

GOVERNOR'S MONTHLY REPORT
JANUARY 2011



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. 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 January 2011, using two (2) CUBs and four (4) officers, DLLC conducted investigations of eleven (11) liquor-licensed establishments. Five (5), or forty-five (45%) percent, of these establishments sold alcohol to a (CUB) resulting in five (5) criminal and eleven (11) administrative violations. Establishments were located in Gilbert, Chandler, Coolidge, Casa Grande, Tucson, and Mesa. All eleven (11) locations were investigated in response to complaints received by DLLC.

In January 2011, DLLC saw an increase of one hundred twenty (120%) percent in liquor sales to the CUB compared to the previous month, November 2010. This represents an eighty-three (83%) percent increase in sales to the CUB compared to January 2009.

Since the inception of the program, two thousand seven hundred forty-seven (2,747) establishments have been investigated and eight hundred forty-five (845) or thirty-one (30.7%) percent have sold to CUB buyers resulting in one thousand nine hundred fifty-two (1,952) administrative violations and one thousand seven hundred twenty-one (1,721) 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	169	96	57%	207	129
2011	11	5	45%	11	5

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 January 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	5	13	4

Investigator Palubeskie is currently working on one (1) 2009 TRACE case and two (2) 2010 TRACE cases. To complete these cases, DLLC requires additional information which will be provided by local law enforcement agencies. Five (5) cases were completed in calendar year 2010 resulting in thirteen (13) administrative and four (4) criminal violations. No new TRACE cases have been opened in calendar year 2011 to date.

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 2010:

East Valley Chiefs Meeting – Deputy Director participated
Arizona Substance Abuse Partnership (ASAP) – Director participated
Legislative Industry Meeting – Leadership Staff participated
Arizona Business Counsel on Doorman Training – Leadership Staff participated
Arizona Association of Police Chiefs – Deputy Director participated
Maricopa County Sheriff's Office Training Coordinators – Deputy Director participated
Indian nation & trib Legislative Day - Deputy Director participated

January 2011 Law Enforcement Special Detail:

Field Officer Training (FTO)– Jaramillo
High Intensity Drug Trafficking Area (HIDTA) – Ribera
Governor's Office of Highway Safety Title 4 & Fake ID Training – all officers
Yuma PD Title 4 Training – Eaton
Tucson PD Fake ID Training – Miller and Chesley
Out-of-Area Complaints – all officers

Special Events Media

Media Outlet	Story Content
Arizona Daily Wildcat	Six Gun City, Tucson – extension of premise
Arizona Daily Star	Candy Store Board hearing and license status
DLLC Press Release	Content
January 18, 2010	Arizona Liquor Board To Hear Cases In Tucson

SUCCESS STATISTICS
Investigations

In January 2011, investigators completed one hundred thirty-one (131) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in eighty-four (84) criminal citations and nine (9) administrative violations. The following success statistics were completed by a staff of ten (10) fulltime, sworn officers (one in his first month of training) who uphold a statewide officer-to-liquor license ratio of 1:1,142.

DLLC realized a decrease in total investigative achievements during January 2011 of four (3.95%) percent compared to January 2010. Since January 2007, DLLC's Investigations Division has experienced a staff reduction of fifty (50%) percent. On January 3rd, 2011, DLLC hired a new investigator increasing the number of fulltime investigators to ten (10), down from twenty (20) at this time in 2007. During the months of November and December 2010, three (3) grants awarded to DLLC by the Governor's Office of Highway Safety (GOHS), which collectively total eighty thousand (\$80,000) dollars. These grants are funding overtime for underage drinking enforcement, in addition to the materials, travel expense and overtime required for DLLC officers to facilitate Title 4 and fake ID training. In 2008, due to the onset of the budget crisis and the sweeping of DLLC funds, the Investigations Division had to eliminate overtime, travel, and hiring.

Achievements	Current Month	Total FY 2011	1 Year Ago This Month	Total FY 2010
Hidden Ownerships Completed	2	6	0	17
Site Inspections Completed	69	462	50	653
Actioned (administrative) Complaints	7	60	11	128
Non-Actioned (criminal) Complaints	61	300	36	408
Administrative Counts Charged	95	814	110	1,615
Criminal Charges Issued	103	622	75	969
Routine Liquor Inspections	210	1,374	296	2,954
Compliance Case Reports Submitted	45	288	36	469
On-view Violation Case Reports	31	186	17	312
Law Enforcement Liaison	55	358	61	764

Underage Investigations Statistics:

	Current Month	Total FY 2011 YTD	1 Year Ago This Month	Total FY 2010
Citations Issued to Underage	63	348	66	736
Total Underage Violations Cited	84	527	101	721
Total Achievements	825	--	859	--

Current Month	Younger than Age 15	-----Age-----					
		15	16	17	18	19	20
Age of minor cited	0	0	0	2	4	17	17

SUCCESS STATISTICS
Investigations (continued)

The number of citations DLLC investigators issued to underage persons decreased by five (4.54%) percent and total number of underage violations written by DLLC investigators decreased by seventeen (16.8%) percent compared to January 2010.

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	7	69	8	99
A.R.S. § 4-241.L Sold to CUB	9	70	0	54
A.R.S. § 4-241.N Use of false ID to enter premises	0	7	9	65
A.R.S. § 4-244.1 Unlicensed Resale	0	4	5	29
A.R.S. § 4-244.9 Furnishing alcohol to an underage	65	330	36	467
A.R.S. § 4-244.22 Consuming w/o permission of premises owner	2	16	1	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	5	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	1	27	0	1
A.R.S. § 28-3478.3 Using another person's driver's license	1	6	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-nine (169) active series 11 licenses and three thousand two hundred (3,200) active series 12 licenses statewide. Compared to January 2010, the number of hotel/motel with restaurant licenses has increased by three (3) license and the number of restaurant licenses has increased by forty-seven (47).

Prior to August 2009, DLLC employed three (3) fulltime auditors. Today DLLC employs two (2) fulltime auditors. With a total of three thousand three hundred sixty-nine (3,369) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,685.

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits in progress	16	14
Audits closed	8	6
Audits initiated	11	4
Open cases w/projected ratio of >37%	6	5
Open cases w/projected ratio between 30 to 37%	7	6
Open cases w/projected ratio of < 30%	3	3
Locations granted 1 year to continue operation	1	2
Locations being monitored	104	84

In January 2011, eight (8) audits were closed and eleven (11) 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, all revealed actionable violations. During the month of January 2011, audits were completed in Maricopa, Pima, Mohave, Cochise, Coconino and Yuma Counties.

	Current Month	Total YTD FY 2011	This Month Last Year	Total FY 2010	Total 2003 - Present
Audits completed	8	42	6	87	405
Audits passed	4	18	2	51	168
Audits failed	2	22	2	30	186
Inconclusive	2	2	0	6	46
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	42 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 nine (9) continuation licenses total two hundred seventy thousand (\$270,000) dollars. During FY 2011, DLLC has collected one hundred twenty thousand (\$120,000) dollars from the issuance of four (4) continuation licenses. One (1) continuation license application is in pending status at this time.

Revenue collected by the department for audit-related violation fines during the month of January 2011 is six hundred twenty-five (\$625) dollars. Audit fines assessed during the month of January 2011 total two thousand six hundred twenty-five (\$2,625) dollars. Total fines collected to-date in FY 2011 total forty-two thousand five hundred fifty (\$42,550) dollars.

Audit Revenue 2-year Comparison

	Current Month	Total FY 2011 YTD	1 Year Ago This Month	Total FY 2010
Fines Collected	625	42,550	1,500	81,750
Fines Assessed	2,625	60,050	4,500	88,200
Continuation License (Grill Bill) Revenue	1	120,000	0	0
Pending Continuation Licenses (Grill Bill)	1	--	2	--

SUCCESS STATISTICS
Compliance

Achievements:	Current Month	Total YTD FY 2011	1 Year Ago This Month	Total FY 2010
Revocations	0	5	3	10
Suspensions	0	4	3	31
Surrenders	0	9	0	26
Divestitures	0	2	0	6
Administrative Complaints	1	7	2	67
Decisions & Orders	0	8	5	27

Newly Tracked Achievements:	Current Month	Total YTD FY 2011
Cases Received	58	320
Cases Completed	10	172
Cases in Progress	48	148
Warning Letter Issued	3	32
Cases Sent to OAH	1	3

Economic Impact:

The Compliance Unit collected fines which total forty-five thousand one hundred fifty (\$45,150) dollars from thirty(30) compliance actions processed and adjudicated between January 1 and January 31, 2011. Compared to January 2010, this is a thirty-four (33.7%) percent increase in compliance collections and a thirty-six (36.3%) percent increase in the 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	\$45,150	\$389,459	\$33,750	\$705,725
Cases adjudicated	30	231	22	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	231	\$389,459

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	1	32
A.R.S. § 4-241.L	Sold to CUB	0	0	0
A.R.S. § 4-244.1	Unlicensed Resale	0	0	3
A.R.S. § 4-244.9	Furnish alcohol to an underage	1	1	33
A.R.S. § 4-244.16	knowingly allow furnishing liquor to underage	0	0	0
A.R.S. § 4-244.22	Consume w/o permission of premises owner	0	0	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

In FY 2010, fines from adjudicated underage violation totaled three hundred sixty-five thousand eight hundred seventy-five (\$365,875) dollars. Of the forty-seven licenses which were suspended in FY 2010, four were suspended due to underage violations and one (1) was revoked.

Compliance Statistics Resulting From Underage Violations

Fiscal Year	Fines Collected	Licenses Suspended	Licenses Revoked
2010	\$365,875	4	1

SUCCESS STATISTICS
Arizona Liquor Board

Achievements:	Current Month	Total YTD FY 2011	1 Year Ago This Month	Total FY 2010
Hearings Scheduled	9	60	11	107
Licenses Granted	5	16	3	40
Licenses Denied	2	10	2	19
Continuances Granted	1	25	3	29
License Withdrawn	1	7	3	15
Hearing Vacated, No Action Required	0	0	0	0
Hearing Removed From Agenda	0	0	0	0
Rehearing Requested	0	0	0	2
Exemption Received	0	0	0	0
Appeals Heard	0	2	0	2

During the month of January 2011, seventy-one (71.4%) percent of license application in protest were granted and twenty-nine (28.5%) percent of protested applications were denied. To date in FY 2011, the Board has granted sixty-two (61.5%) percent of the licenses protested and denied thirty-eight (38.4%) 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 January 2010, the number of new liquor license issued in Arizona has increased by twenty-three (22.7%) percent, renewals have increased by thirteen (12.7%) percent, and the number of active licenses has increased by two (2%) percent.

In comparison to January 2010, monthly and FY licensing revenues (which include lottery collections) have increased by one hundred seventy-seven (176.6%) percent from one hundred eleven six hundred sixty-seven thousand (\$111,667) dollars at this time last year to three hundred eight thousand nine hundred forty-eight (\$308,948) dollars during the current month.

Achievements: Licensing	Current Month	Total YTD FY 2011	1 Year Ago This Month	Total FY 2010
New licenses issued	162	1,119	132	2,114
Renewed licenses	919	7,731	815	11,162
Lottery licenses issued	3	20	1	35
Collected Lottery Revenues:	\$ 308,948	\$ 2,388,180	\$ 111,667	\$ 562,824
Number of Active Liquor License:	11,418	n/a	11,182	n/a
Collected Licensing Revenues (including lottery revenues):	\$ 826,654	\$ 5,817,189	\$ 516,975	\$6,503,816

Collected Revenue By Fee Type in January 2010

Fair Market Value	308,948
Applications	15,450
License Fees	265,505
Out-of-State	0
Agent Change	3,900
Fines	45,200
Special Event	3,400
Club	10,800
Penalties	17,700
Copy Fees	160
Non-Use Surcharge	53,500
Audit Surcharge	14,430
Enforcement K Surcharge	40,810
Enforcement L Surcharge	40,750
Miscellaneous	5
TOTAL REVENUES COLLECTED	\$ 820,558
(fingerprints)	6,096
TOTAL REPORT	\$ 826,654

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 remains on track to produce three million three hundred thirty thousand three hundred sixty (\$3,330,360) dollars in state revenue. To date, two million three hundred eighty-eight thousand one hundred eighty (\$2,388,180) dollars in FY 2010 lottery revenue have been collected. The remaining balance is due by February 25, 2011. The previous lottery, which was held in FY 2009, 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 staff and funding reductions experienced by all agencies involved in the project, the "go live" date has been postponed and a new implementation date has yet been determined. Since hiring a new IT Specialist in addition to receiving 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 a FY 2011 implementation date. 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 met with DLLC leadership on Friday, January 14, 2011 to discuss positions on and revisions to an omnibus bill. DLLC and industry leaders will meet again in February to discuss proposed legislation to address changes to charitable contributions made by wholesalers to special event licensees.

Resume Newly Proposed Rulemaking

Weeks prior to the January 2008 Regulatory Review Plan Moratorium, DLLC submitted a complete rules rewrite to the Governor's Regulatory Review Counsel. In August 2010, DLLC requested an exemption to the moratorium. In response to that request, the Governor's Office required evidence of industry collaboration and support, and agreement that any rules proposed would not impose additional or undue burdens on businesses. With the Governor's Office new criteria in mind, DLLC asked liquor industry leaders to review the previously submitted proposed rules and offer improvements that would retain their support. DLLC submitted a response to the Governor's Office this month and anticipates an exception to be granted sometime in February 2011.

Staffing

On January 10, 2010, former Tolleson Police Officer, Danny C. Wilde, joined DLLC's staff and began liquor investigation Field Officer Training which will last anywhere from three (3) to six (6) weeks. Officer Wilde's employment has increased the number of investigative staff from nine (9) to ten (10) fulltime sworn officers.