

GOVERNOR'S MONTHLY REPORT
JULY 2010



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 July 2010, using six (6) CUBs and eight (8) officers, DLLC conducted investigations of fourteen (14) liquor-licensed establishments. Fourteen (14), or one hundred (100%) percent, of these establishments sold alcohol to a (CUB) resulting in fourteen (14) criminal and thirty-two (32) administrative violations. All fourteen (14) locations were investigated in response to complaints received by DLLC.

In July 2010, DLLC saw an increase of (41%) percent in liquor sales to the CUB compared to the previous month, June 2010. This represents an increase of seventy-nine (79%) percent in sales to the CUB compared to sales during July 2009.

Since the inception of the program, two thousand six hundred fifty-six (2,656) establishments have been investigated and eight hundred (800) or thirty (30%) percent have been sold to CUB buyers resulting in one thousand eight hundred sixty-eight (1,868) administrative violations and one thousand six hundred seventy-six (1,676) 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	89	64	72%	134	91

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	2	0	0

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.

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 July 2010:

Arizona Substance Abuse Partnership (ASAP) – asst. dir. of admin. participated
Liquor Industry Stakeholder Meeting – leadership team participated
West Valley Coalition To Prevent Underage Drinking – Investigator Jaramillo and comm. dir participated
Arizona Information Officers Association Meeting – comm. dir. participated
Arizona Law Enforcement Powwow – director and deputy dir. participated
Arizona Food Marking Alliance Meeting – director participated

July 2010 Law Enforcement Special Detail:

Special Assignment With Department of Gaming – Investigators Ribera & Chesley
CUB Detail Valley Metro Area – Investigators Jaramillo & Palubeskie
CUB Detail Yavapai County – Investigator Turner
Asian Business Association Title 4 Training – Investigator Miller
SB 1070 Training – Entire Investigations Division

Special Events

Media

Media Outlet

Arizona Republic
Crain Chicago Business
Arizona Daily Star
Arizona Daily Star
New Times
Arizona Republic
Azcentral.com
Modern Distillery Age
Arizona Republic
Arizona Daily Star
Copperdome
Azcentral.com
Arizona Daily Star

Story Content

Harry & David liquor license application
How many retail liquor licenses in AZ
Questions on the liquor license application
ID log requirements
Cherry Lounge & Pitt, S. Mill, Tempe – citations
Newly issued liquor licenses
of active liquor licenses in Tempe, Chandler & total in AZ
Alan Everett's appointment as agency director
Scottsdale retail store offers wine to customers
Oldest bar in Scottsdale
Alan Everett's appointment as agency director
New Sunday liquor law & # of establishments in Chandler
Wagon Wheel Tavern, Tucson hearing details

SUCCESS STATISTICS
Investigations

During the month of July 2010, a new Deputy Director, Joe Vernier, joined DLLC to lead the Investigations Division.

In July 2010, investigators completed two hundred twelve (212) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in thirty-seven (37) criminal citations and fifteen (15) 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 1:1,258.

A decrease in total investigative achievements during July 2010 of twenty-three (22.9%) percent compared to July 2009 is the result of an investigative staff reduction. The state budget deficit and hiring freeze has resulted in a staff decrease of fifty-five (55%) percent since July 2007; from twenty (20) sworn officers to nine (9); in addition to mandated travel restrictions.

Achievements	Current Month	Total YTD FY 2011	1 Year Ago This Month	Total FY 2010
Hidden Ownerships Completed	1	1	1	17
Site Inspections Completed	73	73	8	653
Actioned (administrative) Complaints	9	9	52	128
Non-Actioned (criminal) Complaints	23	23	49	408
Administrative Counts Charged	99	99	121	1,615
Criminal Charges Issued	52	52	35	969
Routine Liquor Inspections	212	212	229	2,954
Compliance Case Reports Submitted	28	28	15	469
On-view Violation Case Reports	15	15	67	312
Law Enforcement Liaison	48	48	71	764

Underage Investigations Statistics:

	Current Month	Total FY 2011 YTD	1 Year Ago This Month	Total FY 2010
Citations Issued to Underage	28	28	26	736
Total Underage Violations Cited	38	38	11	721
Total Achievements	605	--	785	--

Current Month	Younger than Age 15	-----Age-----					
		15	16	17	18	19	20
Age of minor cited	0	0	0	0	2	11	

SUCCESS STATISTICS
Investigations (continued)

Underage Investigations Statistics (continued):

Statute/ Definition	# of Citations issued this month	Total YTD FY 2011	1 Year Ago This Month	# of Citations issued in FY '10
A.R.S. § 4-241.A Failure to Check ID	2	2	19	99
A.R.S. § 4-241.L Sold to CUB	2	2	0	54
A.R.S. § 4-241.N Use of false ID to enter premises	0	0	4	65
A.R.S. § 4-244.1 Unlicensed Resale	0	0	0	29
A.R.S. § 4-244.9 Furnishing alcohol to an underage	34	34	11	467
A.R.S. § 4-244.22 Consuming w/o permission of premises owner	6	6	0	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	1	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	1	0	1
A.R.S. § 28-3478.3 Using another person's driver's license	1	1	1	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-two (162) active series 11 licenses and three thousand ninety-seven (3,097) active series 12 licenses statewide. Compared to July 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 fifty-six (56) licenses.

Due to the hiring freeze and budget cuts, DLLC now employs two (2) fulltime auditors, a reduction from three (3) fulltime auditors at this time last year. With a total of three thousand two hundred fifty-nine (3,259) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1: 1,630.

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits in progress	16	24
Audits closed	5	11
Audits initiated	5	14
Open cases w/projected ratio of >37%	6	15
Open cases w/projected ratio between 30 to 37%	10	6
Open cases w/projected ratio of < 30%	0	3
Locations granted 1 year to continue operation	0	1
Locations being monitored	76	71

In July 2010, five (5) 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 five (5) audits completed this month, all five (5) cases, or one hundred (100%) percent, revealed actionable violations. During the month of July 2010, audits were completed in Maricopa County.

	Current Month	This Month Last Year	Total FY 2011	Total FY 2010	Total 2003 - Present
Audits completed	5	11	5	87	368
Audits passed	0	3	0	51	150
Audits failed	1	0	1	30	164
Inconclusive	0	0	0	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	5 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. To-date, fees collected from the issuance of continuation licenses total one hundred fifty thousand (\$150,000) dollars. Applications for four (4) continuation licenses are in pending status at this time. Upon approval, revenue collected from these continuation licenses would total \$120,000 in issuance fees.

Revenue collected by the department for audit-related violations during the month of July 2010 is sixty-five hundred (\$6,500) dollars. Audit fines assessed during the month of July 2010 total are sixty-five hundred (\$6,500) dollars. Total fines collected in FY 2011 are sixty-five hundred (\$6,500) dollars.

Audit Revenue 2-year Comparison

	Current Month	Total FY 2011 YTD	1 Year Ago This Month	Total FY 2010
Fines Collected	6,500	6,500	5,750	81,750
Fines Assessed	6,500	6,500	27,450	88,200
Continuation License (Grill Bill) Revenue	0	0	0	0
Pending Continuation Licenses (Grill Bill)	4	--	0	--

SUCCESS STATISTICS
Compliance

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

Economic Impact:

The department has collected fines which total forty-four thousand five hundred twenty-five (\$44,525) dollars from thirty-nine (39) compliance actions processed and adjudicated between July 1 and July 30, 2010. This is an eight (7.87%) percent decrease from July 2009 collections and a nineteen (18.75%) percent decrease in the number of compliance actions processed. A portion of the decrease in fine collections is attributed to a payment plan, introduced in 2009, which gives licensees the option to pay fines in installments rather than in one lump sum. DLLC and the licensee agreed to the terms of the payment plan during the compliance process. Although the payment plan will reduce DLLC's collection of fine revenues in the short term, the long term outcome is anticipated to ease the financial burden of paying fines during the current economic decline.

	Current Month	1 Year Ago This Month	Total FY 2011 YTD	Total FY 2010
Fines collected	\$44,525	\$48,450	\$44,525	\$705,725
Cases adjudicated	39	48	36	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	39	\$ 44,525

SUCCESS STATISTICS
Compliance (continued)

Adjudicated Underage Violations		Adjudicated	1 Year Ago
Statute	Definition	This month	This Month
A.R.S. § 4-241.A	Failure to Check ID	4	4
A.R.S. § 4-241.L	Sold to CUB	0	0
A.R.S. § 4-244.1	Unlicensed Resale	0	1
A.R.S. § 4-244.9	Furnish alcohol to an underage	5	4
A.R.S. § 4-244.16	knowingly allow furnishing liquor to underage	0	0
A.R.S. § 4-244.22	Consume w/o permission of premises owner	0	1
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	Provide 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	Use another person's driver's license	0	0

SUCCESS STATISTICS
Arizona Liquor Board

Achievements: Compliance	Current Month	1 Year Ago This Month	Total YTD FY 2011	Total FY 2010
Hearings Scheduled	8	15	8	107
Licenses Granted	1	5	1	40
Licenses Denied	0	5	0	19
Continuances Granted	6	2	6	29
License Withdrawn	1	5	1	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	0	0	2

During the month of July 2010, one hundred (100%) percent of the license applications in protest were granted and no applications (0%) were denied. To date in FY 2011, one hundred (100%) percent of license applications in protest were granted and none have been denied.

ARIZONA LIQUOR BOARD MEMBERS AND TERMS

Charles Huellmantel (D)	Arizona Liquor Board Chair Maricopa County No Financial Interest	Term Expires January 17, 2011
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VACANT -----

Bill DuPont (D)	Arizona Liquor Board Member Pima County Neighborhood	Term Expires January 18, 2010
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J.D. Ghelfi, Member (R)	Arizona Liquor Board Member Maricopa County No Financial Interest	Term Expires January 16, 2012
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Jim Carruthers (R)	Arizona Liquor Board Member Yuma County No Financial Interest	Term Expires January 16, 2012
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Tim Linden (R)	Arizona Liquor Board Member Graham County Wholesaler	Term Expires January 17, 2011
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Robin Cantrell (I)	Arizona Liquor Board Member Graham County Retailer	Term Expires January 16, 2012
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SUCCESS STATISTICS
Licensing

Comparing licensing activities in July 2009 to July 2010, the number of new liquor license issued in Arizona decreased by twenty-two (21.7%) percent, renewals increased by five (4.59%) percent, and the total number of active licenses increased by two (1.87%) percent as show in the chart below.

In comparison to July 2009, this month's licensing revenues (which include lottery collections) increased by one hundred three (103%) percent from \$508,409 at this time last year to \$1,474,298.

Achievements: Licensing	Current Month	1 Year Ago This Month	Total FY 2010	Total YTD FY 2011
New licenses issued	119	152	119	2,114
Renewed licenses	797	762	797	12,092
Lottery licenses issued	0	6	0	35
Collected Lottery Revenues:	\$1,032,504	\$ 36,619	\$ 562,824	\$1,032,504
Number of Active Liquor License:	11,320	11,112	n/a	n/a
Collected Licensing Revenues (including lottery revenues):	\$1,474,298	\$ 508,409	\$6,503,816	\$1,474,298

Collected Revenue By Fee Type in July 2010

Fair Market Value	1,032,504
Applications	10,000
License Fees	276,663
Out-of-State	-
Agent Change	3,200
Fines	42,025
Special Event	1,250
Club	10,100
Penalties	11,400
Copy Fees	114
Non-Use Surcharge	10,900
Audit Surcharge	12,840
Enforcement K Surcharge	30,555
Enforcement L Surcharge	27,510
Miscellaneous	5
TOTAL REVENUES COLLECTED	\$ 1,469,066
(fingerprints)	5,232
TOTAL REPORT	\$ 1,474,298

WHAT'S NEXT AT DLLC?

Upcoming Events/Milestones

Public Meetings

Public introduction meetings for DLLC's new director and deputy director will continue during the months of August and September. During these gatherings, the director and deputy director facilitate casual discussions with Arizona liquor organizations, licensees, Title 4 training providers and other interested parties. Northern and Southern Arizona are included in the upcoming meetings and with each meeting followed by a tour of a licensed wholesaler/distributor in the region.

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. Fifty (50%) percent, or one million six hundred sixty-five thousand one hundred ninety-seven (\$1,665,197) dollars, are due by August 25, 2010 in non-refundable fees. To date, one million thirty-two thousand five hundred four (\$1,032,504) dollars from applications submitted in the FY 2010 lottery 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 E-Licensing 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 this project, staff and funds reductions have forced the "go live" date to be postponed and no new date has been determined. DLLC's new hire, an IT specialist, began work on July 28, 2010 and will lead the agency through the final stages of design, implementation, and subsequent system improvements. 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

DLLC will submit "Agency Legislative Proposals" and schedule industry leader meetings in late September/early October to review items for the January 2011 Legislative session.

Resume Newly Proposed Rulemaking

Once the rulemaking moratorium is lifted, DLLC will review the Rules rewrite completed in late 2008 to include relevant updates which have occurred since the moratorium was announced in July 2009.

Staffing

DLLC has approval to hire a special investigator which will elevate the number of sworn officers on the investigation division staff to ten (10).