

Arizona Department of Liquor Licenses and Control



December 2017 Governor's Monthly Report (REVISED 2/15/19)

STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL
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Mission Statement

To protect public safety and support economic growth through the responsible sale and consumption of liquor, and to efficiently license qualified applicants.

Vision Statement

We envision being a leader in state liquor licensing and enforcement, focused entirely on delivering exceptional services that meet customers needs and enrich the communities we serve.

The Department is in its third year of lean transformation through the continuous improvement principles and strategies of the Arizona Management System (AMS). We endeavor to realize the Governor’s vision of “government at the speed of business,” applying effort in key areas tied to our mission. Our progress will be reported in monthly reports to the Governor.

ARIZONA MANAGEMENT SYSTEM ROADMAP

Department Goals and Objectives

Goals	Objectives
Enrich technology tools and opportunities	<ul style="list-style-type: none"> ➤ Successfully launch the agency’s new e-Licensing tool to realize opportunities to move agency processes on-line ➤ Develop and operationalize a plan to incrementally grow the number of stakeholders using the e-Licensing system and its number of on-line services ➤ Through daily use of the new e-Licensing system, organically identify, realize, and operationalize continuous improvement opportunities that enhance agency performance
Accelerate agency performance	<ul style="list-style-type: none"> ➤ Grow agency AMS maturity to, at minimum, Level 3 ➤ Apply AMS tools to 2017 Statewide Employee Engagement Results to drive developing talent ➤ Optimize agency website by simplifying site design and eliminating non-value added tools and information ➤ Complete Intermediate PDCA training and apply lessons and tools to agency improvement projects
Promote and act to create safe communities	<ul style="list-style-type: none"> ➤ Actively participate on the Governor’s initiative to reduce the incidence of wrong way drivers on Arizona’s freeways ➤ Conduct a breakthrough project targeting reducing the sale of alcohol to persons under 21 ➤ Leverage partnerships to grow and enrich youth outreach and education programs targeting abstinence of alcohol ➤ Grow the Audit Unit’s impact on reviewing Hotel-Motel and Restaurant series licensee compliance with applicable Arizona Revised Statutes Title 4 laws

LICENSING AND ADMINISTRATION DIVISION

LICENSING SECTION

Licensing is responsible for issuing liquor licenses to qualified applicants and providing exceptional customer service to the public. Current staffing includes six Customer Service Representatives, three Records Custodians, and a Licensing Manager. Personal assistance was provided to more than 325 walk-in applicants and licensees in December 2017.

Transaction	December 2017	FY 2018 Year to Date	Total FY 2017
New liquor licenses issued	148	809	2,006
Liquor licenses renewed	2,092	6,364	12,319
Special event permits issued	237	1,883	3,576
Interim permits issued	68	292	485
Exempt locations issued	13	90	131
Number of exempt locations	163*	163*	138
Lottery licenses issued	1	10	18
Active liquor licenses	12,527**	12,527**	12,871

*This number fluctuates daily depending on renewals and new applications.

**This number fluctuates daily depending on renewals, new applications, suspensions and revocations.

The Department is required to approve or disapprove a license application within 105 days from the day the application is filed (A.R.S. § 201(E)). The time to process an application indicates how well the Department is fulfilling its mission to “efficiently license qualified applicants.” The goal is to issue Series 6-Bar, Series 7-Beer and Wine Bar, Series 9-Liquor Store, Series 10-Beer and Wine Store, and Series 12-Restaurant licenses in no more than 75 days.

License Type	Average Number of Days to Issue License		
	December 2017	FY 2018 Running Average	FY 2017 Year End Average
Series 6-Bar	87	80	76
Series 7-Beer and Wine Bar	95	80	75
Series 9-Liquor Store	83	80	74
Series 10-Beer and Wine Store	80	80	77
Series 12-Restaurant	82	81	74

ADMINISTRATION SECTION

Administration is responsible for Budget and Finance, Procurement, Information Technology, Communications, Special Projects, Human Resources, Liquor Board Administration, and Policy Research. The Budget and Finance Unit tracks incoming revenues which include funding allocated to the Department, grants awarded to the Investigation Division, license fees, and fines. This unit coordinates revenue disbursement to the state and Arizona's 15 counties.

Collected Revenue by Fee Type

Source of Revenue	December 2017	FY 2018 Year to Date	FY 2017 Year End
FMV (Liquor License Lottery)	174,700	649,125	3,526,825
Applications	14,100	76,500	165,425
Licenses Issuances Fees	89,970	720,400	1,269,105
Licenses Renewals Fees	146,523	1,094,789	2,860,895
Interim Permit Fees	6,700	29,500	46,900
Agent Change	5,651	23,001	53,410
Fines (Liquor Law Violations)	18,950	137,325	420,550
Special Event (DHS)	4,525	36,650	70,800
Club (DES)	1,050	20,950	48,675
Penalty Fees (Late Renewals)	17,400	77,850	169,350
Copy Fees	10	678	2,154
Non-Use Surcharge	7,200	82,900	201,200
Audit Surcharge (J Fund)	1,290	57,780	178,350
Enforcement K Surcharge	66,920	217,980	430,645
Enforcement L Surcharge	66,860	201,855	373,360
Miscellaneous	3,748	22,556	35,892
17W Direct Shipment License	2,925	21,600	118,800
17W Direct Shipment Renewal	0	0	22,200
Fingerprints Fees	3,344	26,510	60,522
Total Revenue Collected	\$631,866	\$3,497,949	\$10,055,058

Miscellaneous = Acquisition of Control
 Site Inspection
 Extension of Premises
 Co-Op
 Person Transfer
 BYOB
 Location Transfer
 Sampling

STATE LIQUOR BOARD

The State Liquor Board consists of seven members who are appointed by the Governor. Arizona Revised Statutes (A.R.S.) Title 4 requires five of the members shall not be financially interested directly or indirectly in a business licensed to deal with spirituous liquors. Two members shall be engaged 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 neighborhood association recognized by a county, city, or town. No more than four members may be of the same political party. No more than three members may be appointed from the same county.

Action	December 2017	FY 2018 Year to Date	FY 2017 Year End
Hearings Scheduled	2	15	31
Licenses Granted	0	6	15
Licenses Denied	0	0	3
Continuances Granted (Matters may be postponed to a subsequent hearing.)	1	1	9
Continuances Denied	0	0	0
Applications Withdrawn (Applicants may withdraw their applications.)	0	2	4
Appeals Heard (Applicants and licensees have the right to appeal a decision made by the Director or the Board.)	1	1	0
Rehearings Requested (A rehearing of a case may be requested by the Board, the applicant, or an interested party.)	0	2	0
Hearings Cancelled (If the reason for the protest is clearly removed or satisfied, the Director may request the Board to cancel the hearing.)	0	3	4

LIQUOR BOARD MEMBERS	
Michael J. Troyan (I) Chair Maricopa County Retailer Term Expires January 15, 2018	Troy L. Campbell (R) Vice Chair Maricopa County No Financial Interest Term Expires January 15, 2018
Michael N. Widener (R) Maricopa County No Financial Interest Term Expires January 15, 2018	Jeffrey K. Oravits (R) Coconino County Neighborhood Association No Financial Interest Term Expires January 20, 2020

INVESTIGATION DIVISION

It is the responsibility of the Investigation Division to ensure licensees statewide comply with A.R.S. Title 4 (Arizona liquor law) and Arizona Administrative Code (A.A.C.) Title 19. The Division includes Investigations, Compliance, Audit, Industry Trade Practice, and Prevention.

DIVISION STATISTICS

Achievements	December 2017	FY 2018 Year to Date	FY 2017 Year End
Officer-to-Liquor License Ratio (Nonsupervisory staff of ten full time sworn officers)	1:1,252	1:1,252	1:1,287
Citations			
Total Citations Issued (Number of citations issued by an investigator for administrative, criminal, and underage violations)	16	172	429
Citations Issued to Underage (Number of citations written to underage persons who were found in violation of Title 4)	3	120	324
Violations			
Criminal Counts Charged (Number of counts charged by an investigator when person is in violation of Title 4, Title 13 or Title 28)	29	309	804
Administrative Counts Charged (Number of administrative counts charged by an investigator when a liquor law violation was found at a liquor-licensed establishment)	44	238	700
Underage Violations (Number of counts charged by an investigator for a liquor law violation involving an underage person)	19	267	767
Tax Deficiency Charges (Number of tax delinquencies where a licensee is over 120-days late and owes more than \$250)	6	41	192
Compliance			
Routine Liquor Inspections (Number of establishments randomly inspected to ensure they are operating in compliance with Title 4)	16	161	526
Actioned (Administrative) Complaints (Number of administrative citations issued and scheduled for an administrative hearing)	9	35	124
Compliance Case Reports Submitted	29	147	285
Non-Actioned (Criminal) Complaints (Number of incoming complaints to the Investigation Division reporting a liquor law violation)	40	242	468
Investigation			
Site Inspections Completed	39	256	432
On-View Violation Case Reports (Level 1 high priority involving underage, over service, and/or act of violence)	14	78	59
Total Achievements*	610	4,429	10,896

*Including police report reviews and completed protests not listed above

LAW ENFORCEMENT SPECIAL DETAIL

- Covert Underage Buyer Program (CUB) – Detective Williams and Detective Zacarias
- CUB – Detective Sanchez and Detective Turner
- CUB – Detective Turner and Detective Barchak
- “Cabin” search warrant in Scottsdale – Sergeant Kuhl, Detective Swift and Detective Schrimpf
- Prescott bar detail – Detective Carruthers and Detective Barchak
- Wet-lab alcohol dispersal with Youngs Market – Detective Williams
- FY2018 Strategic Planning with Prevention Leaders and Pima County underage drinking alliances – Detective Webb
- Governor’s Office of Youth, Faith and Family (GOYFF) retail training – Detective Zacarias
- Local Governing Body (LGB) Navajo Nation Training (26 members) – Detective Carruthers
- Alcohol Awareness training at Pendergast Middle School (170 students) – Detective Webb
- Alcohol Awareness training at Miami High School (80 students) – Detective Webb
- Title 4 training for Prescott Police Department (15 officers) – Detective Carruthers

COVERT UNDERAGE BUYER PROGRAM

In an effort to curb the sale of liquor to underage persons, the Department utilizes the Covert Underage Buyer (CUB) program, which was instituted in May of 2003. This program provides the resources necessary for the Department to investigate reported complaints of licensed businesses suspected of underage liquor law violations. When the Department has reasonable suspicion a licensed establishment is selling liquor to underage customers, a CUB will be sent in to attempt to purchase liquor. CUB's are between the ages of 16 and 19 and are carefully trained by Department detectives. The Department provides CUB program training to all Arizona law enforcement agencies, allowing the program to operate statewide.

Action	December 2017	FY 2018 Year to Date	FY 2017 Year End	May 2003 to December 2017
Locations Investigated	16	67	131	4,108
Number That Sold to CUB	7	19	51	1,312
Percentage of Establishments That Sold to CUB	43.8%	28.4%	38.9%	31.9%
Administrative Citations Issued	15	44	128	3,161
Criminal Citations Issued	11	23	58	2,470

UNDERAGE VIOLATIONS

Statute and Violation	Number of Counts Charged in December 2017	Number of Counts Charged in FY 2018	Number of Counts Charged in FY 2017
A.R.S. § 4-241(A) Failure to request ID from underage; accepting unauthorized forms of ID	8	21	51
A.R.S. § 4-241(K) Accepting unauthorized IDs	0	0	1
A.R.S. § 4-241(L) Underage who uses false ID to buy alcohol	0	42	81
A.R.S. § 4-241(M) Underage who solicits another person for alcohol	0	0	9
A.R.S. § 4-241(N) Underage who uses of false ID to gain entry to a liquor business	1	16	28
A.R.S. § 4-241(P) Person purchasing alcohol for underage	0	0	0
A.R.S. § 4-244(9) Furnishing alcohol to an underage; underage in possession/consumption	7	82	272
A.R.S. § 4-244(20) Consuming spirituous liquor in public place, thoroughfare or gathering	0	0	2
A.R.S. § 4-244(41) Underage with alcohol in system	2	64	205
A.R.S. § 13-2907.01 False reporting to law enforcement agencies	0	1	5
A.R.S. § 13-3613 Contributing to delinquency and dependency of a child	0	1	1
A.R.S. § 28-3478.1 Unlawful use of driver license	0	35	95
A.R.S. § 28-3478.2 Lend ID to another person	1	1	
A.R.S. § 28-3478.3 Using another person's driver license	0	4	12
Total Violations	19	267	803

Ages of Underaged Cited This Month	<15	15	16	17	18	19	20
	0	0	0	0	0	0	3

AUDIT STATISTICS

The Audit Unit monitors and performs audits of Series 11-Hotel/Motel with Restaurant and Series 12-Restaurant, to determine whether licensees are complying with A.R.S. § 4-205.02 by deriving at least 40% of their gross revenue from the sale of food and 60% from the sale of liquor. The Audit Unit refers violations to the Compliance Unit.

Active Restaurant-Type Licenses	December 2017	FY 2018 Year to Date Average	FY 2017 Year End
Hotel/Motel w/Restaurant (Series 11)	184	181	179
Restaurant (Series 12)	3,900	3,830	3,745
Total Restaurant-Type Licenses	4,084	4,011	3,924
Auditor-to-Liquor License Ratio <small>(Two full time auditors)</small>	2,042	1:2,006	1:1,962
Audit Action			
Audits Completed	0	0	67
Audits Passed	0	0	51
Audits Failed	0	0	15
Audits Inconclusive/Audit Not Performed	0	0	1
Locations granted one year to continue operation	0	0	0
Open Audit Cases			
Audits in progress	2	2	2
Open cases w/projected ratio of >37%	0	0	0
Open cases w/projected ratio between 30 to 37%	2	2	2
Open cases w/projected ratio of <30%	0	0	0
Locations being monitored	95	93	91
Source of Revenue		Year to Date Total	FY 2017 Year End
Assessed fine revenue	\$0	\$1,500	\$56,650
Collected fine revenue	\$500	\$7,000	\$74,200

ONLINE AUDIT SERVICES

Online audit services are improving process efficiency and adding value in time savings for licensees and the Department.

Sampling Requests	December 2017	FY 2018 Year to Date	FY 2017 Year End
Total sampling requests	207	5,274	13,733
Total sampling requests cancelled	3	228	674
Total time savings in hours <small>(Calculation: One sampling request takes three minutes to process.)</small>	10.4	263.9	687

COMPLIANCE STATISTICS

The Compliance Unit imposes disciplinary actions against licensees for violations of state liquor laws. The Compliance Unit is responsible for determining an appropriate course of disciplinary action which may consist of verbal or written warnings, consent agreements, or referral for a full administrative hearing.

Action	December 2017	FY 2018 Year to Date	FY 2017 Year End
Revocations	0	0	1
Suspensions	0	1	5
Surrenders	0	5	18
Divestitures	0	0	0
Administrative Complaints	0	0	2
Decisions and Orders	0	1	0
Cases Received	27	137	709
Cases Completed	2	18	164
Cases in Progress	25	122	515
Warning Letter Issued	0	8	46
Cases Sent to the Office of Administrative Hearings	0	2	4
Fines Collected	\$19,325	\$146,700	\$426,700
Cases Adjudicated	13	121	389
Action Resulting From Underage Violations			
Licenses Suspended	0	0	1
Licenses Revoked	0	0	0
Fines Collected	\$5,250	\$15,750	\$86,250

UPCOMING EVENTS AND MILESTONES

FY 2018 Staffing Challenges

In FY 2017, agency budgets and staffing levels remained lower than the years prior to the economic crisis of 2008-2010. The hiring freeze, which the State implemented in February 2008 and renewed in 2015, continued throughout the fiscal year. The overall size of the State’s workforce remains significantly smaller, and yet the population that is served by our government agencies continues to increase. . . . There were 33,222 SPS (State Personnel System) employees at the end of FY 2017. This represents a continued reduction in the size of State government, shrinking 4,734 filled positions, or 12.5% since FY 2008.

(Source: Arizona Department of Administration, http://www.hr.state.az.us/AdditionalPages/AD_Publications_Reports.asp.)

The Department is authorized 40 FTEs (Full-time Employees or Full-time Equivalent positions). Since April 2017, the Department has been operating with 35 FTEs. This represents a 12.5% reduction from the number of authorized positions. The chart below illustrates the significant opportunity lost in April 1 through December 31, 2017, when standard 8-hour work days are calculated for 5 vacant FTEs.

Months with 12.5% Reduction in Staff (35/40)	Number of Work Days	Total Hours in Work Days
April '17	20	160
May '17	22	176
June '17	22	176
July '17	20	160
August '17	23	184
September '17	20	160
October '17	21	168
November '17	19	152
December '17	20	160
Opportunity lost from one vacant FTE for nine months	187 days	1,496 hours
Total Opportunity Lost From Five Vacant FTEs	935 Days	7,480 Hours