

GOVERNOR'S MONTHLY REPORT  
DECEMBER 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 December 2010, using three (3) CUBs and four (4) officers, DLLC conducted investigations of thirty (30) liquor-licensed establishments. Eleven (11), or thirty-seven (37%) percent, of these establishments sold alcohol to a (CUB) resulting in eighteen (18) criminal and twenty-eight (28) administrative violations. Establishments were located in Gilbert, Chandler, Coolidge, Casa Grande, Tucson, and Mesa. All thirty (30) locations were investigated in response to complaints received by DLLC.

In December 2010, DLLC saw an increase of one hundred twenty (120%) percent in liquor sales to the CUB compared to the previous month, November 2010. This represents an eighty-three (83%) percent increase in sales to the CUB compared to December 2009.

Since the inception of the program, two thousand seven hundred thirty-six (2,736) establishments have been investigated and eight hundred forty (840) or thirty-one (30.7%) percent have sold to CUB buyers resulting in one thousand nine hundred forty-one (1,941) administrative violations and one thousand seven hundred sixteen (1,716) 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>	169	96	57%	207	129

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**

<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>	8	20	4
<b>2010</b>	5	13	4

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. Five (5) cases have been completed in calendar year 2010 resulting in thirteen (13) administrative and four (4) 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 December 2010:**

- Arizona Restaurant Association – Director participated
- South Mountain WORKS Coalition – Director participated
- Beer and Wine Distributors of Arizona – Director and Comm. Dir. participated
- Washington State Liquor Control Board Survey – Comm. Dir. participated

**December 2010 Law Enforcement Special Detail:**

- DLLC Title 4 and Fake ID Training – 500 Precinct
- New Year's Eve Detail – Kuhl, Miller, Chesley
- Out-of-Area Complaint – all officers

**Special Events**  
**Media**

<b>Media Outlet</b>	<b>Story Content</b>
Arizona Daily Star	Candy Store current license status & pending applications
Gilbert - Arizona Republic	Gilbert opposes Sam's sampling application
The Tombstone News	Doc Holiday Saloon/Six Gun City
Phoenix Magazine	No Firearms Allowed signage
The Arizona Republic	# of AMC Theater liquor licenses & status of Deer Valley 30 application
Mohave Valley Daily News	# of liquor licenses in Mohave County, compared to other counties
The Arizona Republic	Cowboy Ciao, Scottsdale, owner Peter Kasperski, #12073363
<b>DLLC Press Release</b>	<b>Content</b>
December 6, 2010	Arizona Liquor Board To Hear Cases In Tucson
December 20, 2010	Grant Money to Increase Statewide Underage Drinking Enforcement

**SUCCESS STATISTICS**  
**Investigations**

In December 2010, investigators completed one hundred twenty-eight (128) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in ninety-five (95) criminal citations and eleven (11) 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 1:1,297.

DLLC realized an increase in total investigative achievements during December 2010 of one hundred seventy-four (174%) percent compared to December 2009 due to three (3) grants awarded by the Governor's Office of Highway Safety (GOHS). The GHOS grants, which collectively total eighty thousand (\$80,000) dollars, fund overtime for underage drinking enforcement, in addition to the materials, travel expense and overtime required for DLLC officers to facilitate Title 4 and fake ID training. December 2010 achievements are evidence of the significant and immediate impact that additional funding has on the enforcement arm of DLLC. Since December 2007, DLLC's Investigations Division has experienced a staff reduction of fifty-five (55%) percent, the elimination of overtime and travel allowances, and a hiring freeze. In December 2009, DLLC employed ten (10) fulltime investigators, down from twenty (20) in 2007.

<b>Achievements</b>	<b>Current Month</b>	<b>Total FY 2011</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2010</b>
Hidden Ownerships Completed	0	4	1	17
Site Inspections Completed	35	393	56	653
Actioned (administrative) Complaints	11	53	10	128
Non-Actioned (criminal) Complaints	36	239	24	408
Administrative Counts Charged	147	719	82	1,615
Criminal Charges Issued	101	519	41	969
Routine Liquor Inspections	128	1,164	192	2,954
Compliance Case Reports Submitted	40	243	31	469
On-view Violation Case Reports	21	155	22	312
Law Enforcement Liaison	46	303	67	764

**Underage Investigations Statistics:**

	<b>Current Month</b>	<b>Total FY 2011 YTD</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2010</b>
Citations Issued to Underage	68	285	17	736
Total Underage Violations Cited	95	443	33	721
<b>Total Achievements</b>	728	--	266	--

<b>Current Month</b>	<b>Younger than Age 15 -----Age-----</b>						
	<b>Age 15</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	1	1	15	18	3

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

**Underage Investigations Statistics (continued):**

<b>Statute/ Definition</b>	<b># of Citations issued this month</b>	<b>Total FY 2011 YTD</b>	<b>1 Year Ago This Month</b>	<b># of Citations issued in FY '10</b>
<b>A.R.S. § 4-241.A</b> Failure to Check ID	24	62	3	99
<b>A.R.S. § 4-241.L</b> Sold to CUB	10	61	3	54
<b>A.R.S. § 4-241.N</b> Use of false ID to enter premises	0	7	0	65
<b>A.R.S. § 4-244.1</b> Unlicensed Resale	0	4	0	29
<b>A.R.S. § 4-244.9</b> Furnishing alcohol to an underage	78	265	30	467
<b>A.R.S. § 4-244.22</b> Consuming w/o permission of premises owner	1	14	4	15
<b>A.R.S. § 4-244.33</b> Underage DUI	0	0	0	0
<b>A.R.S. § 4-244.40</b> Alcohol in system of underage	0	0	0	73
<b>A.R.S. § 4-244.41</b> Accept \$ to allow underage in bar	0	0	n/a	57
<b>A.R.S. § 13-2907.01</b> Providing false information to state	0	0	0	0
<b>A.R.S. § 13-3478</b> Unlawful use of a license	0	0	0	0
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver's license	5	26	1	1
<b>A.R.S. § 28-3478.3</b> Using another person's driver's license	1	5	0	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-six (166) active series 11 licenses and three thousand one hundred seventy-six (3,176) active series 12 licenses statewide. Compared to December 2009, the number of hotel/motel with restaurant licenses has increased by one (1) license and the number of restaurant licenses has increased by forty-three (43).

Prior to August 2009, DLLC employed three (3) fulltime auditors. Today, DLLC employs two (2) fulltime auditors. With a total of three thousand three hundred forty-two (3,342) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,671.

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits in progress	13	19
Audits closed	5	6
Audits initiated	8	5
Open cases w/projected ratio of >37%	4	7
Open cases w/projected ratio between 30 to 37%	7	11
Open cases w/projected ratio of < 30%	2	1
Locations granted 1 year to continue operation	4	0
Locations being monitored	104	30

In December 2010, five (5) 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 five (5) audits completed this month, all revealed actionable violations. During the month of December 2010, all audits were completed in Maricopa County.

	Current Month	Total YTD FY 2011	This Month Last Year	Total FY 2010	Total 2003 - Present
Audits completed	5	34	6	87	397
Audits passed	1	14	4	51	164
Audits failed	4	20	2	30	184
Inconclusive	0	0	0	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:**

<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	87 audits
FY 2011 YTD	34 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 December 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.

Revenue collected by the department for audit-related violation fines during the month of December 2010 is two thousand five hundred (\$2,500) dollars. Audit fines assessed during the month of December 2010 total nine thousand two hundred fifty (\$9,250) dollars. Total fines collected to-date in FY 2011 total forty-one thousand nine hundred twenty-five (\$41,925) dollars.

**Audit Revenue 2-year Comparison**

	<b>Current Month</b>	<b>Total FY 2011 YTD</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2010</b>
Fines Collected	2,500	41,925	8,000	81,750
Fines Assessed	9,250	57,425	3,250	88,200
Continuation License (Grill Bill) Revenue	0	90,000	0	0
Pending Continuation Licenses (Grill Bill)	2	--	2	--

**SUCCESS STATISTICS**  
**Compliance**

<b>Achievements:</b>	<b>Current Month</b>	<b>Total YTD FY 2011</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2010</b>
Revocations	0	5	3	10
Suspensions	0	4	3	31
Surrenders	0	9	0	26
Divestitures	0	2	0	6
Administrative Complaints	1	7	2	67
Decisions & Orders	0	8	5	27

<b>Newly Tracked Achievements:</b>	<b>Current Month</b>	<b>Total YTD FY 2011</b>
Cases Received	33	262
Cases Completed	16	162
Cases in Progress	17	100
Warning Letter Issued	2	29
Cases Sent to OAH	0	2

**Economic Impact:**

The Compliance Unit collected fines which total thirty-seven thousand four hundred seventy-five (\$37,475) dollars from thirty-five (35) compliance actions processed and adjudicated between December 1 and December 30, 2010. Compared to December 2009, this is a sixty-four (63.7%) percent decrease in compliance 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 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.

	<b>Current Month</b>	<b>Total YTD FY 2011</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2010</b>
Fines collected	\$37,475	\$344,300	\$103,250	\$705,725
Cases adjudicated	35	201	41	415

<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
2009-2010	415	\$705,725
2010-2011 YTD	201	\$344,300

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

<b>Adjudicated Underage Violations</b>		<b>Adjudicated</b>	<b>1 Year Ago</b>	<b>FY2011</b>
<b>Statute</b>	<b>Definition</b>	<b>This month</b>	<b>This Month</b>	<b>YTD</b>
A.R.S. § 4-241.A	Failure to Check ID	2	0	31
A.R.S. § 4-241.L	Sold to CUB	0	0	0
A.R.S. § 4-244.1	Unlicensed Resale	0	0	3
A.R.S. § 4-244.9	Furnish alcohol to an underage	2	0	32
A.R.S. § 4-244.16	knowingly allow furnishing liquor to underage	0	0	0
A.R.S. § 4-244.22	Consume w/o permission of premises owner	0	0	3
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**

<b>Achievements:</b>	<b>Current Month</b>	<b>Total YTD FY 2011</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2010</b>
Hearings Scheduled	9	55	9	107
Licenses Granted	0	8	1	40
Licenses Denied	2	10	1	19
Continuances Granted	5	27	4	29
License Withdrawn	1	7	3	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	3	0	2

During the month of December 2010, no (0%) license application in protest was granted and all (100%) percent of protested applications were denied. To date in FY 2011, the Board has granted fifty-seven (55.52%) percent of the licenses protested and denied forty-three (43.48%) percent.

**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 December 2009, the number of new liquor license issued in Arizona has decreased by almost eight (7.8%) percent, renewals have increased by more than nine (9.1%) percent, and the number of active licenses has increased by one (1%) percent.

In comparison to December 2009, monthly and FY licensing revenues (which include lottery collections) have decreased by almost twenty-eight (27.9%) percent from \$511,458 at this time last year to \$368,561 during the current month.

<b>Achievements: Licensing</b>	<b>Current Month</b>	<b>Total YTD FY 2011</b>	<b>1 Year Ago This Month</b>	<b>Total FY 2010</b>
<b>New licenses issued</b>	234	985	276	2,114
<b>Renewed licenses</b>	2,412	7,109	2,415	11,162
<b>Lottery licenses issued</b>	11	18	2	35
<b>Collected Lottery Revenues:</b>	\$ 702,760	\$ 2,079,232	\$ 111,667	\$ 562,824
<b>Number of Active Liquor License:</b>	11,670	n/a	11,132	n/a
<b>Collected Licensing Revenues (including lottery revenues):</b>	\$1,239,189	\$ 4,989,893	\$ 512,097	\$6,503,816

**Collected Revenue By Fee Type in December 2010**

Fair Market Value	702,760
Applications	15,500
License Fees	282,428
Out-of-State	0
Agent Change	4,750
Fines	37,525
Special Event	3,650
Club	300
Penalties	12,000
Copy Fees	91
Non-Use Surcharge	25,300
Audit Surcharge	930
Enforcement K Surcharge	74,025
Enforcement L Surcharge	73,920
Miscellaneous	10

<b>TOTAL REVENUES COLLECTED</b>	<b>\$ 1,233,189</b>
<b>(fingerprints)</b>	<b>6,000</b>
<b>TOTAL REPORT</b>	<b>\$ 1,239,189</b>

## WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

### FY 2010 Liquor License Lottery

Based on lottery applications received and accepted, the FY 2010 lottery remains on track to produce three million three hundred thirty thousand three hundred sixty (\$3,330,360) dollars in state revenue. To date, two million seventy-nine thousand two hundred thirty-two (\$2,079,232) dollars in FY 2010 lottery revenue have been collected. The remaining balance is due by February 25, 2011. The previous lottery, which was held in FY 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.

### 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, the "go live" date has been postponed and a new implementation date has yet been determined. Since hiring a new IT Specialist in addition to receiving 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 a FY 2011 implementation date. 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

Liquor industry association leaders will meet with DLLC leadership on Friday, January 14, 2011 to discuss positions on and revisions to the Omnibus Bill.

### Resume Newly Proposed Rulemaking

In December 2008, DLLC submitted a complete rules rewrite to the Governor's Regulatory Review Counsel. On January 22, 2009 the Governor announced the Regulatory Review Plan Moratorium. In August 2010, DLLC requested an exemption to the rulemaking moratorium. In response to that request, the Governor's Office required evidence of industry collaboration and support and that the proposed rules would not impose any additional or undue burden on businesses. In turn, DLLC asked liquor industry leaders to review the proposed rulemaking in November 2011. DLLC anticipates having a respond to the Governor's Office in January 2011.

### Staffing

DLLC has hired Tolleson Police Officer, Danny C. Wilde. Officer Wilde's employment begins on Monday, January 3, 2011. Officer Wilde's employment will increase the number of investigative staff from nine (9) to ten (10) fulltime sworn officers.