

GOVERNOR'S MONTHLY REPORT
JANUARY 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 January 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 January 2010, DLLC saw an increase of six (6%) percent in alcohol sales to the CUB compared to one month ago, December 2009. This represents an increase of forty-five (45%) percent in sales to the CUB compared to January 2009.

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

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	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

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	9	19	4
2010	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 JANUARY 2009:

Arizona Substance Abuse Partnership – asst. director of admin. participated

GOHS Grant Writing Training – investigations Sgt., finance admin., comm. dir. attended

West Valley Chiefs - deputy director participated

49th Legislative Session Begins – leadership team participated

January 2010 Law Enforcement Special Detail:

Two hundred ten background investigations completed – Investigator Turner

Complaints outside of the Phoenix Metro Area – all investigators

SPECIAL EVENTS
Media

Media Outlet	Content of Story
KVOA TV	Television advertising guidelines for liquor
Arizona Republic	January 5 th DLLC press release concerning citizen's complaints
New Times	The issuance and surrender of Shotgun Betty's liquor license #06070636
Kingman Daily Miner	The lottery and Bashas' /Walgreens license transfer for 09080001

News Release

Citizen's Complaints:
A reliable Source of Intelligence for Liquor Officers

Content of Story

How public safety is improved when Arizona's citizens take the time to report possible liquor law violations.

SUCCESS STATISTICS Investigations

In January 2010, DLLC investigators completed two hundred ninety-six (296) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in seventy-five (75) criminal citations and one hundred ten (110) 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 1:1238.

A decrease in total investigative achievements during January 2010 of twenty-seven (27.2%) percent compared to January 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.

Achievements	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Hidden Ownerships Completed	0	15	4	49
Site Inspections Completed	50	426	46	959
Actioned (administrative) Complaints	11	78	21	256
Non-Actioned (criminal) Complaints	36	240	29	532
Administrative Counts Charged	110	919	248	2,643
Criminal Charges Issued	75	581	132	1,806
Routine Liquor Inspections	296	1,625	338	3,798
Compliance Case Reports Submitted	36	267	82	875
On-view Violation Case Reports	17	164	82	403
Law Enforcement Liaison	61	487	98	909

Underage Investigations Statistics:

	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Citations Issued to Underage	66	506	35	919
Total Underage Violations Cited	101	571	65	1,234
Total Achievements	859	--	1,180	--

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

SUCCESS STATISTICS
Investigations (continued)

Underage Investigations Statistics (continued):

Statute/ Definition	# of Citations issued this month	Total FY 2010 YTD	1 Year Ago This Month	# of Citations issued in FY '09
A.R.S. § 4-241.A Failure to Check ID	8	73	7	77
A.R.S. § 4-241.L Sold to CUB	0	53	4	157
A.R.S. § 4-241.N Use of false ID to enter premises	9	34	0	66
A.R.S. § 4-244.1 Unlicensed Resale	5	5	0	8
A.R.S. § 4-244.9 Furnishing alcohol to an underage	36	273	80	506
A.R.S. § 4-244.22 Consuming w/o permission of premises owner	1	14	7	146
A.R.S. § 4-244.33 Underage DUI	0	0	0	1
A.R.S. § 4-244.40 Alcohol in system of underage	5	67	0	202
A.R.S. § 13-2907.01 Providing false information to state	0	0	0	1
A.R.S. § 13-3478 Unlawful use of a license	0	0	0	11
A.R.S. § 28-3478.1 Unlawful use of driver's license	0	1	0	2
A.R.S. § 28-3478.3 Using another person's driver's license	2	22	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-six (166) active series 11 licenses and three thousand one hundred and fifty-three (3,153) active series 12 licenses statewide. Compared to January 2009, Arizona realized an increase of five (5) hotel/motel with restaurant licenses and a decrease of thirty-seven (37) 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 nineteen (3,319) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1: 1,660.

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

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits in progress	15	19
Audits closed	6	10
Audits initiated	4	12
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 January 2010, six (6) audits were closed and four (4) 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.

	Current Month	This Month Last Year	Total YTD FY 2010	Total FY 2009	Total 2003 - Present
Audits completed	6	10	54	103	330
Audits passed	2	5	30	56	129
Audits failed	4	3	20	33	1540
Inconclusive	0	2	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:

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 YTD	54 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 January 2010 is one thousand five hundred (\$1,500) dollars. Audit fines assessed during the month of January 2010 total four thousand five hundred (\$4,500) dollars. Total fines collected in FY 2010 are forty-two thousand three hundred seventy-five (\$42,375) dollars.

Audit Revenue 2-year Comparison

	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Fines Collected	1,500	42,375	0	81,275
Fines Assessed	4,500	51,825	3,000	90,775
Continuation License (Grill Bill) Revenue	0	0	0	90,000
Pending Continuation Licenses (Grill Bill)	2	--	0	--

SUCCESS STATISTICS
Compliance

Achievements:	Current Month	Total YTD FY 2010	Total FY 2009	1 Year Ago This Month
Revocations	0	8	9	0
Suspensions	1	24	13	1
Surrenders	0	17	17	1
Divestitures	0	4	6	0
Administrative Complaints	3	60	66	5
Decisions & Orders	2	269	48	1

Economic Impact:

The department has collected fines which total thirty-three thousand seven hundred fifty (\$33,750) dollars from twenty-two (22) compliance actions processed and adjudicated from January 1 through January 31, 2010. This is a decrease of thirty-eight (38%) percent from January 2009 collections and a fifty-two (52%) 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.

	Current Month	1 Year Ago This Month	Total YTD FY 2010	Total FY 2009
Fines collected	\$33,750	\$54,825	\$414,050	\$886,440
Cases adjudicated	22	46	257	584

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
2009-2010YTD	257	\$414,050

SUCCESS STATISTICS
Compliance (continued)

Adjudicated Underage Violations		Adjudicated	1 Year Ago
Statute	Definition	This month	This Month
A.R.S. § 4-241.A	Failure to Check ID	1	34
A.R.S. § 4-241.L	Sold to CUB	0	0
A.R.S. § 4-244.1	Unlicensed Resale	0	50
A.R.S. § 4-244.9	Furnishing alcohol to an underage	1	36
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	0
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

Achievements: Compliance	Current Month	Total YTD FY 2010	Total FY 2009
Hearings Scheduled	11	72	174
Licenses Granted	3	17	63
Licenses Denied	2	16	25
Continuances Granted	3	21	50
License Withdrawn	3	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

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 January 2009, 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 January 2009, 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.

Achievements: Licensing	Current Month	1 Year Ago This Month	Total FY 2009	Total YTD FY 2010
New licenses issued	132	183	1,892	1,299
Renewed licenses	815	753	11,097	7,805
Lottery licenses issued	2	3	93	33
Collected Lottery Revenues:	\$ 111,667	\$ 307,781	\$ 6,954,292	\$ 304,567
Number of Active Liquor License:	11,144	11,182	n/a	n/a
Collected Licensing Revenues (including lottery revenues):	\$ 512,097	\$ 600,132	\$10,010,020	\$ 2,209,098

Collected Revenue By Fee Type in JANUARY 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
TOTAL REPORT \$ 516,975

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 discover if sufficient data is available for DLLC to determine the fair market value for each quota license (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.

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 January 4, 2010. The OAG Sunset Review/Performance Report 6-month Follow-up, a report in which DLLC documents the steps taken to incorporate recommendations made from OAG findings, will be submitted to OAG in February by DLLC. OAG will complete all DLLC Performance Audit and Sunset Review reporting by March 2010.