



STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL

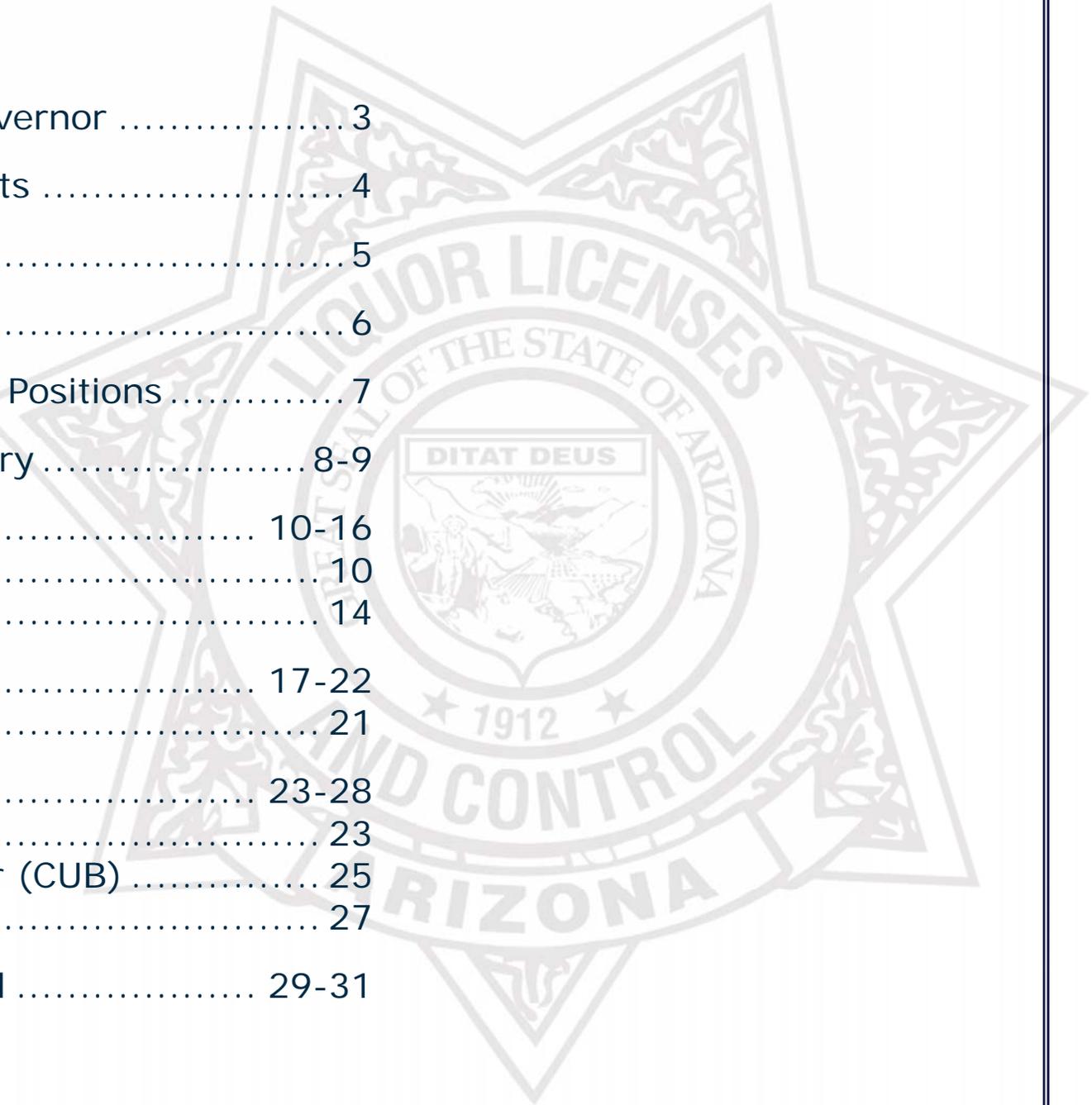
FY 2010
Annual Report
July 1, 2009 - June 30, 2010

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STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL

Janice K. Brewer
GOVERNOR

Alan Everett
DIRECTOR

November 1, 2010

The Honorable Janice K. Brewer
Office of the Governor
1700 W. Washington
Phoenix, Arizona 85007

Dear Governor Brewer,

On behalf of the Department of Liquor Licenses and Control (DLLC), I submit to you its 28th Annual Report.

While using fewer human resources than at any time in its history, DLLC has implemented innovative initiatives to achieve its mission. Data in this report will illustrate a thriving Arizona liquor industry and achievements of DLLC's dedicated staff.

Highlights of DLLC accomplishments in the past fiscal year include: prevention of 721 incidences of underage consumption and/or sales; a 41.5 percent decrease in actionable cases involving underage persons; \$64.5 million in state luxury tax generated from liquor sales; 11,765 active liquor licenses at year-end, an increase of 132 from the previous year.

DLLC will embrace the challenges of the new fiscal year and seek innovative methods of achieving its mission.

Sincerely,

A handwritten signature in black ink that reads "Alan Everett". The signature is written in a cursive, flowing style.

Alan Everett,
Director

cc: The Honorable Robert "Bob" Burns, President, Arizona State Senate
The Honorable Kirk Adams, Speaker, Arizona House of Representatives

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DLLC Mission Statement

To vigilantly promote the health, safety and welfare of Arizona citizens by licensing the liquor industry and assuring compliance with state liquor laws through collaboration, training, adjudication, and enforcement.

DLLC Vision Statement

DLLC continuously improves processes that teach and enforce Arizona's liquor laws and license liquor establishments statewide. The quality of the outcome remains the number one, non-negotiable priority. For everything we do, we recognize there is a better way...our challenge is to find and implement improvements that maximize positive outcomes.

Director's Overview of FY 2010

The liquor industry has been a strong contributor to Arizona's economy since our state began regulating liquor in 1933. Luxury tax collected from the sale of liquor totaled 65.4 million dollars in FY 2010. This represents a 1.9 percent increase compared to FY 2009. The chart to the right illustrates a 15-year history of luxury tax revenues collected exclusively from the sale of liquor in Arizona.

In addition to luxury and sales tax revenues from liquor, the Department of Liquor Licenses and Control (DLLC) collected revenues of approximately \$7 million from license fees and fines from liquor law violations. Of these revenues, DLLC deposited 77 percent, or \$5.4 million, into the State General Fund.

Arizona realized an increase in the number of new liquor-licensed business establishments in FY 2010. Two thousand one hundred fourteen new establishments were licensed, a 11.7 percent increase from FY 2009. The number of renewed licenses also increased. DLLC processed 11,162 liquor license renewals in FY 2010 compared to 11,097 the previous year.

DLLC investigators prevented or terminated 721 incidents of underage drinking and reduced the number of cases involving underage person(s) by 41.5 percent compared to FY 2009.

Arizona Luxury Tax Collections From the Sale of Liquor FY1996 - FY2011

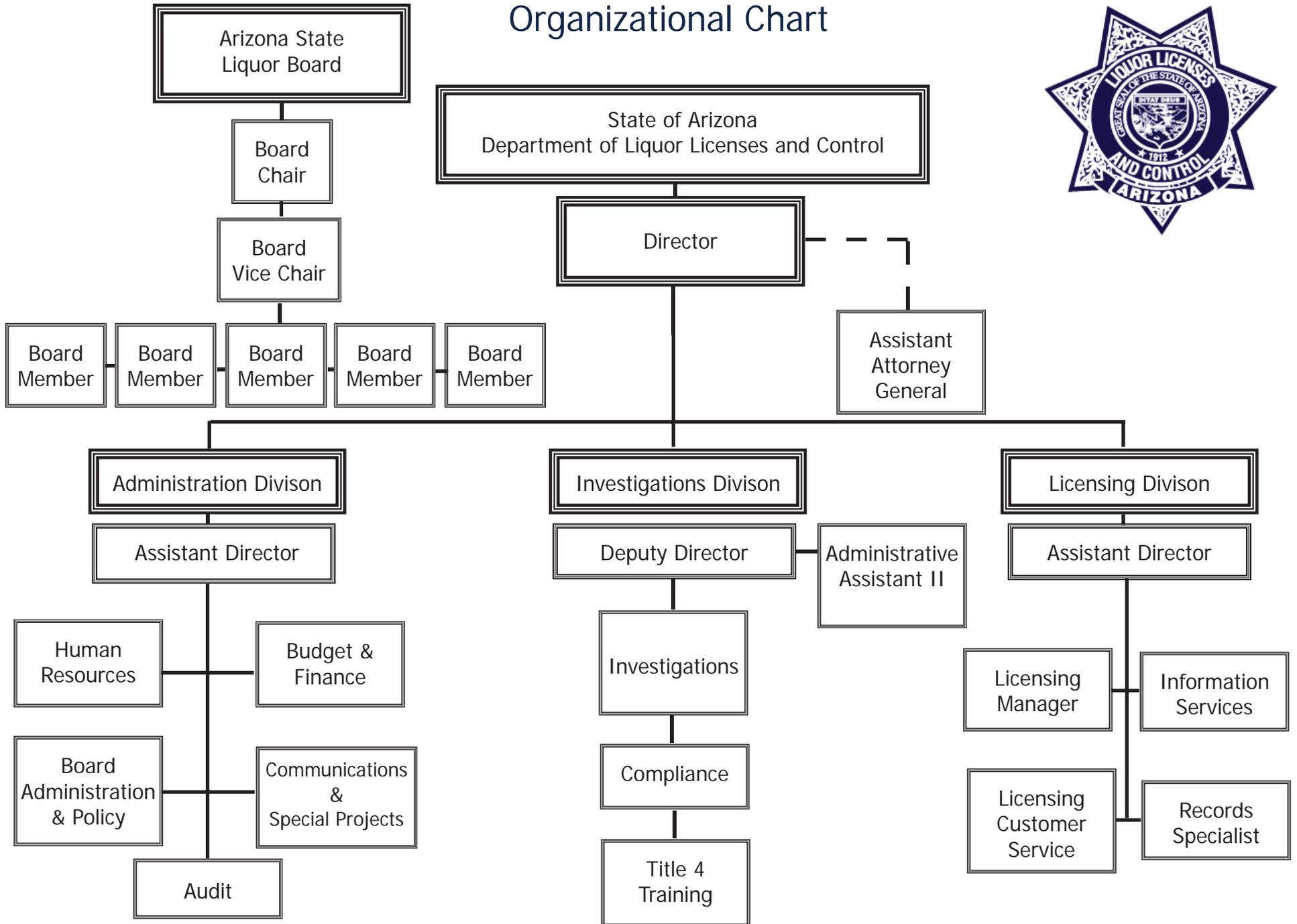
FY 1996 \$44,749,355	FY1997 \$45,092,337	FY1998 \$46,144,253	FY1999 \$48,152,111	FY2000 \$50,923,162
FY 2001 \$51,407,354	FY2002 \$52,641,368	FY2003 \$54,066,844	FY2004 \$55,953,790	FY2005 \$59,233,067
FY 2006 \$61,147,360	FY2007 \$63,188,905	FY2008 \$64,556,551	FY2009 \$64,178,705	FY2010 \$65,418,835



Alan Everett

This FY 2010 annual report (July 1, 2009 - June 30, 2010) illustrates multiple-year comparisons to increase the public's understanding of the responsibilities and accomplishments of the Department of Liquor Licenses and Control; a small state regulatory agency staffed by 33 individuals working to ensure that Arizona is home to a responsible and safe liquor industry.

Organizational Chart





Full Time Equivalent Positions (FTEs)

The Department of Liquor Licenses and Control (DLLC) had a total of forty-seven (47.2) authorized Full Time Equivalent positions, or FTEs, throughout FY 2009. Due to a hiring freeze and budget reductions, at year end, thirty-three (33) FTEs were assigned to the DLLC's three Divisions.

Administration Division

Total FTEs = 8.5

Director	1
Assistant Director	1
Human Resources Unit	1/2
Budget & Finance Unit	2
Audit Unit	2
Communications & Special Projects.....	1
Liquor Board Administrator/ Policy Analyst.....	1

Licensing Division

Total FTEs = 12

<u>Phoenix Office</u>	
Assistant Director	1
Licensing Manager	1
Customer Service Representatives.....	6
Information Technology (IT)	1
Records Specialists	3

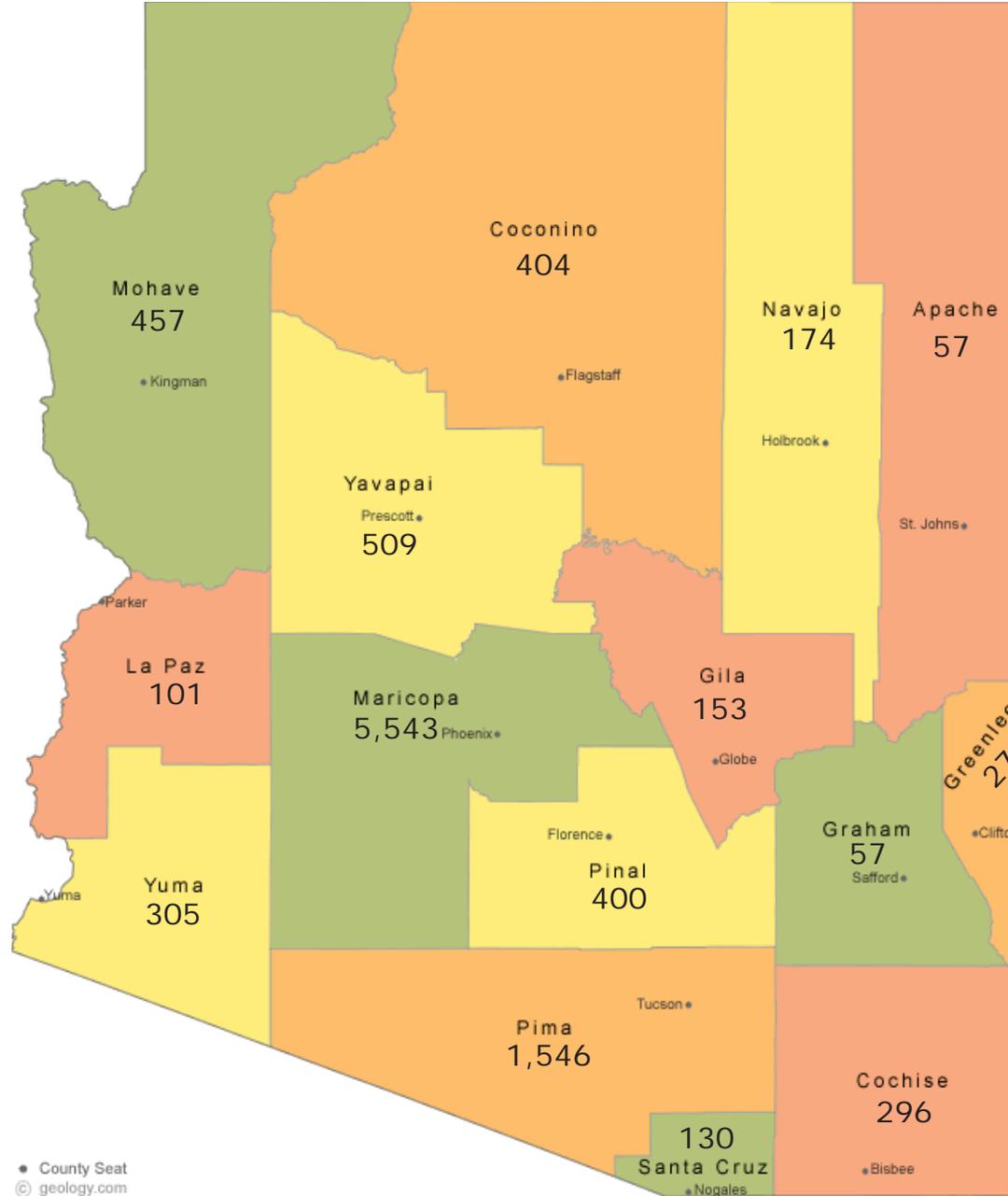
Investigations Division

Total FTEs = 12.5

<u>Phoenix Office</u>	
Deputy Director.....	1
Administrator	1/2
Compliance Unit	2
Investigators.....	9

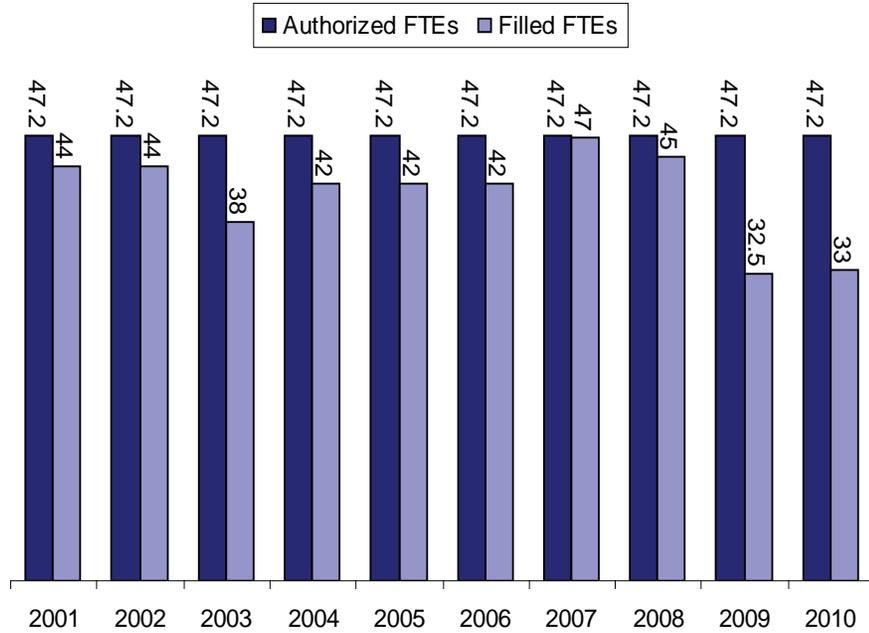
Liquor Licensed Establishments Overseen By DLLC

Year End FY 2010

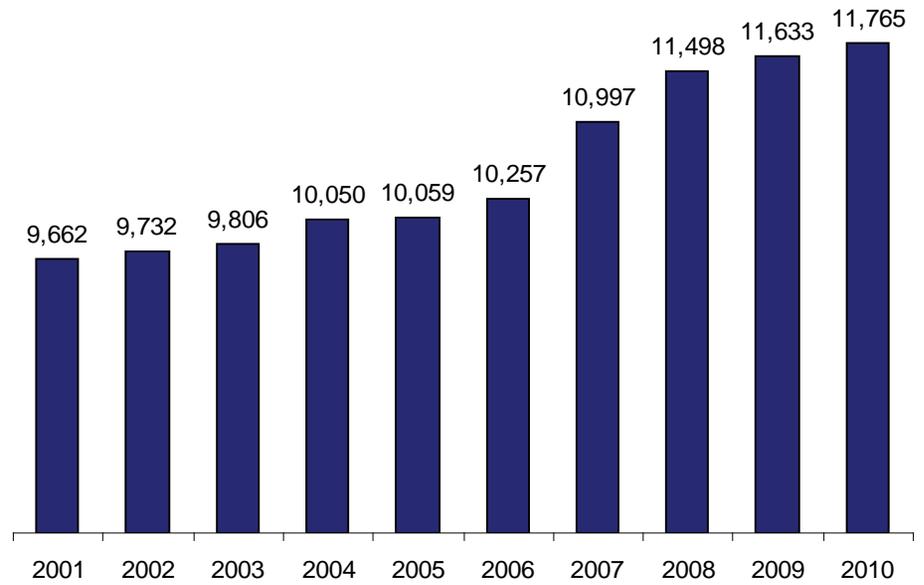


● County Seat
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Number of Full Time Equivalent (FTE) Positions
Ten Year History



Number of Active Liquor Licenses
Ten Year History



Liquor License to FTE Ratio
Ten Year History

2001.....	220:1	2006.....	244:1
2002.....	221:1	2007.....	234:1
2003.....	258:1	2008.....	255:1
2004.....	239:1	2009.....	358:1
2005.....	240:1	2010.....	357:1

Administrative Division

The Administrative Division is responsible for four DLLC units; Audit, Budget and Finance, Communciations and Special Projects, and Human Resources.

The Audit Unit audits liquor licensed establishments that are hotel/motels with restaurants (series 11) as well as restaurants (series 12), to ensure they maintain the 40:60 food-to liquor sales ratio required by Title 4.

The Budget and Finance Unit tracks the use of funding allocated to the department, tracks the source of collected revenues, and coordinates revenue disbursements and deposits into state and county funds.

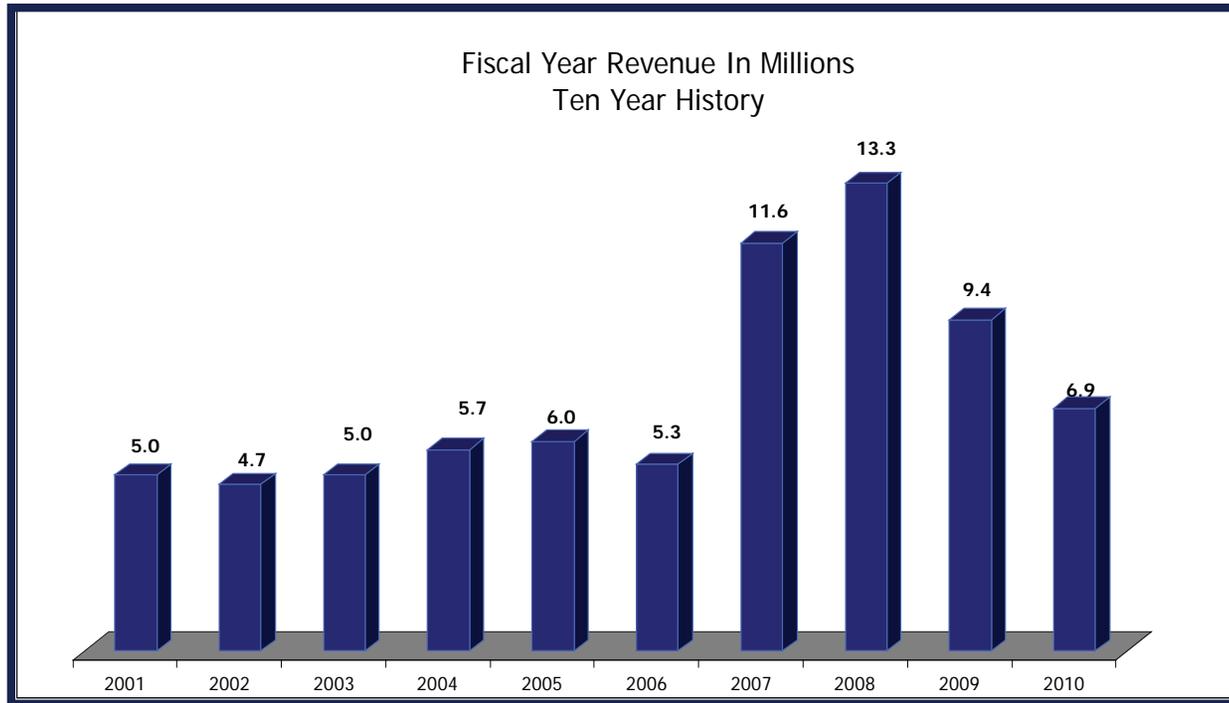
The Communications and Special Projects Unit directs information coming into and going out of the department including social and news media, website, meetings and presentations.

The Human Resources Unit manages a proper entrance and exit process for employees, participates in the creation, maintenance and distribution of departmental policies and procedures, and facilitates DLLC's on-going employee training curriculum.

Budget and Finance

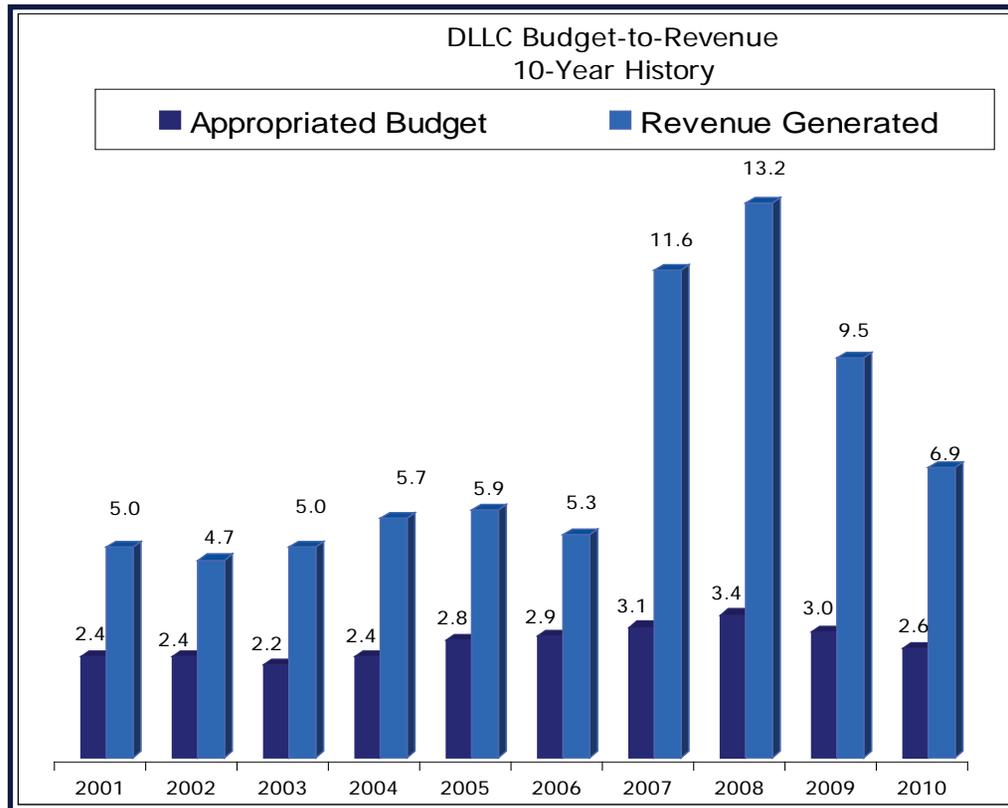
Collected Fees and Charges By Source

<u>Source</u>	<u>FY 2009</u>	<u>FY2010</u>
Fair Market Value Lottery Liquor Licenses.....	2,975,355	562,824
Applications	165,300	177,675
License Fees.....	3,806,481	3,904,051
Out-of-State	90,225	75,463
Agent Change.....	48,950	56,900
Fines.....	886,440	711,550
Special Event.....	49,175	50,600
Club.....	56,400	52,200
Penalties	140,600	151,500
Copy Fees	4,868	2,299
Non-Use Surcharge	321,800	264,200
Audit Surcharge	158,730	161,670
Enforcement K Surcharge	385,035	390,740
Enforcement L Surcharge.....	339,390	343,940
Miscellaneous	100	85
Fingerprints	81,600	69,936
TOTAL REVENUES COLLECTED.....	\$9,510,448	\$6,975,632



Approximately 70 percent of the fees collected by DLLC are deposited into the state's General Fund the remaining 30 percent are distributed as follows:

- One-third (1/3) of all license fees are reserved and returned to the county of origin. Licensing fees deposited into the General Fund are disbursed to the counties with the exception of Maricopa and Pima. These two counties receive three thousand (3,000) dollars per license that they issue in unincorporated areas. The remainder of the license fees, and all other receipts, are retained by the state General Fund. Reference A.R.S. § 4-115.
- Fees from special event liquor permits (series 15) are transferred to the Department of Health Services. Reference A.R.S. § 4-203.02 (A)1.
- Fees from club licenses (series 14) are transferred to the Department of Economic Security's Division of Developmental Disabilities. Reference A.R.S. § 4-116.
- A surcharge of thirty (30) dollars per license renewal for bar (series 6), beer and wine bar (series 7), and restaurant (series 12) is assessed, with industry support, for funding DLLC's Audit Unit. Reference A.R.S. § 4-209 (J).
- A surcharge of thirty-five (35) dollars per license is used to investigate licensees who have been the subject of multiple complaints to DLLC. Reference A.R.S. § 4-209 (K).
- A surcharge of twenty (20) dollars per license renewal for hotel/motel with restaurant (series 11) and restaurant (series 12) licenses, and thirty-five (35) dollars for all other licenses types, is assessed for a neighborhood association interaction/liquor enforcement unit. Reference A.R.S. § 4-209 (L).
- Money received for processing fingerprints is transferred to the Department of Public Safety to pay the FBI for fingerprint review charges.



Revenues and Appropriated General Fund Budget
Ten Year History (in millions)

Fiscal Year	Revenues	Budget	Change from Previous Year	
			Revenue	Budget
2001	5.000	2.45	(2.72%)	2.08%
2002	4.746	2.47	(5.08%)	0.82%
2003	5.000	2.20	5.35%	(10.93)
2004	5.730	2.45	14.60%	11.36%
2005	5.960	2.81	4.01%	14.69%
2006	5.300	2.92	(11.07%)	3.91%
2007	11.600	3.11	118.87%	6.51%
2008	13.280	3.49	14.48%	12.22%
2009	9.510	3.03	(28.39%)	(13.18%)
2010	6.905	2.65	(27.39%)	(12.54%)

Disbursement of Revenues

Part I

Revenue Sources and General Fund Deposits

<u>Source of Revenues Disbursed by DLLC</u>	<u>FY 2009</u>	<u>FY2010</u>
License & permit fees	5,426,453	5,479,822
Fair Market Value (liquor license lottery)	2,975,355	562,824
Fines (liquor law violations)	886,440	711,550
Penalty Fees (late renewals)	140,600	151,500
Fingerprint Fees.....	81,600	69,936
SUB-TOTAL DISBURSEMENT TO GENERAL FUND	\$9,510,448	\$6,975,632
<u>Disbursement To General Fund of DLLC Revenues</u>	<u>FY 2009</u>	<u>FY2010</u>
Fair Market Value (liquor license lottery)	1,975,355	161,670
License & Permit Fees	5,013,024	390,740
Fines (liquor law violations)	886,440	711,550
Penalty Fees (late renewals)	140,622	151,500
SUB-TOTAL DISBURSEMENT TO GENERAL FUND	\$8,015,411	\$5,401,897
PERCENTAGE OF DLLC TOTAL REVENUE	84.28%	77.43%
TOTAL REVENUE COLLECTED BY DLLC	\$9,510,448	\$6,975,632

Disbursement of Revenues

Part II

Title 4 (Arizona liquor law) Required Disbursements

Disbursement of DLLC Revenues	FY 2009	FY2010
Counties		
Apache	4,908	5,301
Cochise	18,331	26,938
Coconino.....	47,779	47,700
Gila	11,572	12,344
Graham.....	3,086	2,417
Greenlee	1,508	1,192
La Paz.....	9,557	10,846
Maricopa	63,000	93,000
Mohave.....	56,685	50,720
Navajo.....	12,947	13,457
Pima	51,000	99,000
Pinal	39,536	35,291
Santa Cruz	11,897	13,518
Yavapai.....	63,494	63,491
Yuma.....	29,377	29,434
Other Agencies		
Dept. of Health Services (Special Event Fees).....	49,175	52,200
Dept. of Economic Security Div of Developmental Disabilities.....	56,400	50,600
DLLC		
Audit Surcharge.....	158,730	161,670
Enforcement Surcharge K	385,035	390,740
Enforcement Surcharge L	339,390	343,940
Fingerprint Fees.....	81,600	69,936
SUB-TOTAL DISBURSEMENT TO COUNTIES, OTHER AGENCIES AND DLLC	\$1,495,007	\$1,573,735

The Audit Unit monitors, and performs audits of two types of liquor-licensed establishments; hotel/motel with restaurant (series 11); and restaurant (series 12). Audits are conducted to ensure that restaurants are not operating as bars and are maintaining a 40:60 food-to-liquor sales ratio which is required by Title 4 (Arizona liquor law). At year end FY 2010, active restaurant-type licenses statewide accounted for 3,242 or 27.5 percent of the total active liquor licenses statewide.

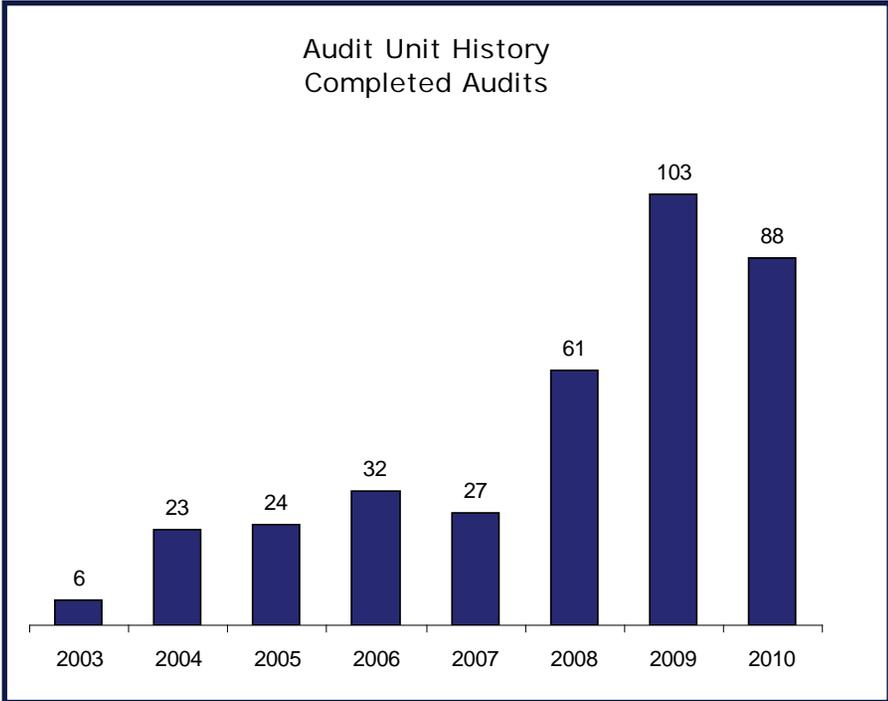
This year the Audit staff was reduced from three (3) to two (2) fulltime auditors. Annual reporting requirements for restaurant renewals include the completion of a Financial Review Form which continues to increase DLLC's ability to efficiently monitor these establishments.

Number of Cases Open for Audit At Year End

<u>Case Type</u>	<u>FY 2009</u>	<u>FY2010</u>
Audits in Progress	21	16
Open Cases w/Projected Ratio of >37%	5	4
Open Cases w/Projected Ratio Between 30 – 37%	15	12
Open Cases w/Projected Ratio of <37%	1	0
Location Granted 1-year To Continue Operation	1	1
Locations Being Monitored	26	81

Number of Active Restaurant-type Licenses At Year End

<u>Case Type</u>	<u>FY 2009</u>	<u>FY2010</u>
Hotel/motel w/Restaurant (series 11)	161	163
Restaurant (series 12)	3,046	3,079
Restaurant Licenses Combined (series 11 & 12)	3,207	3,242
Total Liquor Licenses Statewide.....	11,633	11,765



Audit Unit Statistics

Action	FY 2009	FY2010
Total audits completed	103	87
Total audits passed	56	51
Total audits failed	33	30
Total audits inconclusive/audit not performed.....	14	6

Economic Impact

Source	FY 2009	FY2010
Fees from continuation licenses issued.....	90,000	60,000
Assessed fine revenue	90,775	88,200
Collected fine revenue	81,275	81,750

Licensing Division

The Licensing Division is responsible for processing new license applications, permits, renewals, and maintaining up-to-date and accurate information on active licenses. There were 11,765 active liquor licenses in Arizona at year end FY 2010, a one percent (1%) increase from year end FY 2009.

In FY 2010, 2,114 new licenses 2,019 special event permits were issued. Eleven thousand one hundred sixty-two (11,162) licenses were renewed and 570 interim permits were issued. Combined licensing transactions total 15,865.

DLLC's Information Technology (IT) and Records Unit provides support for the Licensing Division which includes continuous on-line access of license status for industry stakeholders, generating monthly renewal applications, and scanning documents into the Licensing Control System (LCS), a database developed for the agency in the 1990s. LCS also captures data used on the DLLC website, generated by the investigations and compliance divisions, in addition to storing public records. LCS is updated by the licensing, compliance, and investigative staff and maintained by IT.

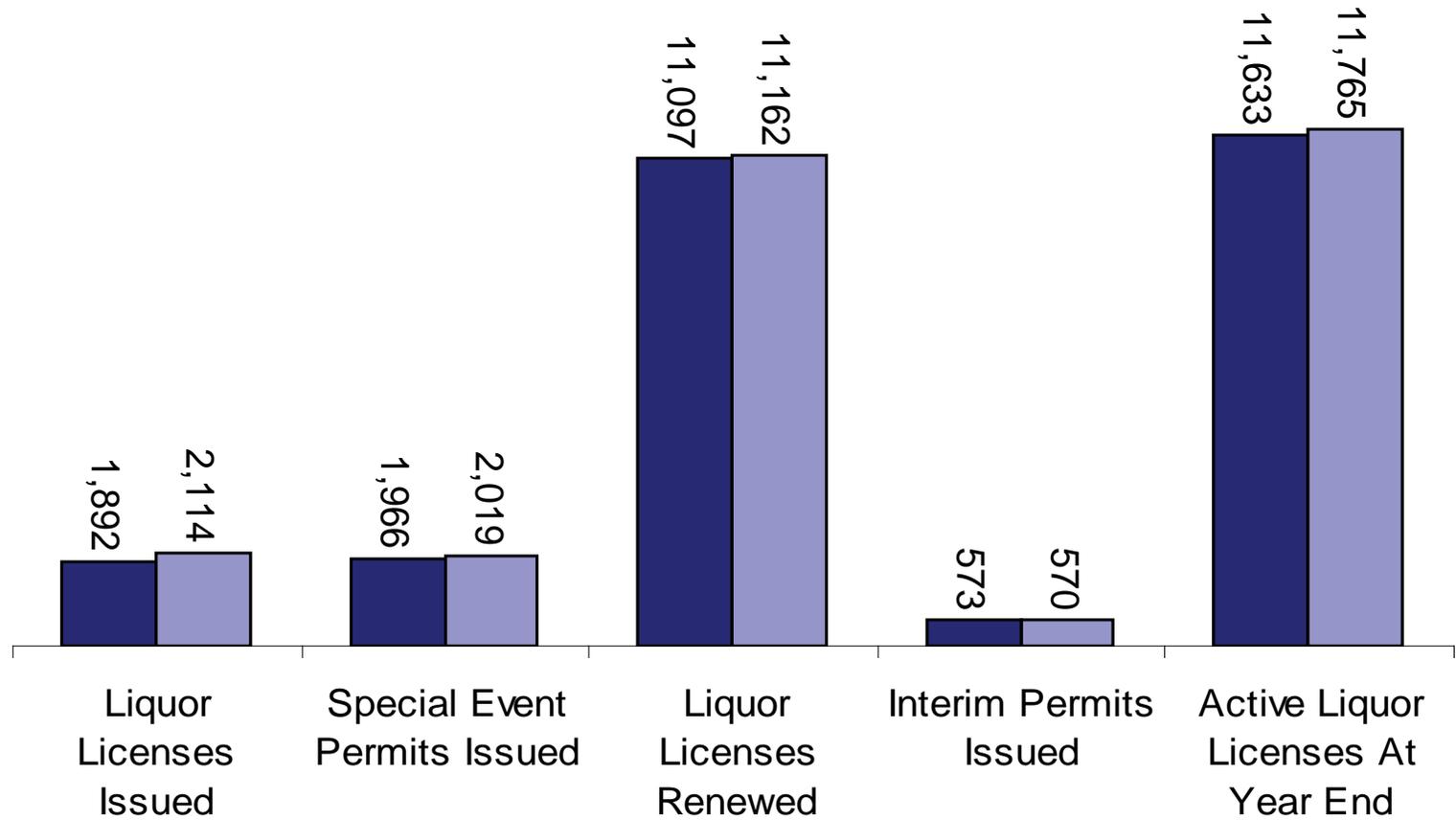
Arizona has realized a forty-four percent (44%) increase in the number of liquor licenses since 1991, when LCS was implemented. A new e-Licensing Information System (ELIS), which will replace LCS, is in the final stages of development. ELIS, part of a statewide e-licensing initiative is being lead by Government Information Technology Agency (GITA).

FY 2010 Licensing Division Statistics

Action	FY 2009	FY 2010	Change
New Liquor Licenses Issued	1,892.....	2,114	11.7%
Special Event Permits Issued	1,966.....	2,019	2.69%
Liquor Licenses Renewed	11,097.....	11,162.....	.56%
Interim Permits Issued.....	573.....	570	(.5%)
Current Active Liquor Licenses.....	11,633.....	11,765.....	1.13%

Licensing Division Transaction Activity

■ Transactions in 2009 ■ Transactions in 2010



Types of Liquor Licenses, County Codes, License Number Components

License Series	Series Description	County Name	County Code
Series 01	In-State Producer	Apache	01
Series 02	Out-of-State Producer	Cochise	02
Series 03	Domestic Microbrewery	Coconino	03
Series 04	Wholesaler	Gila	04
Series 05	Government	Graham	05
Series 06	Bar (All spirituous liquor)	Greenlee	06
Series 07	Beer and Wine Bar (Beer and wine only)	Maricopa	07
Series 08	Conveyance (Airplanes, Trains, Boats)	Mohave	08
Series 09	Liquor Store (All spirituous liquor)	Navajo	09
Series 10	Beer and Wine Store (Beer and wine only)	Pima	10
Series 11	Hotel-Motel (with restaurant)	Pinal	11
Series 12	Restaurant	Santa Cruz	12
Series 13	Domestic Farm Winery	Yavapai	13
Series 14	Club (Private)	Yuma	14
Series 15	Special Event (Temporary license)	La Paz	15
Series 16	Wine Festival/Wine Fair		
Series 17	Direct Shipment License		

Liquor License Number Components

Sample License Number: 06031050

06 = a series 6 bar license

03 = licensed premises is located in Coconino County

1050 = sequential number of issue for this liquor license

Liquor License Count by County and License Type

June 30, 2010

County Code	In-State Producer	Out-of-State Producer	Domestic Microbrewery	Wholesaler	Government	Bar (all liquor)	Beer & Wine Bar	Conveyance	Liquor Store (all liquor)	Beer & Wine Store	Hotel/Motel	Restaurant	Domestic Farm Winery	Club (private)	TOTAL
01) Apache County	0	0	0	0	0	22	4	0	16	4	2	6	0	3	57
02) Cochise County	0	0	3	1	3	68	35	0	44	61	5	49	14	13	296
03) Coconino County	1	0	4	6	3	54	59	3	53	78	18	114	0	11	404
04) Gila County	0	0	0	2	0	47	20	0	25	24	2	23	1	9	153
05) Graham County	0	0	0	1	1	16	6	0	14	13	0	4	0	2	57
06) Greenlee County	0	0	0	0	1	7	1	0	7	5	0	2	0	4	27
07) Maricopa County	2	0	19	69	40	680	451	13	730	1,393	80	1,958	4	104	5,543
08) Mohave County	1	0	3	5	5	49	53	2	52	133	4	128	0	29	457
09) Navajo County	0	0	0	2	0	44	22	0	42	25	1	28	0	10	174
10) Pima County	0	0	3	9	9	232	185	4	262	297	31	461	2	51	1,546
11) Pinal County	0	0	0	1	2	86	40	0	72	105	1	73	1	19	400
12) Santa Cruz County	0	0	0	0	2	21	11	0	17	31	3	33	10	2	130
13) Yavapai County	0	0	4	5	1	79	48	1	55	99	11	167	19	20	509
14) Yuma County	0	0	0	2	2	56	29	0	55	77	5	68	0	11	305
15) La Paz County	0	0	0	1	1	17	14	0	18	24	0	19	0	7	101
Out of State Suppliers	0	1,048	0	0	0	0	0	0	0	0	0	0	0	0	1,048
Ltd. Out of State Suppliers	0	558	0	0	0	0	0	0	0	0	0	0	0	0	558
TOTALS	4	1,606	36	104	70	1,478	978	23	1,462	2,369	163	3,126	51	295	11,765

The 2010 Liquor License Lottery

When Arizona's population boomed in the 90s, DLLC asked for legislation that would increase availability of the three most sought-after liquor licenses that, at the time, could be purchased only through resale on the open market. These licenses, often referred to as "quota licenses" are; 1) the bar license (series 6); the beer and wine bar license (series 7); and the liquor store license (series 9). Of the 17 series of liquor licenses available in Arizona, these three are the only licenses issued in limited quantities. In 2005 legislation was passed to offer quota licenses through an annual lottery for five consecutive years. The number of quota licenses offered in the lottery was based on population per county. In 2009, the law was again changed requiring DLLC to hold an annual lottery after the initial 5-year period had ended.

Before each lottery is held, three independent auditors determine the Fair Market Value (FMV) of each of the three liquor licenses in each of the 15 Arizona counties. The FMV is based on the average price of licenses sold during the last 12-month period in each respective county. In the 2010 lottery, the FMV ranged from a low of \$4,700 for a beer and wine bar license in La Paz County to a high of \$198,333 for a liquor store license in Maricopa County.

DLLC launched the 2010 lottery on April 20th. Seventy-five (75) applications were received before the May 17th deadline, a 2.5 percent decrease in applications received in the 2009 lottery.

Before a lottery liquor license can be issued, each applicant must meet Arizona liquor license requirements, plus the requirements imposed by the city, town or county where the licensed establishment is located.

In addition to a \$100 non-refundable application fee, the successful applicant is required to pay a mandatory fifty percent (50%) deposit to DLLC by August 25, 2010 or an alternate entrant is selected.

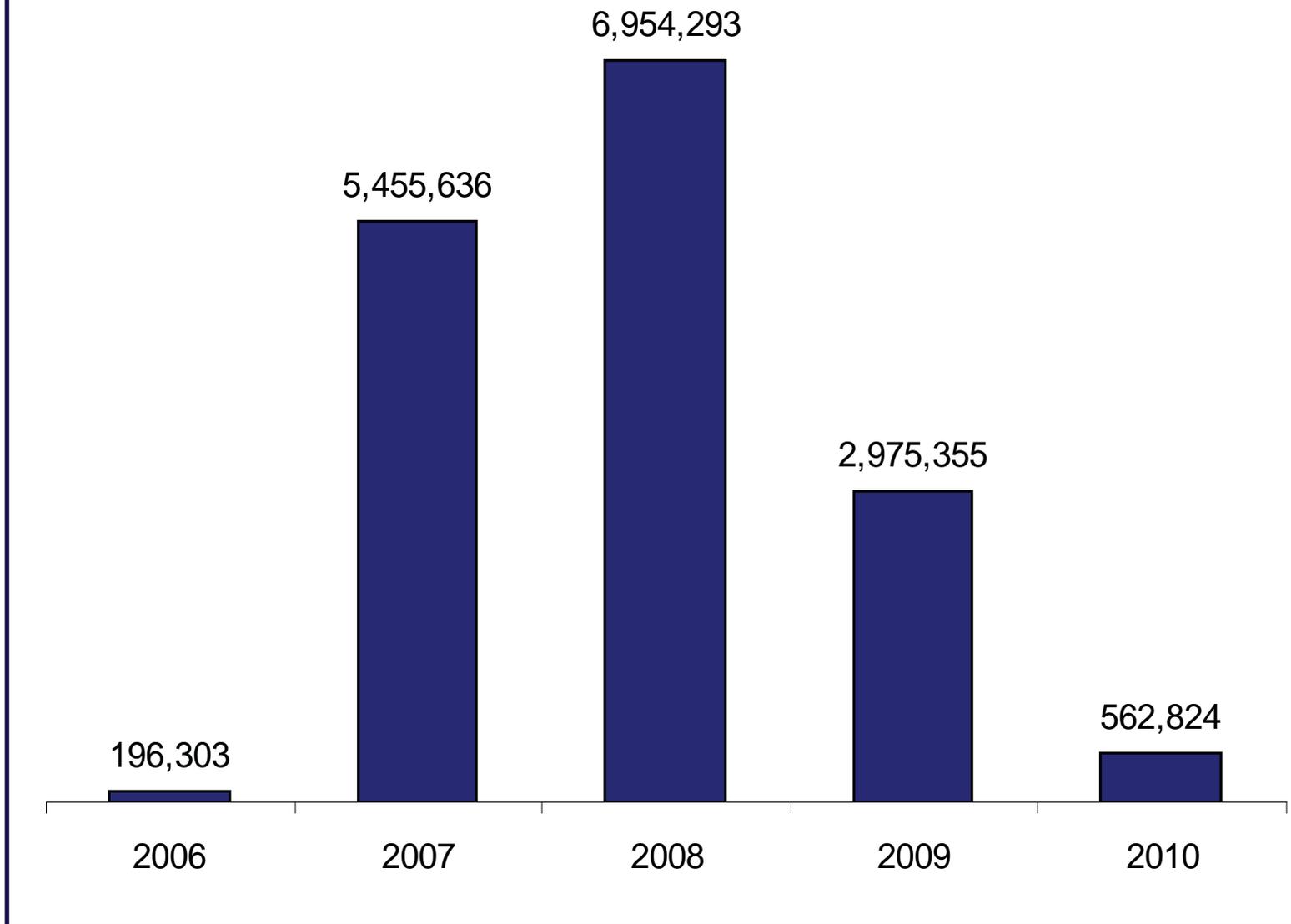
Lottery Application Statistics

Disclosed Location Liquor License Applications	11
Non-Disclosed Location Liquor License Applications	64

Lottery Economic Impact

July 1, 2009 - June 30, 2010 Revenue	\$562,824
(Deposited into the General Fund)	

Liquor License Lottery Revenues Five Year History



Investigations Division

It is the responsibility of the Investigations Division to ensure that all licensees statewide adhere to A.R.S. Title 4 (Arizona liquor laws) and all Rules established by the DLLC.

Due to the state budget deficit, agency budget cuts, and a hiring freeze, DLLC's Investigations Division served Arizona with a staff of ten (10) sworn officers. With 11,765 active liquor licenses, this constitutes an officer-to-liquor license ratio of 1:1,287. To better understand how "thin" this ratio is, we look back to 1939 when the agency was first formed and the Investigation Division was assigned seventeen (17) fulltime investigators to enforce one thousand five hundred sixty (1,560) active liquor licenses in the state, a 1:92 officer-to-liquor license ratio.

The primary functions of the Investigations Division are to:

1. Train other law enforcement agencies statewide on the application of Title 4 (Arizona liquor law), with emphasis on the Administrative Law Process;
2. Educate students about legal, physical, and emotional outcomes that have occurred when alcohol is consumed by persons under the age of 21 (AKA "underage");
3. Educate community members regarding the legal responsibilities of licensed establishments and train those members to work with law enforcement agencies to ensure liquor establishments do not negatively impact their neighborhoods,
4. Enforce Title 4 criminal laws to ensure compliance with statutes;
5. Conduct routine liquor-licensed establishment inspections to ensure they comply with criminal and administrative requirements of Title 4, and apply the appropriate action when violations are observed;
6. Investigate complaints regarding liquor-licensed establishments received from community members and local law enforcement personnel;
7. Conduct background investigations on liquor license applicants to determine if Title 4 qualifications to possess a liquor license are met;
8. Review police reports submitted by local law enforcement agencies to determine if Title 4 violations exist and, when action is appropriate, submit reports to DLLC's Compliance Unit;
9. Conduct Covert Underage Buyer (CUB) detail to determine if a licensed establishment is in compliance with Title 4 regarding the sale and service of liquor only to persons over the age of 21;
10. Research and respond to inquiries regarding Title 4 provisions for the branding, sales, and distribution of liquor throughout Arizona; and
11. Develop and implement enforcement plans for large scale, public "special events" where the sale and service of liquor is provided and an attendance of 100,000+ people is anticipated.



FY 2010 Investigations Division Statistics

Routine Liquor Inspections.....	2,954
Non-actioned Complaints	408
Actioned Complaints.....	128
Administrative Counts Charged.....	1,615
Hidden Ownerships Completed.....	17
Site Inspections Completed.....	653
Law Enforcement Liaison Completed.....	764
Criminal Citations Issued	969
On-view Violation Case Reports.....	312
Title 4 Law Enforcement Training Events.....	22
Community Title 4 Training Events.....	5

False ID Training Events

Law Enforcement = 12
Public = 3

Title 4 Training Events

Law Enforcement = 9
Public = 2

TRACE Training Events

Law Enforcement = 1

Covert Underage Buyer (CUB) Program

The Covert Underage Buyer (CUB) program was instituted by DLLC in May of 2003. In an effort to curb alcohol sales and consumption to underage persons, 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 or younger and is carefully trained to follow state laws and DLLC guidelines. The program is being expanded statewide as quickly as CUB training can be provided to local law enforcement agencies. After training is complete, DLLC investigators provide support while the CUB program is initiated at each agency.

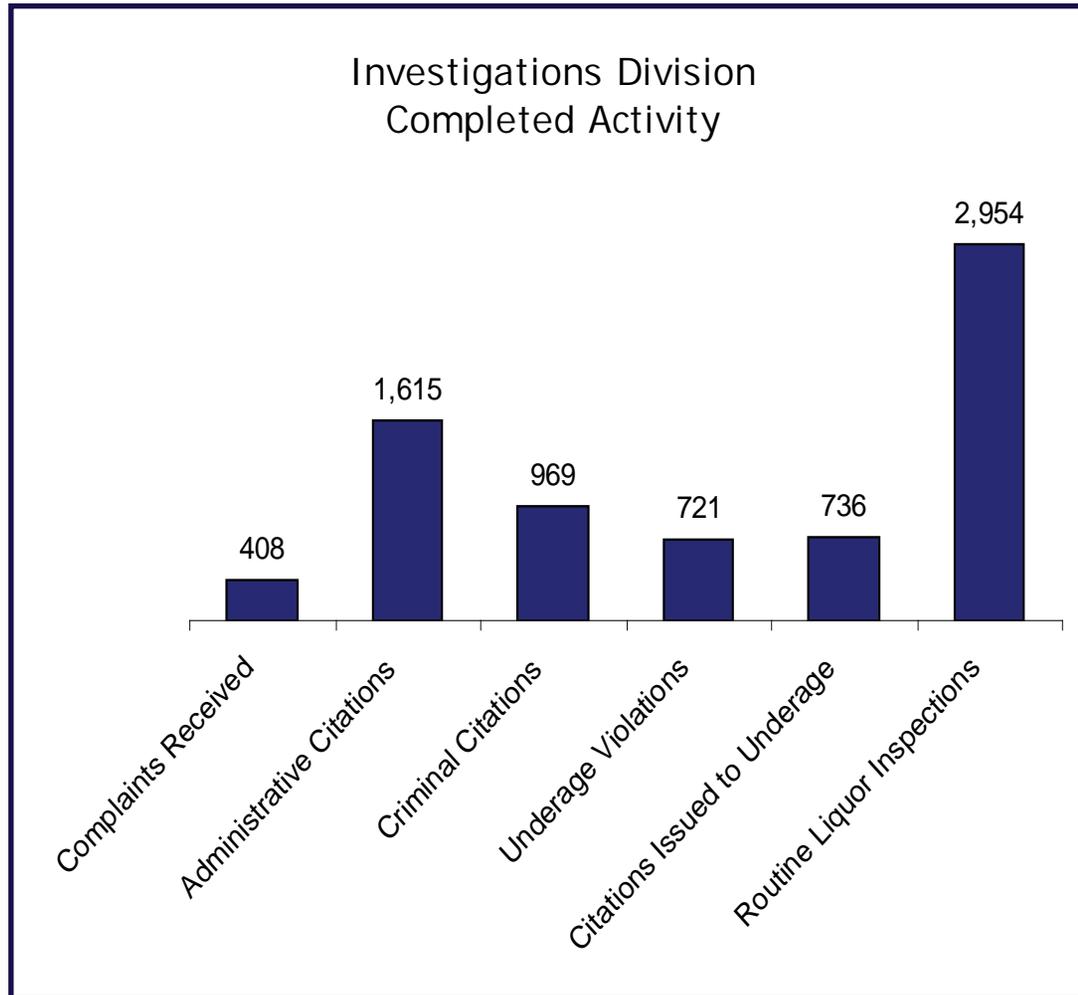
FY 2010 CUB Program Statistics

Locations Investigated	# Sold to CUB	Percentage of Establishments That Sold To CUB	Administrative Citations Issued	Criminal Citations Issued	CUBS Used
188	102	54.2%	202	186	69

May 2003 - June 2010 CUB Program Statistics

Since the inception of the program, 2,642 establishments have been investigated and 786, or 28 percent, have sold liquor to a CUB resulting in 1,836 administrative violations and 1,662 criminal citations.

Locations Investigated	# Sold to CUB	Percentage of Establishments That Sold To CUB	Administrative Citations Issued	Criminal Citations Issued
2,642	786	28%	1,836	1,662



Complaints Received - the number of incoming complaints to report a liquor law violation that are received by the Investigations Division.

Administrative Citation - a citation issued by DLLC investigators when a liquor law violation was found at a liquor-licensed establishment.

Criminal Citation - a citation issued by a DLLC investigator when an individual is found in violation of Arizona liquor law.

Underage Violations - the number of citations written, to adults and to underage persons, for a liquor law violation involving an underage person.

Citations Issued to Underage - the number of citations written to underage persons found in violation of Arizona liquor law (Title 4).

Routine Liquor Inspections - the number of establishments randomly inspected by DLLC investigators to ensure they are operating in compliance with Arizona liquor law (Title 4).

The Compliance Unit, , also part of DLLC's Investigations Division, governs the dispute-resolution process. The compliance officer arbitrates cases to reach a fair resolution and identifies alternatives, when appropriate, to bypass a hearing which is often a costly and time-consuming option.

After a DLLC Investigation Report or police report alleging a violation is filed, the Compliance Unit determines the level of department action warranted. Actions consist of verbal or written warnings, consent agreements, or referral for a full administrative hearing.

Consent agreements may be offered for some violations. In these cases, the licensee is notified to contact the department to informally discuss the case with a compliance officer. Signing a consent agreement usually obligates the licensee to remedy the situation, pay a fine, and/or agree to a suspension for a specified period of time. A Consent Agreement can be as broad as requiring liquor law training, surrendering of the license, or for the licensee to retain professional security personnel to bring the establishment into compliance.

Administrative citations are prepared for the more severe violations and for those licensees who have refused the consent agreement option. When citations are complete, they are forwarded to the Office of Administrative Hearings (OAH) for a formal hearing process.

The Attorney General's Office provides legal counsel for DLLC. Legal counsel often participate in the determination of compliance actions and assist in the preparation of cases heard before OAH or a the Arizona Liquor Board.

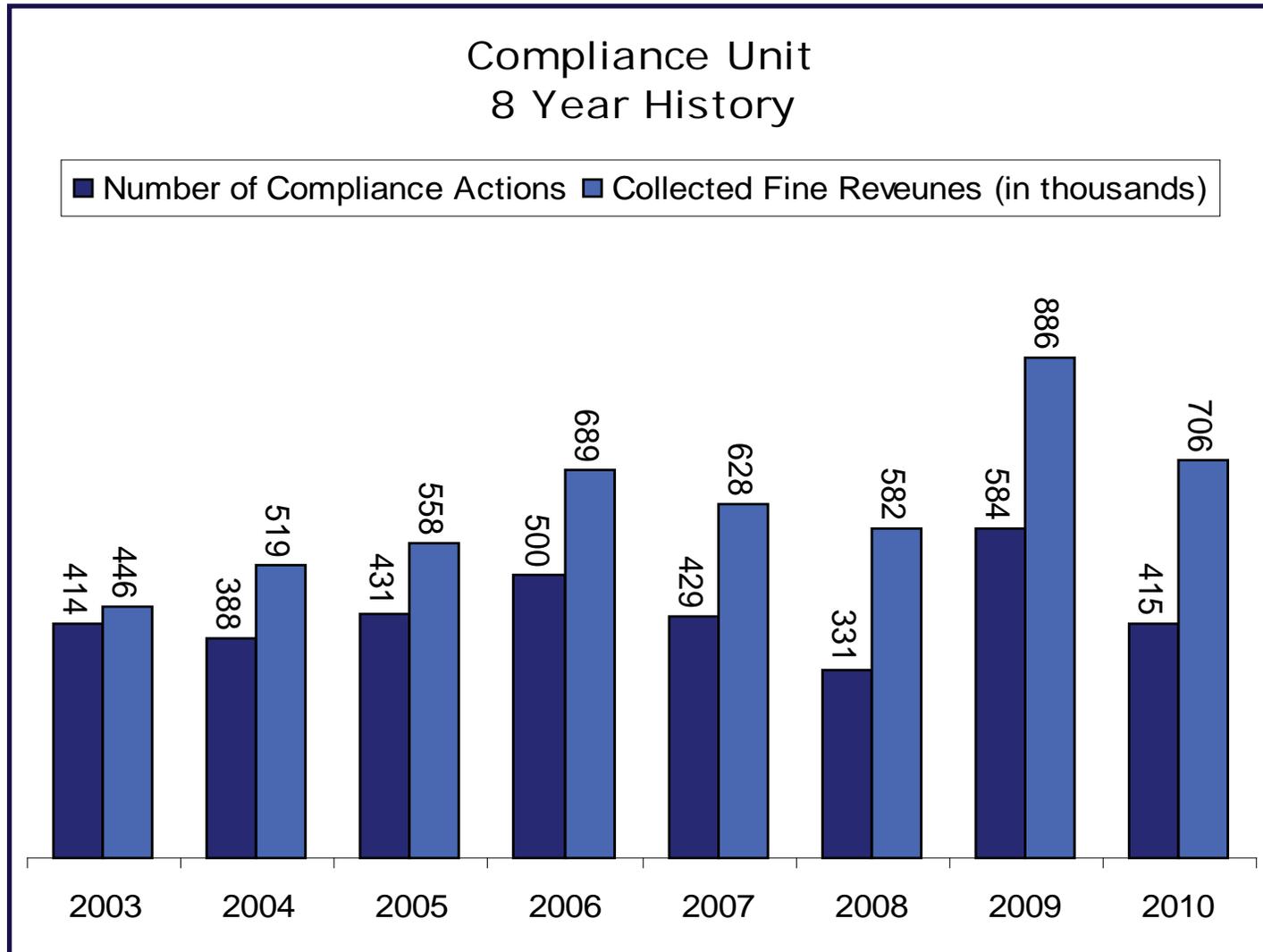
FY 2010 Compliance Statistics

Revocations.....	10
Suspensions	31
Surrenders	26
Divestitures	6
Administrative Complaints	67
Decisions & Orders	48
Cases Received.....	561
Cases Completed	529
Cases In Progress At Year End.....	32
Warning Letters Issued	66
Cases Sent to OAH.....	26

DLLC's Compliance Unit collected fines that total \$705,725 from 415 compliance actions processed and adjudicated between July 1, 2009 and June 30, 2010.

FY 2010 Compliance Unit Economic Impact

Total Fines Collected..... \$705,725
Total Compliance Actions 415



Arizona State Liquor Board

The Arizona State Liquor Board operates independently from the director of DLLC. However the Board is housed within the department and is provided one staff member who prepares Board schedules, hearing notices, records, expenditures, hearings, preparation of agendas, and orders.

Board members are responsible for hearing all liquor license applications that have been protested by the public, the governing body of a city, town or county, or DLLC's director. The Board may also cause a protest of an application. Additionally, an aggrieved party may appeal certain decisions of the director to the Board for review.

The Board consists of seven members who are appointed by the governor pursuant to A.R.S. §4-411(B) and A.R.S. §38-211. Five of the Board members shall not be financially interested directly or indirectly in business licensed to deal with spirituous liquors. Two members shall currently be engaged in business in the spirituous liquor industry or have been engaged in the past in business in the spirituous liquor industry, at least one of whom shall currently be a retail licensee or employee of a retail licensee. One member shall be a member of a neighborhood association recognized by a county, city or town.

Members serve for three year terms which expire on the third Monday in January of the third year of service. The governor may remove any member of the board for cause. No member may represent a licensee before the board or the department for a period of one year after the conclusion of the member's service on the board.

Member Name	Board Position	Occupation/County	Term Expires
Charles Huellmantel	Chair	Attorney, Maricopa County	January 17, 2011
J.D. Ghelfi	Vice-Chair	Attorney, Maricopa County	January 16, 2012
Bill DuPont	Member	Attorney/CAO Auditor, Pima County	January 18, 2010
Jim C. Carruthers	Member	Retired, Yuma County	January 16, 2012
Tim Linden	Member	Wholesaler, Graham County	January 17, 2011
Robin Cantrell	Member	Retailer, Graham County	January 16, 2012
Vacant	Member		

FY 2009 Totals

Hearings Scheduled	107	Continuances Granted	29
Licenses Granted	40	License Withdrawn	15
Licenses Denied	19	Hearing Vacated, No Action Required	0
Appeals Heard	0	Hearing Removed From Agenda	0
Appeal Vacated	1	Appeal Continued	2
Rehearing Requested	0	Exemption Received	0

In FY2010, sixty-eight (67.80%) percent of liquor license applications in protest were granted and fifty-four (54.05%) were denied.

Hearings Scheduled - The number of cases scheduled to be heard before the State Liquor Board.

Licenses Granted - The State Liquor Board may grant or allow an applicant the privilege of owning a liquor license based on findings and recommendations presented to the Board members. This number represents licenses granted by a two-thirds vote of Board members.

Licenses Denied - The State Liquor Board may deny or disallow an applicant the privilege of owning a liquor license based on findings and recommendations presented to the Board members. This number represents licenses denied by a two-thirds vote of Board members.

Appeals Heard - Applicants and licensees have the right to appeal a previous decision made by the Board. The Board Members hear the appeals and arrive at a new decision which may or may not be the same as their previous two-thirds vote decision.

Appeal Vacated - Appeals included in an upcoming Board Hearing Agenda and, subsequently, were removed from the agenda.

Rehearing Requested - If proceedings during a Board hearing adversely impact the Board's ability to make a decision, a rehearing of a case may be requested by either the Board, the applicant, or an interested party.

Continuances Granted - If the hearing of a case is not concluded during the first hearing date scheduled, the decision will be postponed until the hearing is completed at one or more subsequent hearings.

License Withdrawn - Some licensees choose to withdraw their liquor license application and not the right to be heard by the Board.

Hearing Vacated, No Action Required - Prior to hearing, some cases are resolved without requiring a decision by the Board.

Hearing Removed From Agenda - When a case, already scheduled for hearing, is removed from the agenda.

Appeal Continued - Applicants and licensees have the right to appeal a previous decision made by the Board. The Board hears the appeal. If the hearing of a case is not complete during the first hearing, the decision will be postponed until the hearing is completed at one or more subsequent hearings.

Exemption Received - When circumstances excuse a case that typically requires a board hearing.

Arizona State Liquor Board Licenses Granted/Denied 3 Year History

■ Hearings Scheduled ■ Licenses Granted ■ Licenses Denied

