

GOVERNOR'S MONTHLY REPORT
SEPTEMBER 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 September 2009, using three (3) CUBs and two (2) officers, DLLC conducted investigations of thirteen (13) liquor-licensed establishments. Three (3), or twenty-three (23%) percent, of these establishments sold alcohol to a (CUB) resulting in six (6) criminal and six (6) administrative violations. All thirteen (13) of the locations were investigated in response to a complaint received by DLLC.

In September 2009, DLLC saw a decrease of fifteen (15%) percent in alcohol sales to the CUB compared to August 2009. This represents a decrease of six (6%) percent in sales to the CUB compared to September 2008.

Since the inception of the program, two thousand five hundred thirty-seven (2,537) establishments have been investigated and seven hundred eighteen (718) or twenty-eight (28%) percent have been sold to CUB buyers resulting in one thousand seven hundred eleven (1,711) administrative violations and one thousand five hundred forty-three (1,543) 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 thirteen (13) complaint-based locations investigated during September 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	3	3	0

Investigator Palubeskie is currently working on three (3) 2009 TRACE case and three (3) 2009 TRACE cases which are pending information from 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 September 2009:

- 9/2 Arizona Restaurant Assoc. outlet for firearms sign posted on DLLC website – comm. dir. leads

Title 4 training course provider review of TIPS website – comm. dir. leads

SECC kickoff luncheon – admin. mgr. participated
- 9/11 Title 4 training video for servers edited – com. dir. lead
- 9/20 – 23 NCSLA Regional Conference – Asst. Dir. Admin served as panelist and presented on DLLC budget, Dir attended
- 9/23 East Valley Chiefs Meeting – deputy director participated
- 9/25 Industry leader stakeholder meeting regarding regulation/deregulation – DLLC leadership participated

September 2009 Law Enforcement Special Detail:

- 9/4 – 6 Lake Havasu City Labor Day Detail – Investigators Ribersa, Jramillo, Palubestki, Chesley, Trevizo, Turner, Eaton and Miller participated
 - 9/17 Title 4 and Fake ID training – Flagstaff PD, Coconino S.O and NAU PD - Investigators Palubeskie and Miller facilitated
 - 9/20 Cardinal Game –Sgt. Kuhl and Investigator Miller participated
 - 8/26 Fake ID Training – Tucson area businesses - Investigator Miller facilitated
 - 9/26 Title 4 training - Yuma S.O. - Investigators Eaton facilitated
 - 9/27 Cardinal Game –Sgt. Kuhl and Investigator Miller facilitated
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SPECIAL EVENTS
Media

Media Outlet	Content of Story
ASU Campus News	What was the catalyst behind S.B. 1113 (firearms legislation)
KJZZ Public Radio	New firearms legislation
AP	DLLC's investment to-date on firearms legislation
Arizona Republic	New "guns in bars" legislation
KSAZ Fox 10 News	Licensed premises across from PV H.S. serving underage
AZ Daily Star	Time Market holding series 10 and 12 simultaneously
Arizona Republic	Liquor license in El Mirage
AP Phoenix	New "guns in bars" legislation
ASU Campus News	New firearms legislation and DLLC's sign distribution
KOLD 13 News	Auditor General's DLLC report

SUCCESS STATISTICS
Investigations

In September 2009, DLLC investigators completed two hundred forty (240) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred ninety-seven (197) criminal citations and sixteen (16) 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 1:1,069. The decline of a twenty-nine (29) percent in completed achievements for the current month is attributed to staffing and travel restrictions due to budget cuts and the statewide hiring freeze.

Achievements	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Hidden Ownerships Completed	0	4	14	49
Site Inspections Completed	53	173	78	959
Actioned (administrative) Complaints	9	31	40	256
Non-Actioned (criminal) Complaints	44	120	60	532
Administrative Counts Charged	183	422	247	2,643
Criminal Charges Issued	162	268	191	1,806
Routine Liquor Inspections	259	687	348	3,798
Compliance Case Reports Submitted	44	99	77	875
On-view Violation Case Reports	28	58	58	403
Law Enforcement Liaison	69	212	81	909

Underage Investigations Statistics:

	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Citations Issued to Underage	188	285	0	919
Total Underage Violations Cited	197	269	124	1,234

Current Month	Younger than Age 15	-----Age-----					
		15	16	17	18	19	20
Age of minor cited	0	0	0	0	8	23	2

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	16	46	0	77
A.R.S. § 4-241.L Sold to CUB	26	36	19	157
A.R.S. § 4-241.N Use of false ID to enter premises	10	16	3	66
A.R.S. § 4-244.1 Unlicensed Resale	0	0	0	8
A.R.S. § 4-244.9 Furnishing alcohol to an underage	78	117	53	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	51	57	25	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	1	1
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	7	13	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-three (163) active series 11 licenses and two thousand nine hundred fifty-one (2,951) active series 12 licenses statewide. Compared to September 2008, this is a statewide increase of seven (7) hotel/motel with restaurant licenses and a decrease of sixty-two (62) restaurant licenses. DLLC has two (2) fulltime auditors. With a total of three thousand one hundred fifty-six restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1: 1,557.

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits in progress	16	20
Audits closed	8	7
Audits initiated	5	9
Open cases w/projected ratio of >37%	9	3
Open cases w/projected ratio between 30 to 37%	5	15
Open cases w/projected ratio of < 30%	2	2
Locations granted 1 year to continue operation	0	0
Locations being monitored	73	30

In March 2009 eight (8) 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 eight (8) audits completed this month, seven (7) cases, or eighty-seven and ½ (87.5%) percent, revealed actionable violations.

	Current Month	This Month Last Year	Total YTD FY 2010	Total FY 2009	Total 2003 - Present
Audits completed	8	7	26	103	302
Audits passed	4	5	16	56	115
Audits failed	4	1	10	33	144
Inconclusive	0	1	0	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	26 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 September 2009 is seven thousand six hundred twenty-five (\$7,625) dollars. Audit fines assessed during the month of September 2009 total eight thousand one hundred twenty-five (\$8,125) dollars.

Audit Revenue 2-year Comparison

	Current Month	Total FY 2010 YTD	1 Year Ago This Month	Total FY 2009
Fines Collected	6,625	17,000	6,500	81,275
Fines Assessed	8,125	36,200	9,750	90,775
Continuation License (Grill Bill) Revenue	0	0	0	90,000
Pending Continuation Licenses (Grill Bill)	2	--	2	--

SUCCESS STATISTICS
Compliance

Achievements:	Current Month	Total YTD FY 2010	Total FY 2009	1 Year Ago This Month
Revocations	1	5	9	0
Suspensions	0	18	13	2
Surrenders	2	15	17	2
Divestitures	0	4	6	1
Administrative Complaints	7	44	66	6
Decisions & Orders	3	22	48	4

Economic Impact:

The department has collected fines which total thirty-eight thousand and seventy-five (\$38,075) dollars from thirty (30) compliance actions processed and adjudicated between September 1, 2009 and September 30, 2009. This decrease in excess of forty-five (45%) percent in 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.

Fines Collected From Violations:

Current Month	1 Year Ago This Month	Total YTD FY 2010	Total FY 2009
\$38,075	\$69,875	\$167,275	\$886,440

Historical Statistics:

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	97	\$167,275

Adjudicated Statute	Underage Violations Definition	Adjudicated This month	1 Year Ago This Month
A.R.S. § 4-241.A	Failure to Check ID	1	22
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	1	21
A.R.S. § 4-244.22	Consuming w/o permission of premises owner	1	2
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 September 2008, the number of new liquor license issued has decreased by seventeen (17.2%) percent, renewals have decreased by six (6.3%) percent, and the number of active licenses has decreased by less than one (0.2%) percent.

Also in comparison to September 2008, lottery license revenues have fallen by ninety-one (91.2%) percent, license revenues have decreased by three (3.18%) percent, and total YTD revenues are down approximately thirty-four (34%) percent from the YTD total of \$2,476,865 this time last year.

Achievements: Licensing	Current Month	1 Year Ago This Month	Total FY 2009	Total YTD FY 2010
New licenses issued	154	186	1,892	623
Renewed licenses	762	814	11,097	3,371
Lottery licenses issued	7	6	93	13
Collected Lottery Revenues:	\$ 51,484	\$ 588,551	\$ 6,954,292	\$ 192,900
Number of Active Liquor License:	11,069	11,088	n/a	n/a
Collected Licensing Revenues (including lottery revenues):	\$ 560,909	\$579,273	\$10,010,020	\$ 1,635,243

Collected Revenue By Fee Type in September 2009

Fair Market Value	51,484
Applications	13,100
License Fees	335,740
Agent Change	4,150
Fines	38,075
Special Event	6,650
Club	2,250
Penalties	11,850
Copy Fees	174
Non-Use Surcharge	26,900
Audit Surcharge	18,300
Enforcement K Surcharge	25,935
Enforcement L Surcharge	21,165
Miscellaneous	0

TOTAL REVENUES COLLECTED	\$ 555,773
(fingerprints)	5,136
TOTAL REPORT	\$ 560,909

WHAT'S NEXT AT DLLC?

Upcoming Events/Milestones

FY 2009 Annual Report

The DLLC FY 2009 annual report will be ready for distribution in October 2009.

S.B. 1113 "NO FIREARMS ALLOWED" Signs

In response to an unfunded mandate included in S.B. 1113, a bill passed during the 2009 Legislative Session, DLLC printed 1500 "NO FIREARMS ALLOWED" signs which have been available to licensees since late August. Due to budget constraints, DLLC will not mail the signs to licensees. Several organizations have offered to distribute the signs and a few of those organizations have offered to mail them to the requestor. Organizations that have offered to distribute signs include the Arizona Restaurant Association, Arizona Licensed Beverage Association and Arizona Beverage Analyst Magazine.

Mandatory State Website Continuity

DLLC launched its new website on September 1, 2009 which was deadline for the statewide uniform look for all agency websites. Feedback has been positive due to many improvements in navigation, information, and layout.

Resume Newly Proposed Rulemaking

Once the rulemaking process resumes, DLLC will review the Rules rewrite completed in late 2008 to include relevant updates which have occurred during the moratorium issued in 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, is being developed in collaboration with GITA and NIC/CAVU. The software program is in the final stages of customization prior to a testing period which is targeted for September 2009. The "go live" date for ELIS is anticipated in January 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 9 of the 12-step Sunset Review/Performance Report procedure) and has publicly released the audit findings for DLLC. OAG will complete all DLLC Performance Audit and Sunset Review reporting by March 2010.

END OF DLLC SEPTEMBER 2009 REPORT TO THE GOVERNOR