisted

Yuma Fun Factory/Crazy Earls Detail – Investigator Eaton participated

Title 4/TRACE/Fake ID Training to AZ DPS – Investigators Kuhl and Miller facilitated

Title 4/Fake ID for Page PD – Investigator Palubeskie facilitated

Waste Management Open – entire Investigation Division participated

Complaints - investigations conducted by officers assigned to geographic area

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**SPECIAL EVENTS**  
**Media**

<b>Media Outlet</b>	<b>Content of Story</b>
ABC15 News	New ID Checking
KTVK TV 3	Beer Runs
Yuma Daily Sun	Yuma Fun Factory violations

<b>News Release</b>	<b>Content of Story/Release</b>
Citizen's Complaints: Reliable Source of Intelligence	Importance of Arizona citizens reporting liquor Violations to law enforcement
GOHS Grant Money Bolsters Underage Drinking Law Enforcement Efforts	A \$25,000 GOHS grant breathed new life into DLLC's most successful underage drinking programs
eLicensing public training	DLLC offering eLicensing training to Arizona
DLLC Licensing Division closure	DLLC's Licensing Division to close during eLicensing conversion

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## SUCCESS STATISTICS Investigations

In February 2010, DLLC investigators completed two hundred fifty-eight (258) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in eighty-five (85) criminal citations and twenty-two (22) administrative violations. The following success statistics were completed by a staff of nine (9) fulltime investigators who uphold a statewide investigator-to-liquor license ratio of 1:1243.

A decrease in total investigative achievements during February 2010 of twenty-one (20.6%) percent compared to February 2009 is attributed to investigative staff reduction of fifty-three (53%) percent in addition to travel restrictions. Both circumstances are due to 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	0	15	4	49
Site Inspections Completed	50	426	46	959
Actioned (administrative) Complaints	9	87	19	256
Non-Actioned (criminal) Complaints	40	280	43	532
Administrative Counts Charged	107	1,026	299	2,643
Criminal Charges Issued	75	581	132	1,806
Routine Liquor Inspections	269	1,894	282	3,798
Compliance Case Reports Submitted	40	337	81	875
On-view Violation Case Reports	29	193	62	403
Law Enforcement Liaison	58	545	70	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	63	569	201	919
Total Underage Violations Cited	85	656	212	1,234
<b>Total Achievements</b>	825	--	1,038	--

<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	1	0	0	01	9	18	12

**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	9	82	13	77
<b>A.R.S. § 4-241.L</b> Sold to CUB	0	53	4	157
<b>A.R.S. § 4-241.N</b> Use of false ID to enter premises	3	37	10	66
<b>A.R.S. § 4-244.1</b> Unlicensed Resale	24	29	0	8
<b>A.R.S. § 4-244.9</b> Furnishing alcohol to an underage	27	300	33	506
<b>A.R.S. § 4-244.22</b> Consuming w/o permission of premises owner	0	14	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	67	21	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	0	11
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver's license	0	1	0	2
<b>A.R.S. § 28-3478.3</b> Using another person's driver's license	3	25	3	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 sixty-two (3,162) active series 12 licenses statewide. Compared to February 2009, Arizona realized an increase of three (3) 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 (3,327) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1: 1,664.

The Audit Unit continued to increase DLLC's presence by conducting audits in several Arizona counties during the month of February 2010 including Maricopa and Pima Counties.

<b>Number of Cases Now Open For Audit</b>	<b>Current Month</b>	<b>This Month Last Year</b>
Audits in progress	15	23
Audits closed	7	9
Audits initiated	8	11
Open cases w/projected ratio of >37%	4	10
Open cases w/projected ratio between 30 to 37%	8	12
Open cases w/projected ratio of < 30%	1	3
Locations granted 1 year to continue operation	0	0
Locations being monitored	88	34

In February 2010, seven (7) audits were closed and eight (8) audits were initiated (audit considered initiated after an appointment date is set to pick up accounting records). Of the seven (7) audits completed this month, all seven (7) cases, or one hundred (100%) percent, revealed actionable violations. During the month of February 2010, audits were completed in Maricopa County and initiated in Pima County.

	<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	7	9	61	103	337
Audits passed	2	6	32	56	131
Audits failed	4	2	24	33	158
Inconclusive	1	1	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:**

<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	61 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. Two (2) continuation licenses are pending at this time.

Revenue collected by the department for audit-related violations during the month of February 2010 is two thousand (\$2,000) dollars. Audit fines assessed during the month of February 2010 total seven thousand seven hundred fifty (\$7,750) dollars. Total fines collected in FY 2010 are forty-four thousand three hundred seventy-five (\$42,375) 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	2,000	44,275	1,450	81,275
Fines Assessed	7,750	59,575	2,950	90,775
Continuation License (Grill Bill) Revenue	0	0	0	90,000
Pending Continuation Licenses (Grill Bill)	2	--	0	--

**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	0	8	9	0
Suspensions	0	24	13	1
Surrenders	1	18	17	1
Divestitures	0	4	6	0
Administrative Complaints	1	61	66	5
Decisions & Orders	0	269	48	1

**Economic Impact:**

The department has collected fines which total thirty-seven thousand four hundred seventy-five (\$37,475) dollars from twenty-eight (28) compliance actions processed and adjudicated between February 1 and February 28, 2010. This is a decrease of nineteen (19%) percent from February 2009 collections and a seventeen (17%) 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.

	<b>Current Month</b>	<b>1 Year Ago This Month</b>	<b>Total YTD FY 2010</b>	<b>Total FY 2009</b>
Fines collected	\$37,475	\$46,250	\$451,525	\$886,440
Cases adjudicated	28	34	285	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	285	\$451,525

**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	13	16
A.R.S. § 4-241.L	Sold to CUB	0	0
A.R.S. § 4-244.1	Unlicensed Resale	0	0
A.R.S. § 4-244.9	Furnishing alcohol to an underage	0	18
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	5
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	4	76	174
Licenses Granted	1	18	63
Licenses Denied	1	17	25
Continuances Granted	2	23	50
License Withdrawn	0	14	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**

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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 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 February 2009, the number of new liquor license issued in Arizona has increased by twenty-seven (27%) percent, renewals have decreased by eight (8.4%) percent, and the number of active licenses has decreased by less than one (.06%) percent.

In comparison to February 2009, lottery license revenues have fallen by eighty-two (82.2%) percent, monthly licensing revenues decreased by four (4%) percent and total YTD revenues are down approximately twenty-eight (27.7%) from \$5,870,579 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>	171	125	1,892	1,416
<b>Renewed licenses</b>	540	589	11,097	8,605
<b>Lottery licenses issued</b>	2	3	93	35
<b>Collected Lottery Revenues:</b>	\$ 46,017	\$ 259,492	\$ 6,954,292	\$ 562,824
<b>Number of Active Liquor License:</b>	11,195	11,201	n/a	n/a
<b>Collected Licensing Revenues (including lottery revenues):</b>	\$ 428,042	\$ 445,690	\$10,010,020	\$ 4,246,105

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

Fair Market Value	46,017
Applications	13,325
License Fees	221,125
Out-of-State	-
Agent Change	8,450
Fines	37,500
Special Event	5,875
Club	7,025
Penalties	15,750
Copy Fees	70
Non-Use Surcharge	19,300
Audit Surcharge	14,580
Enforcement K Surcharge	19,985
Enforcement L Surcharge	19,040
Miscellaneous	0
<b>TOTAL REVENUES COLLECTED</b>	<b>\$ 428,042</b>
<b>(fingerprints)</b>	<b>5,184</b>
<b>TOTAL REPORT</b>	<b>\$ 433,226</b>

## 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 February 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 February 23, 2010 by DLLC. OAG will complete all DLLC Performance Audit and Sunset Review reporting by March 2010.

#### 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 February 2009.