

GOVERNOR'S MONTHLY REPORT
OCTOBER 2009



STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL
Jerry Oliver, Director
800 W. Washington Street, 5th Floor
Phoenix, Arizona 85007
Office 602-542-9020 Fax 602-542-6799

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 October 2009, using four (4) CUBs and two (2) officers, DLLC conducted investigations of eleven (11) liquor-licensed establishments. Nine (9), or eighty-one (81%) percent, of these establishments sold alcohol to a (CUB) resulting in eighteen (18) criminal and eighteen (18) administrative violations. All eleven (11) of the locations were investigated in response to a complaint received by DLLC.

In October 2009, DLLC saw an increase of fifty-eight (58%) percent in alcohol sales to the CUB compared to September 2009. This represents an increase of forty-three (43%) percent in sales to the CUB compared to October 2008.

Since the inception of the program, two thousand five hundred forty-eight (2,548) establishments have been investigated and seven hundred twenty-seven (727) or twenty-eight (28%) percent have been sold to CUB buyers resulting in one thousand seven hundred twenty-nine (1,729) administrative violations and one thousand five hundred sixty-one (1,561) 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 YTD	351	91	26%	188	185

The statistics above reflect twelve (12) new CUB complaints and eleven (11) locations investigated during October 2009.

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

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 YTD	6	11	2

Investigator Palubeskie is currently working on three (3) 2009 TRACE cases. Further action on these cases is pending information which will be provided to DLLC by local law enforcement agencies.

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 October 2009:

- 10/1 Alcohol and Tobacco Tax and Trade Bureau meeting
– deputy director participated

City of Flagstaff meeting – director participated
- 10/15 West Valley Chief's luncheon – deputy director participated
- 10/26 Arizona foods Marketing Alliance meeting – director participated
- 10/27 Students Against Destructive Decisions (SADD) meeting – director, deputy director, comm. director participated
- 10/29 Underage Drinking Committee – deputy director participated

October 2009 Law Enforcement Special Detail:

- 10/11 Cardinal Game – all investigators participated
 - 10/14 Fake ID training – Tucson area businesses - Investigator Miller facilitated
 - 10/14 Pandemic Coordinator Training – Investigator Ribera attended
 - 10/31 Halloween Detail – all investigators participated valley wide
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SPECIAL EVENTS
Media

Media Outlet	Content of Story
New Times	Arizona liquor laws regarding primary purpose of business
KFNN Radio	How economic crisis impacts liquor law enforcement
KUAZ Tucson/NPR	How 15% budget cut would impact DLLC's Tucson enforcement
ASU	Underage drinking in Tempe
Capitol Times	How 15% budget cut would impact liquor law enforcement
KTVK TV 3	How many restaurants in Arizona allow guns
Arizona Daily Star	Audits, RLLs and law enforcement liaison statutes and procedures

SUCCESS STATISTICS
Investigations

In October 2009, DLLC investigators completed one hundred ninety-two (192) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in ninety-four (94) criminal citations and twenty (20) 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 1:1,117. An increase of nineteen (19) percent in completed achievements during the month of October can be attributed to procedural changes necessary to bolster liquor enforcement with reduced staff and restricted travel due to budget constraints.

Achievements	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Hidden Ownerships Completed	8	12	14	49
Site Inspections Completed	79	252	78	959
Actioned (administrative) Complaints	14	45	40	256
Non-Actioned (criminal) Complaints	32	152	60	532
Administrative Counts Charged	305	727	234	2,643
Criminal Charges Issued	109	377	191	1,806
Routine Liquor Inspections	233	920	348	3,798
Compliance Case Reports Submitted	56	155	83	875
On-view Violation Case Reports	38	96	58	403
Law Enforcement Liaison	84	296	81	909

Underage Investigations Statistics:

	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Citations Issued to Underage	70	355	169	919
Total Underage Violations Cited	94	363	171	1,234

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

SUCCESS STATISTICS
Investigations (continued)

Underage Investigations Statistics (continued):

Statute/ Definition	# of Citations issued this month	Total FY 2010 YTD	1Year Ago This Month	# of Citations issued in FY '09
A.R.S. § 4-241.A Failure to Check ID	9	55	0	77
A.R.S. § 4-241.L Sold to CUB	4	40	20	157
A.R.S. § 4-241.N Use of false ID to enter premises	9	25	6	66
A.R.S. § 4-244.1 Unlicensed Resale	0	0	0	8
A.R.S. § 4-244.9 Furnishing alcohol to an underage	34	151	80	506
A.R.S. § 4-244.22 Consuming w/o permission of premises owner	0	0	0	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	62	29	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	10	11
A.R.S. § 28-3478.1 Unlawful use of driver's license	0	0	0	2
A.R.S. § 28-3478.3 Using another person's driver's license	5	18	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 sixty-seven (3,067) active series 12 licenses statewide. Compared to October 2008, this is a statewide increase of six (6) hotel/motel with restaurant licenses and a decrease of thirty-six (36) restaurant licenses. DLLC has two (2) fulltime auditors. With a total of three thousand two hundred thirty-two restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1: 1,616.

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits in progress	15	20
Audits closed	6	9
Audits initiated	5	9
Open cases w/projected ratio of >37%	8	6
Open cases w/projected ratio between 30 to 37%	3	14
Open cases w/projected ratio of < 30%	4	0
Locations granted 1 year to continue operation	0	0
Locations being monitored	83	31

In October 2009 six (6) audits were closed and five (5) 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	9	32	103	302
Audits passed	4	4	20	56	115
Audits failed	1	3	11	33	144
Inconclusive	1	2	1	14	38
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	32 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 October 2009 is three thousand eight hundred seventy-five (\$3,875) dollars. Audit fines assessed during the month of October 2009 total three hundred seventy-five (\$375) dollars.

Audit Revenue 2-year Comparison

	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Fines Collected	3,875	20,875	21,250	81,275
Fines Assessed	375	36,575	14,250	90,775
Continuation License (Grill Bill) Revenue	0	0	30,000	90,000
Pending Continuation Licenses (Grill Bill)	0	--	1	--

SUCCESS STATISTICS

Compliance

Achievements:	Current Month	Total YTD FY 2010	Total FY 2009	1 Year Ago This Month
Revocations	0	5	9	0
Suspensions	0	18	13	2
Surrenders	2	17	17	2
Divestitures	0	4	6	1
Administrative Complaints	8	52	66	6
Decisions & Orders	4	262	48	4

Economic Impact:

The department has collected fines which total fifty-one thousand three hundred twenty-five (\$51,325) dollars from thirty-five (35) compliance actions processed and adjudicated between October 1, 2009 and October 31, 2009. This decrease of thirty-two (31.1%) percent from October 2008 collections is the result of a new payment policy instituted in June 2009 by the Compliance Unit. Designed to encourage licensees to stay in business during the economic downturn, the payment plan gives the licensee the option to pay fines in payments 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, it may 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	\$51,325	\$75,500	\$216,650	\$886,440
Cases adjudicated	35	36	132	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	132	\$216,650

Adjudicated Underage Violations Statute	Definition	Adjudicated This month	1 Year Ago This Month
A.R.S. § 4-241.A	Failure to Check ID	7	10
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	7	11
A.R.S. § 4-244.22	Consuming w/o permission of premises owner	5	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

Achievements: Compliance	Current Month	Total YTD FY 2010	Total FY 2009
Hearings Scheduled	12	36	174
Licenses Granted	3	9	63
Licenses Denied	3	9	25
Continuances Granted	3	8	50
License Withdrawn	2	7	23
Hearing Vacated, No Action Required	0	0	1
Hearing Removed From Agenda	0	0	0
Rehearing Requested	0	1	1
Exemption Received	0	0	0
Appeals Heard	1	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
Alan Everett (R)	Arizona Liquor Board Vice Chair Gila County No Financial Interest	Term Expires March 18, 2010
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 October 2008, the number of new liquor license issued has decreased by less than eight (7.7%) percent, renewals have decreased by less than ten (9.9%) percent, and the number of active licenses has decreased by less than one (0.4%) percent.

Also in comparison to October 2008, lottery license revenues have fallen by ninety-five (95.1%) percent, monthly licensing revenues decreased by sixty-eight (67.8%) percent and total YTD revenues are down approximately forty-eight (47.8%) from \$4,181,141 this time last year.

Achievements: Licensing	Current Month	1 Year Ago This Month	Total FY 2009	Total YTD FY 2010
New licenses issued	157	170	1,892	614
Renewed licenses	684	759	11,097	3,248
Lottery licenses issued	4	15	93	13
Collected Lottery Revenues:	\$ 58,983	\$ 1,191,723	\$ 6,954,292	\$ 192,900
Number of Active Liquor License:	11,172	11,216	n/a	n/a
Collected Licensing Revenues (including lottery revenues):	\$ 550,294	\$ 1,704,276	\$ 10,010,020	\$ 2,185,543

Collected Revenue By Fee Type in October 2009

Fair Market Value	58,983
Applications	12,000
License Fees	219,232
Agent Change	4,250
Fines	47,575
Special Event	6,925
Club	4,500
Penalties	19,050
Copy Fees	385
Non-Use Surcharge	28,800
Audit Surcharge	10,140
Enforcement K Surcharge	31,395
Enforcement L Surcharge	28,305
Miscellaneous	10

TOTAL REVENUES COLLECTED	\$ 543,550
(fingerprints)	6,744
TOTAL REPORT	\$ 550,294

WHAT'S NEXT AT DLLC?

Upcoming Events/Milestones

FY 2009 Annual Report

The DLLC FY 2009 annual report has been completed.

Title 4 Training

Certificates of Completion and applications for state-approved Title 4 training course providers were updated and implemented in October 2009. These updates provide DLLC with the opportunity to review training course curriculums, make current the list of persons conducting training courses, and add an on-line course option to the application. Currently there are three (3) online courses offered. In-house training applications for licensees with 20+ active licenses in Arizona will be updated during the month of November 2009.

New DLLC Website

Input from stakeholders continues to improve the new DLLC website. Feedback on the ease of use and new accessibility to forms and application kits has been very positive. On-line renewals are anticipated to be implemented during the first half of 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 January 2009. This rules rewrite, when accepted, is thought to be the first complete Title 4 rewrite in approximately since the early 1970s.

E-licensing

DLLC's E-Licensing Information System, ELIS, being developed in collaboration with GITA and NIC/CAVU, is anticipated to "go live" in March 2010. The software program is in the final stages of customization prior to a testing period which is targeted for late 2009. 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 10 of the 12-step Sunset Review/Performance Report procedure) which includes public comment and the legislative hearing scheduled for November 4, 2009. OAG will complete all DLLC Performance Audit and Sunset Review reporting by March 2010.

END OF DLLC OCTOBER 2009 REPORT TO THE GOVERNOR