

GOVERNOR'S MONTHLY REPORT
SEPTEMBER 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 September 2010, using three (3) CUBs and four (4) officers, DLLC conducted investigations of thirteen (13) liquor-licensed establishments. Two (2), or fifteen (15%) percent, of these establishments sold alcohol to a (CUB) resulting in two (2) criminal and five (5) administrative violations. Both establishments were located in Tempe. All thirteen (13) locations were investigated in response to complaints received by DLLC.

In September 2010, DLLC saw a decrease of forty-eight (48%) percent in liquor sales to the CUB compared to the previous month, August 2010. This represents a decrease of eight (8%) percent in sales to the CUB compared to September 2009.

Since the inception of the program, two thousand six hundred seventy-seven (2,677) establishments have been investigated and eight hundred seven (807) or thirty (30%) percent have been sold to CUB buyers resulting in one thousand eight hundred eighty-five (1,885) administrative violations and one thousand six hundred eighty-three (1,683) 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	110	71	65%	151	98

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 September 2010:

Southern Wine & Spirits Tour – director, dep. Dir and comm. dir participated
Arizona Substance Abuse Prevention – director participated
Republic National Distribution Meeting – director participated
Arizona Food Marketing Alliance (AFMA) “New Products” Meeting – director, dep. Dir and comm. dir participated
Bashas’ Meet & Greet –director participated
Legislative & Title 4 Technical Corrections Meeting – DLLC leadership facilitated
Miller/Coors meet & greet – director participated

September 2010 Law Enforcement Special Detail:

Maricopa County Sheriff's Office Title 4 and Fake ID Training
Tucson PD Fake ID Training
U of A PD Title 4 and Fake ID Training
Town of Jerome & Surrounding Areas Fake ID Training
Mesa PD Bar Inspection Training
Phoenix PD Bar Check and Routine Liquor Inspection Training

Special Events

Media

Media Outlet

Arizona Daily Sun
Prescott Daily Courier
Arizona Daily Star
Mohave Valley Daily News

KGUN
Arizona Republic

Story Content

Papa Gallo violation history and ownership
New sampling privileges
Club Turbulence board hearing, who testified
License # 06080017, Whispers, outcome of hearing, did they ask for another continuance?
Club Turbulence, was license approved during board hearing?
Phase 54 nightclub, Chandler, investigation of owner Jon J. Harris

DLLC Press Release Content

Electronic Gaming Devices Seized in Joint Operation – DLLC & Dept. of Gaming

SUCCESS STATISTICS
Investigations

In September 2010, investigators completed one hundred seventy-nine (179) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in one hundred twenty-two (122) criminal citations and forty (40) 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 1:1,266.

A decrease in total investigative achievements during September 2010 of thirty-one (31%) percent compared to September 2009 is the result of the state budget deficit, no funding for overtime, and the hiring freeze which have reduced the investigative staff by fifty-five (55%) percent since September 2007; from twenty (20) sworn officers to nine (9). In addition to staff reduction, investigators have found it necessary to restrict travel expenses. In September 2009, DLLC employed ten (10) fulltime investigators.

Achievements	Current Month	Total FY 2011	1 Year Ago This Month	Total FY 2010
Hidden Ownerships Completed	0	3	0	17
Site Inspections Completed	101	255	53	653
Actioned (administrative) Complaints	7	24	9	128
Non-Actioned (criminal) Complaints	43	111	44	408
Administrative Counts Charged	107	351	183	1,615
Criminal Charges Issued	91	218	162	969
Routine Liquor Inspections	193	604	259	2,954
Compliance Case Reports Submitted	35	119	44	469
On-view Violation Case Reports	22	79	28	312
Law Enforcement Liaison	43	148	69	764

Underage Investigations Statistics:

	Current Month	Total FY 2011 YTD	1 Year Ago This Month	Total FY 2010
Citations Issued to Underage	86	159	188	736
Total Underage Violations Cited	122	225	197	721
Total Achievements	850	--	1,236	--

Current Month	Younger than Age 15	-----Age-----					
		15	16	17	18	19	20
Age of minor cited	0	0	1	2	14	19	4

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	2	14	16	99
A.R.S. § 4-241.L Sold to CUB	19	21	26	54
A.R.S. § 4-241.N Use of false ID to enter premises	0	7	10	65
A.R.S. § 4-244.1 Unlicensed Resale	0	4	0	29
A.R.S. § 4-244.9 Furnishing alcohol to an underage	45	100	78	467
A.R.S. § 4-244.22 Consuming w/o permission of premises owner	2	10	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	51	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	7	17	0	1
A.R.S. § 28-3478.3 Using another person's driver's license	0	2	7	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 one hundred thirty (3,130) active series 12 licenses statewide. Compared to September 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 one hundred seventy-nine (179) licenses.

DLLC employs two (2) fulltime auditors. Prior to August 2009, DLLC employed three (3) fulltime auditors. With a total of three thousand two hundred ninety-two (3,292) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is 1:1,646.

Number of Cases Now Open For Audit	Current Month	This Month Last Year
Audits in progress	16	16
Audits closed	7	8
Audits initiated	7	5
Open cases w/projected ratio of >37%	5	9
Open cases w/projected ratio between 30 to 37%	7	5
Open cases w/projected ratio of < 30%	4	2
Locations granted 1 year to continue operation	2	0
Locations being monitored	77	73

In September 2010, seven (7) audits were closed and seven (7) audits were initiated (audit considered initiated after an appointment date is set to pick up accounting records). Of the seven (7) audits completed this month, five (5) cases, or seventy-one (71%) percent, revealed actionable violations. During the month of September 2010, audits were completed in Maricopa and Mohave Counties.

	Current Month	Total YTD FY 2011	This Month Last Year	Total FY 2010	Total 2003 - Present
Audits completed	7	19	8	87	382
Audits passed	2	7	4	51	150
Audits failed	5	12	4	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	19 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 September 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. Upon issuance, revenue collected from pending continuation licenses would total \$60,000 in issuance fees.

Revenue collected by the department for audit-related violation fines during the month of September 2010 is seventeen thousand eight hundred (\$17,800) dollars. Audit fines assessed during the month of September 2010 total are eight thousand three hundred (\$8,300) dollars. Total fines collected to-date in FY 2011 total thirty-one thousand six hundred seventy-five (\$31,675) dollars.

Audit Revenue 2-year Comparison

	Current Month	Total FY 2011 YTD	1 Year Ago This Month	Total FY 2010
Fines Collected	17,800	31,675	6,625	81,750
Fines Assessed	8,300	31,425	8,125	88,200
Continuation License (Grill Bill) Revenue	0	0	0	0
Pending Continuation Licenses (Grill Bill)	2	90,000	0	--

SUCCESS STATISTICS

Compliance

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

Newly Tracked Achievements:	Current Month	Total YTD FY 2011
Cases Received	43	140
Cases Completed	24	99
Cases in Progress	19	41
Warning Letter Issued	1	23
Cases Sent to OAH	0	1

Economic Impact:

The department has collected fines which total ninety-eight thousand nine hundred twenty five (\$98,925) dollars from thirty-seven (37) compliance actions processed and adjudicated between September 1 and September 31, 2010. This is a one hundred sixty (159.8%) percent increase from September 2009 collections and a twenty-three (23.3%) 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 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	Total YTD FY 2011	1 Year Ago This Month	Total FY 2010
Fines collected	\$98,925	\$202,050	\$38,075	\$705,725
Cases adjudicated	37	106	30	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	106	\$202,050

SUCCESS STATISTICS
Compliance (continued)

Adjudicated Underage Violations		Adjudicated	1 Year Ago	FY2010
Statute	Definition	This month	This Month	YTD
A.R.S. § 4-241.A	Failure to Check ID	15	1	23
A.R.S. § 4-241.L	Sold to CUB	0	0	0
A.R.S. § 4-244.1	Unlicensed Resale	2	0	2
A.R.S. § 4-244.9	Furnish alcohol to an underage	15	1	24
A.R.S. § 4-244.16	knowingly allow furnishing liquor to underage	0	1	0
A.R.S. § 4-244.22	Consume w/o permission of premises owner	2	0	2
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	0	19	12	107
Licenses Granted	0	4	3	40
Licenses Denied	0	1	3	19
Continuances Granted	0	11	3	29
License Withdrawn	0	3	2	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	1	2

During the month of September 2010, no liquor board hearings were held. A new board member was appointed to fill the vacant position. An announcement will be made shortly.

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

Compared to September 2009, the number of new liquor license issued in Arizona has decreased by twenty-two (21.7%) percent, renewals have increased by five (4.59%) percent, and the number of active licenses has increased by six (6%) percent.

In comparison to September 2009, monthly and FY licensing revenues (which include lottery collections) have increased by ninety-two (92%) percent from \$392,889 at this time last year to \$755,657 during the current month.

Achievements: Licensing	Current Month	Total YTD FY 2011	1 Year Ago This Month	Total FY 2010
New licenses issued	132	363	154	2,114
Renewed licenses	854	2,437	762	11,162
Lottery licenses issued	0	0	7	35
Collected Lottery Revenues:	\$ 9,150	\$1,335,605	\$ 51,484	\$ 562,824
Number of Active Liquor License:	11,398	n/a	11,069	n/a
Collected Licensing Revenues (including lottery revenues):	\$662,300	\$2,892,255	\$ 560,909	\$6,503,816

Collected Revenue By Fee Type in September 2010

Fair Market Value	9,150
Applications	17,600
License Fees	411,925
Out-of-State	-
Agent Change	3,900
Fines	99,050
Special Event	7,350
Club	4,850
Penalties	14,250
Copy Fees	167
Non-Use Surcharge	13,900
Audit Surcharge	18,090
Enforcement K Surcharge	29,925
Enforcement L Surcharge	25,245
Miscellaneous	10

TOTAL REVENUES COLLECTED	\$ 655,412
(fingerprints)	6,888
TOTAL REPORT	\$ 662,300

WHAT'S NEXT AT DLLC?

Upcoming Events/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 thirty-five thousand six hundred five (1,335,605) 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.

Additional Grants & Funding

The deputy director met with the director of the Governor's Office of Highway Safety in September 2010 to explore additional grant funding for overtime incurred by DLLC investigators. The state budget deficit and hiring freeze has reduced the investigative staff by fifty-five (55%) percent since September 2007; from twenty (20) sworn officers to nine (9). In addition to staff reduction, investigators have found it necessary to restrict travel expenses. The meeting concluded with GHOS awarding DLLC with an additional fifty thousand (\$50,000) dollars in GOHS Underage Drinking Enforcement grants.

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 this 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 this calendar year. 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 has submitted three "Agency Legislative Proposals" and will meet with the Governor's staff in October to discuss them further. Industry leaders introduced proposed legislation and technical corrections to Title 4 during a September 28, 2010 hosted by DLLC. Preparation for the January 2011 session is well underway and frequent progress updates occur between the industry and DLLC.

Resume Newly Proposed Rulemaking

In August 2010, DLLC requested from the Governor's Office an exception to the rulemaking moratorium. Once the rulemaking moratorium is lifted or an exception granted, DLLC will review the Rules rewrite completed in late 2008 to include relevant updates which have occurred since the moratorium was announced in September 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). The new hire is expected to be complete in November 2010.