

GOVERNOR'S MONTHLY REPORT
NOVEMBER 2010



STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL
Alan Everett, 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. 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 November 2010, using five (5) CUBs and four (4) officers, DLLC conducted investigations of twelve (12) liquor-licensed establishments. Five (5), or forty-one (41%) percent, of these establishments sold alcohol to a (CUB) resulting in one (1) criminal and ten (10) administrative violations. Establishments were located in Phoenix, Scottsdale, Avondale and Buckeye. All twelve (12) locations were investigated in response to complaints received by DLLC.

In November 2010, DLLC saw a decrease of fifty-five (55%) percent in liquor sales to the CUB compared to the previous month, October 2010. This represents a fifty (50%) percent decrease in sales to the CUB compared to November 2009.

Since the inception of the program, two thousand seven hundred six (2,706) establishments have been investigated and eight hundred twenty-nine (829) or thirty (30.6%) percent have been sold to CUB buyers resulting in one thousand nine hundred thirteen (1,913) administrative violations and one thousand six hundred ninety-eight (1,698) 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	139	85	61%	179	111

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

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	8	20	4
2010	4	11	3

Investigator Palubeskie is currently working on one (1) 2009 TRACE case and one (1) 2010 TRACE cases. To complete these cases, DLLC requires additional information which will be provided by local law enforcement agencies. Four (4) cases have been completed in calendar year 2010 resulting in eleven (11) administrative and three (3) 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 November 2010:

Arizona League of Cities and Towns Executive Committee Meeting – Director and Comm. Dir.
Arizona Restaurant Association – Director participated
GOHS DUI Enforcement and Designated Driver Campaign – Director and Deputy Dir.

November 2010 Law Enforcement Special Detail:

DLLC Title 4 and Fake ID Training – All attended
Gaming Case – Officer Ribera conducted

Special Events Media

Media Outlet	Story Content
KVOA Tucson	Candy Store board decision
Gilbert - Arizona Republic	Gilbert opposes Sam's sampling application
Western Arizona Reporter	BJ's in Lake Havasu City
ASU	Alcohol sales in Tombstone
Mohave Valley Daily News	Whispers in Ft. Mohave

SUCCESS STATISTICS
Investigations

In November 2010, investigators completed two hundred thirty-two (232) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in ninety-three (93) criminal citations and seven (7) 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 1:1,220.

A decrease in total investigative achievements during November 2010 of nineteen (19%) percent compared to November 2009 is the result of the state budget deficit, no funding for overtime, and a hiring freeze. These factors have, collectively, reduced the investigative staff by fifty-five (55%) percent since November 2007. In addition to staff reductions, investigators have found it necessary to restrict travel expenses. In November 2009, DLLC employed ten (10) fulltime investigators, down from twenty (20) in 2007.

Achievements	Current Month	Total FY 2011	1 Year Ago This Month	Total FY 2010
Hidden Ownerships Completed	0	4	2	17
Site Inspections Completed	32	358	68	653
Actioned (administrative) Complaints	10	42	12	128
Non-Actioned (criminal) Complaints	44	203	30	408
Administrative Counts Charged	68	572	105	1,615
Criminal Charges Issued	101	418	88	969
Routine Liquor Inspections	232	1,036	217	2,954
Compliance Case Reports Submitted	33	203	45	469
On-view Violation Case Reports	15	134	29	312
Law Enforcement Liaison	58	257	63	764

Underage Investigations Statistics:

	Current Month	Total FY 2011 YTD	1 Year Ago This Month	Total FY 2010
Citations Issued to Underage	58	217	68	736
Total Underage Violations Cited	93	348	74	721
Total Achievements	744	--	801	--

Current Month	Younger than Age 15	-----Age-----					
		15	16	17	18	19	20
Age of minor cited	1	0	1	8	15	14	1

SUCCESS STATISTICS

Investigations (continued)

Underage Investigations Statistics (continued):

Statute/ Definition	# of Citations issued this month	Total FY 2011 YTD	1 Year Ago This Month	# of Citations issued in FY '10
A.R.S. § 4-241.A Failure to Check ID	10	38	7	99
A.R.S. § 4-241.L Sold to CUB	22	51	10	54
A.R.S. § 4-241.N Use of false ID to enter premises	0	7	0	65
A.R.S. § 4-244.1 Unlicensed Resale	0	4	0	29
A.R.S. § 4-244.9 Furnishing alcohol to an underage	55	187	56	467
A.R.S. § 4-244.22 Consuming w/o permission of premises owner	2	13	9	15
A.R.S. § 4-244.33 Underage DUI	0	0	0	0
A.R.S. § 4-244.40 Alcohol in system of underage	0	0	0	73
A.R.S. § 4-244.41 Accept \$ to allow underage in bar	0	0	n/a	57
A.R.S. § 13-2907.01 Providing false information to state	0	0	0	0
A.R.S. § 13-3478 Unlawful use of a license	0	0	0	0
A.R.S. § 28-3478.1 Unlawful use of driver's license	2	21	0	1
A.R.S. § 28-3478.3 Using another person's driver's license	1	4	2	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-five (165) active series 11 licenses and three thousand one hundred forty-four (3,144) active series 12 licenses statewide. Compared to November 2009, the number of hotel/motel with restaurant licenses has been reduced by one (1) license and the number of restaurant licenses has increased by forty-one (41).

DLLC employs two (2) fulltime auditors. Prior to August 2009, DLLC employed three (3) fulltime auditors. With a total of three thousand three hundred nine (3,309) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,655.

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits in progress	10	14
Audits closed	7	10
Audits initiated	1	9
Open cases w/projected ratio of >37%	2	6
Open cases w/projected ratio between 30 to 37%	6	7
Open cases w/projected ratio of < 30%	2	1
Locations granted 1 year to continue operation	0	0
Locations being monitored	78	80

In November 2010, seven (7) audits were closed and one (1) audit was initiated (audit considered initiated after an appointment date is set to pick up accounting records). Of the seven (7) audits completed this month, all revealed actionable violations. During the month of November 2010, the counties in which audits were completed are Maricopa, Mohave and Coconino.

	Current Month	Total YTD FY 2011	This Month Last Year	Total FY 2010	Total 2003 - Present
Audits completed	7	29	10	87	392
Audits passed	3	13	4	51	150
Audits failed	4	16	3	30	164
Inconclusive	0	0	3	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:

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	87 audits
FY 2011 YTD	29 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 November 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 November 2010 is six thousand two hundred fifty (\$6,250) dollars. Audit fines assessed during the month of November 2010 total three thousand seven hundred fifty (\$3,750) dollars. Total fines collected to-date in FY 2011 total thirteen thousand (\$13,000) dollars.

Audit Revenue 2-year Comparison

	Current Month	Total FY 2011 YTD	1 Year Ago This Month	Total FY 2010
Fines Collected	6,250	39,425	12,000	81,750
Fines Assessed	13,000	48,175	7,500	88,200
Continuation License (Grill Bill) Revenue	0	90,000	0	0
Pending Continuation Licenses (Grill Bill)	2	--	1	--

SUCCESS STATISTICS

Compliance

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

Newly Tracked Achievements:	Current Month	Total YTD FY 2011
Cases Received	45	229
Cases Completed	17	146
Cases in Progress	28	83
Warning Letter Issued	2	27
Cases Sent to OAH	1	2

Economic Impact:

The Compliance Unit collected fines which total sixty-five thousand seven hundred fifty (\$65,750) dollars from thirty (30) compliance actions processed and adjudicated between November 1 and November 30, 2010. This is a seven and one half (7.5%) percent increase from November 2009 collections with an equal 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.

	Current Month	Total YTD FY 2011	1 Year Ago This Month	Total FY 2010
Fines collected	\$65,750	\$306,825	\$61,150	\$705,725
Cases adjudicated	30	166	37	415

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
2009-2010	415	\$705,725
2010-2011 YTD	166	\$306,825

SUCCESS STATISTICS Compliance (continued)

Adjudicated Underage Violations		Adjudicated	1 Year Ago	FY2011
Statute	Definition	This month	This Month	YTD
A.R.S. § 4-241.A	Failure to Check ID	1	33	29
A.R.S. § 4-241.L	Sold to CUB	0	0	0
A.R.S. § 4-244.1	Unlicensed Resale	0	3	3
A.R.S. § 4-244.9	Furnish alcohol to an underage	1	28	30
A.R.S. § 4-244.16	knowingly allow furnishing liquor to underage	0	2	0
A.R.S. § 4-244.22	Consume w/o permission of premises owner	1	5	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

Achievements:	Current Month	Total YTD FY 2011	1 Year Ago This Month	Total FY 2010
Hearings Scheduled	8	46	12	107
Licenses Granted	2	8	3	40
Licenses Denied	4	8	3	19
Continuances Granted	2	22	4	29
License Withdrawn	0	6	1	15
Hearing Vacated, No Action Required	0	0	0	0
Hearing Removed From Agenda	0	0	0	0
Rehearing Requested	0	0	1	2
Exemption Received	0	0	0	0
Appeals Heard	0	2	0	2

During the month of November 2010, thirty-three (33.33%) percent of the license application in protest were granted and sixty-six (66.66%) percent of protested applications were denied. For the fiscal year 2011, the Board has granted fifty (50%) percent of the licenses protested and denied fifty (50%) 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 November 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 November 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.

Achievements: Licensing	Current Month	Total YTD FY 2011	1 Year Ago This Month	Total FY 2010
New licenses issued	106	716	115	2,114
Renewed licenses	1,002	5,176	918	11,162
Lottery licenses issued	0	0	7	35
Collected Lottery Revenues:	\$ 0	\$ 1,376,472	\$ 58,983	\$ 562,824
Number of Active Liquor License:	10,984	n/a	10,871	n/a
Collected Licensing Revenues (including lottery revenues):	\$ 368,561	\$ 3,750,704	\$ 511,458	\$6,503,816

Collected Revenue By Fee Type in November 2010

Fair Market Value	0
Applications	11,300
License Fees	81,855
Out-of-State	77,200
Agent Change	2,300
Fines	65,825
Special Event	3,625
Club	4,225
Penalties	7,350
Copy Fees	123
Non-Use Surcharge	42,800
Audit Surcharge	780
Enforcement K Surcharge	33,250
Enforcement L Surcharge	33,070
Miscellaneous	10
TOTAL REVENUES COLLECTED	\$ 363,713
(fingerprints)	4,848
TOTAL REPORT	\$ 368,561

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 is on track to produce three million three hundred thirty thousand three hundred sixty (\$3,330,360) dollars in state revenue. To date, one million three hundred seventy-six thousand four hundred seventy-two (\$1,376,472) dollars in FY 2010 lottery revenue have been collected. The remaining balance is due by February 25, 2011. The FY 2009 lottery 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 budget cuts experienced by all agencies involved in the project, staff and funds reductions have forced the "go live" date to be postponed and no new date has been determined. Since hiring a new IT Specialist and gaining 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 an implementation date during FY 2011. 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 legislative updates.

Resume Newly Proposed Rulemaking

In August 2010, DLLC requested an exemption to the rulemaking moratorium. In turn, the Governor's Office has requested assurance of collaboration and support of industry leaders to implement the proposed rules. Liquor industry attorneys will review the proposed rulemaking which was submitted to the Governor's Regulatory Review Counsel in June 2008 and, subsequently, put on hold due to the January 22, 2009 Regulatory Review Plan Moratorium. DLLC's response to the Governor's Office is expected sometime in early January 2011.

Staffing

DLLC has hired Tolleson Police Officer, Danny C. Wilde. Officer Wilde's employment begins on Monday, January 3, 2011 and will elevate the number of sworn officers on the investigation division staff to ten (10).

END OF DLLC NOVEMBER 2010 REPORT TO THE GOVERNOR