

# Arizona Department of Liquor Licenses and Control



## January 2018 Governor's Monthly Report (REVISED 2/15/19)

STATE OF ARIZONA  
DEPARTMENT OF LIQUOR LICENSES AND CONTROL  
JOHN COCCA, DIRECTOR

800 West Washington Street, Fifth Floor  
Phoenix, Arizona 85007  
Phone: (602) 542-5141 ★ Fax: (602) 542-5707  
[www.azliquor.gov](http://www.azliquor.gov)



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

# 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 400 walk-in applicants and licensees in January 2018.

Transaction	January 2018	FY 2018 Year to Date	Total FY 2017
New liquor licenses issued	161	970	2,006
Liquor licenses renewed	1,185	7,549	12,319
Special event permits issued	256	2,139	3,576
Interim permits issued	36	328	485
Exempt locations issued	19	109	131
Number of exempt locations	172*	172*	138
Lottery licenses issued	2	12	18
Active liquor licenses	12,088**	12,088**	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		
	January 2018	FY 2018 Running Average	FY 2017 Year End Average
Series 6-Bar	84	81	76
Series 7-Beer and Wine Bar	81	80	75
Series 9-Liquor Store	98	83	74
Series 10-Beer and Wine Store	83	80	77
Series 12-Restaurant	93	82	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	January 2018	FY 2018 Year to Date	FY 2017 Year End
FMV (Liquor License Lottery)	1,412,900	2,062,025	3,526,825
Applications	14,500	91,000	165,425
Licenses Issuances Fees	135,775	856,175	1,269,105
Licenses Renewals Fees	159,793	1,254,582	2,860,895
Interim Permit Fees	3,800	33,300	46,900
Agent Change	2,950	25,951	53,410
Fines (Liquor Law Violations)	22,575	159,900	420,550
Special Event (DHS)	6,300	42,950	70,800
Club (DES)	9,600	30,550	48,675
Penalty Fees (Late Renewals)	33,000	110,850	169,350
Copy Fees	0	678	2,154
Non-Use Surcharge	16,700	99,600	201,200
Audit Surcharge (J Fund)	17,850	75,630	178,350
Enforcement K Surcharge	47,145	265,125	430,645
Enforcement L Surcharge	47,100	248,955	373,360
Miscellaneous	11,550	34,106	35,892
17W Direct Shipment License	4,500	26,100	118,800
17W Direct Shipment Renewal	8,050	8,050	22,200
Fingerprints Fees	4,004	30,154	60,522
<b>Total Revenue Collected</b>	<b>\$1,958,092</b>	<b>\$5,456,041</b>	<b>\$10,055,058</b>

**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	January 2018	FY 2018 Year to Date	FY 2017 Year End
Hearings Scheduled	4	19	31
Licenses Granted	0	6	15
Licenses Denied	0	0	3
Continuances Granted (Matters may be postponed to a subsequent hearing.)	1	2	9
Continuances Denied	0	0	0
Applications Withdrawn (Applicants may withdraw their applications.)	2	4	4
Appeals Heard (Applicants and licensees have the right to appeal a decision made by the Director or the Board.)	0	1	0
Rehearings Requested (A rehearing of a case may be requested by the Board, the applicant, or an interested party.)	1	3	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	
<b>Michael J. Troyan (I)</b> Chair Maricopa County Retailer Term Expires January 15, 2018	<b>Troy L. Campbell (R)</b> Vice Chair Maricopa County No Financial Interest Term Expires January 15, 2018
<b>Michael N. Widener (R)</b> Maricopa County No Financial Interest Term Expires January 15, 2018	<b>Jeffrey K. Oravits (R)</b> Coconino County Neighborhood Association No Financial Interest Term Expires January 21, 2019

# 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, Trade Practice/Training, and Prevention.

## DIVISION STATISTICS

Achievements	January 2018	FY 2018 Year to Date	FY 2017 Year End
<b>Officer-to-Liquor License Ratio</b> (Nonsupervisory staff of ten full time sworn officers)	1:1,208	1:1,208	1:1,287
<b>Citations</b>			
<b>Total Citations Issued</b> (Number of citations issued by an investigator for administrative, criminal, and underage violations)	29	201	429
<b>Citations Issued to Underage</b> (Number of citations written to underage persons who were found in violation of Title 4)	34	154	324
<b>Violations</b>			
<b>Criminal Counts Charged</b> (Number of counts charged by an investigator when person is in violation of Title 4, Title 13 or Title 28)	66	375	804
<b>Administrative Counts Charged</b> (Number of administrative counts charged by an investigator when a liquor law violation was found at a liquor-licensed establishment)	32	270	700
<b>Underage Violations</b> (Number of counts charged by an investigator for a liquor law violation involving an underage person)	51	318	767
<b>Tax Deficiency Charges</b> (Number of tax delinquencies where a licensee is over 120-days late and owes more than \$250)	3	44	192
<b>Compliance</b>			
<b>Routine Liquor Inspections</b> (Number of establishments randomly inspected to ensure they are operating in compliance with Title 4)	10	171	526
<b>Actioned (Administrative) Complaints</b> (Number of administrative citations issued and scheduled for an administrative hearing)	4	39	124
<b>Compliance Case Reports Submitted</b>	9	156	285
<b>Non-Actioned (Criminal) Complaints</b> (Number of incoming complaints to the Investigation Division reporting a liquor law violation)	30	272	468
<b>Investigation</b>			
<b>Site Inspections Completed</b>	36	292	432
<b>On-View Violation Case Reports</b> (Level 1 high priority involving underage, over service, and/or act of violence)	9	87	59
<b>Total Achievements*</b>	<b>757</b>	<b>5,186</b>	<b>10,896</b>

\*Including police report reviews and completed protests not listed above

## **LAW ENFORCEMENT SPECIAL DETAIL**

- Covert Underage Buyer Program (CUB) – Detective Williams and Detective Barchak
- CUB – Detective Turner and Detective Barchak
- Search warrant training – Detective Williams and Detective Swift
- Search warrant with Arizona Department of Gaming in Marana – Sergeant Palubeskie, Detective Fletcher and Detective Zacarias
- “North Italian” TRACE case with subpoena – Detective Zacarias
- Waste Management Open detail with Scottsdale Police Department – Detective Swift
- Barrett Jackson youth alcohol detail – Detective Swift and Detective Barchak
- Governor’s Office of Youth, Faith and Family (GOYFF) training – Detective Carruthers
- GOYFF training – Detective Sanchez
- Alcohol Awareness trainings (5 trainings, 179 teens) – Detective Webb
- Title 4 and Fake ID classes (2 classes, 27 officers) – Detective Webb
- 23rd Annual Tribal Day at State Capitol – Detective Webb
- LaPaz County CUB detail – Detective Carruthers and Detective Sanchez

## **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.

<b>Action</b>	<b>January 2018</b>	<b>FY 2018 Year to Date</b>	<b>FY 2017 Year End</b>	<b>May 2003 to January 2018</b>
Locations Investigated	14	81	131	4,122
Number That Sold to CUB	2	21	51	1,314
Percentage of Establishments That Sold to CUB	14.3%	25.9%	38.9%	31.9%
Administrative Citations Issued	9	53	128	3,170
Criminal Citations Issued	2	25	58	2,472

## UNDERAGE VIOLATIONS

Statute and Violation	Number of Counts Charged in January 2018	Number of Counts Charged in FY 2018	Number of Counts Charged in FY 2017
<b>A.R.S. § 4-241(A)</b> Failure to request ID from underage; accepting unauthorized forms of ID	6	27	51
<b>A.R.S. § 4-241(K)</b> Accepting unauthorized IDs	0	0	1
<b>A.R.S. § 4-241(L)</b> Underage who uses false ID to buy alcohol	13	55	81
<b>A.R.S. § 4-241(M)</b> Underage who solicits another person for alcohol	0	0	9
<b>A.R.S. § 4-241(N)</b> Underage who uses of false ID to gain entry to a liquor business	0	16	28
<b>A.R.S. § 4-241(P)</b> Person purchasing alcohol for underage	0	0	0
<b>A.R.S. § 4-244(9)</b> Furnishing alcohol to an underage; underage in possession/consumption	22	104	272
<b>A.R.S. § 4-244(20)</b> Consuming spirituous liquor in public place, thoroughfare or gathering	1	1	2
<b>A.R.S. § 4-244(41)</b> Underage with alcohol in system	4	68	205
<b>A.R.S. § 13-2907.01</b> False reporting to law enforcement agencies	0	1	5
<b>A.R.S. § 13-3613</b> Contributing to delinquency and dependency of a child	0	1	1
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver license	2	37	95
<b>A.R.S. § 28-3478.2</b> Lend ID to another person	0	1	N/A
<b>A.R.S. § 28-3478.3</b> Using another person's driver license	0	4	12
<b>Total Violations</b>	<b>48</b>	<b>315</b>	<b>803</b>

Ages of Underaged Cited This Month	<15	15	16	17	18	19	20
	0	0	0	0	15	10	9

## 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	January 2018	FY 2018 Year to Date Average	FY 2017 Year End
Hotel/Motel w/Restaurant (Series 11)	184	182	179
Restaurant (Series 12)	3,900	3,840	3,745
<b>Total Restaurant-Type Licenses</b>	<b>4,084</b>	<b>4,022</b>	<b>3,924</b>
Auditor-to-Liquor License Ratio <small>(Two full time auditors)</small>	1:2,042	1:2,011	1:1,962
<b>Audit Action</b>			
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
<b>Open Audit Cases</b>			
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	94	91
<b>Source of Revenue</b>		<b>Year to Date Total</b>	<b>FY 2017 Year End</b>
Assessed fine revenue	\$0	\$1,500	\$56,650
Collected fine revenue	\$0	\$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	January 2018	FY 2018 Year to Date	FY 2017 Year End
Total sampling requests	1,018	6,292	13,733
Total sampling requests cancelled	58	286	674
Total time savings in hours <small>(Calculation: One sampling request takes three minutes to process.)</small>	50.9	314.8	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	January 2018	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	24	161	709
Cases Completed	5	23	164
Cases in Progress	19	141	515
Warning Letter Issued	0	8	46
Cases Sent to the Office of Administrative Hearings	2	4	4
Fines Collected	\$22,575	\$169,275	\$426,700
Cases Adjudicated	23	144	389
<b>Action Resulting From Underage Violations</b>			
Licenses Suspended	0	0	1
Licenses Revoked	0	0	0
Fines Collected	\$8,250	\$24,000	\$86,250

# UPCOMING EVENTS AND MILESTONES

## Legislation\*

The Fifty-third Legislature convened its Second Regular Session on January 8, 2018. Each year, stakeholders representing the liquor industry participate in crafting legislation for a liquor omnibus bill. This year, approximately 50 individuals provided input.

### **HB 2334 liquor omnibus**

#### **Provisions**

1. Authorizes the Director to suspend or revoke the approval of trainers not abiding by DLLC course mandates or standards; permits an appeal to the Board for any penalty. (Sec. 2)
2. Deposits into the Liquor Licenses Fund, all monies from applications for sampling and growler permits and stipulates the total is regardless of DLLC's legislative appropriation. (Sec. 3, 4)
3. States there is no license transfer if a new fictitious person is added to the business ownership, but the controlling persons initially disclosed to the Director remain the same. (Sec. 6)

#### **Special Event License**

4. Requires a denial for a special event license by a county, city or town (or its designee) be given to the Director within 90 days after a person submits the application or else the application is considered as having no recommendation. (Sec. 7)
5. Limits an off-sale special event license for a charitable auction of spirituous liquor to 20 cases annually. (Sec. 7)
6. Limits a special event license for a wine pull or distilled spirits pull to 20 cases of wine and 10 cases of distilled spirits (now 50 bottles) per day of a licensed special event and makes the licensee responsible for complying with the case limitations. (Sec. 7)

#### **Farm Winery Festival License & Farm Winery Fair License**

7. Rewrites the Farm Winery Festival License (Festival License) and Farm Winery Fair License (Fair License) statutes. (Sec. 8)
8. Maintains the Director's ability to issue temporary special event licenses and gives the county, city or town (or its designee) authorization to approve or deny the Festival License. (Sec. 8)
9. Gives the county, city or town (or its designee) 90 days to deny a Festival License application after its submission and deems anything after that timeframe as no recommendation. (Sec. 8)
10. Permits the Director to issue one or more Festival Licenses for each Farm Winery and to establish a fee (now \$15 fee). (Sec. 8)
11. Authorizes a Farm Winery representative to consume negligible amounts of wine on the Festival premises for quality control purposes. (Sec. 8)
12. Allows the Director to establish a fee for the Fair License (now \$15). (Sec. 8)
13. Permits the Farm Winery Licensee operating lawfully and primarily as a remote tasting room to exchange the license for a newly established Remote Tasting Room License without additional fee by December 31, 2018. (Sec. 10)

#### **Microbrewery & Craft Distillery**

14. Authorizes a licensed Microbrewery to have tapping equipment when it sells the retailer's beer, if the Microbrewery maintains the equipment as outlined. (Sec. 11)

\*Source: Arizona State Legislature Web Applications (<https://apps.azleg.gov>).

15. Permits a licensed Craft Distiller to deliver to remote locations, not just on-premises or adjacent to the premises. (Sec. 12)
16. Gives the county, city or town (or its designee) 90 days to deny a Craft Distillery Festival License application after its submission and deems anything after that timeframe as no recommendation. (Sec. 13)

#### **Bar, Beer & Wine Bar Licenses**

17. Permits the Director to issue a new license of the same series and in the same county when one reverts to DLLC. (Sec. 14)
18. Authorizes the Director to issue two new Beer and Wine Bar licenses (now one license) in each county per 5,000 population increase as of July 1, 2010 (rather than repealing January 1, 2022). (Sec. 14)
19. Beginning January 1, 2022, requires one new license per 10,000 population increase in each county as of July 1, 2010 (no date currently). (Sec. 14)
20. Requires an appraisal to determine Fair Market Value of a newly issued license and outlines specifics, which must consider trends in value over the prior 12 months. (Sec. 14)

#### **Miscellaneous**

21. Specifies the restrictions on issuing a license within 300 feet of a church or school do not apply to a Craft Distillery Festival License and a Farm Winery Festival License. (Sec. 15)
22. Adds to the reasons the Director may suspend or revoke a license, if the licensee violates an order of the Board. (Sec. 16)
23. Details the mitigating factors the Director may consider for a violation by the licensee involving the safety of the customers or serious acts of violence. (Sec. 16)
24. Decreases to 18 years (now 21 years), the age at which a person who knowingly allows an underage person to possess or consume spirituous liquor, is guilty of a Class 1 misdemeanor (6 months/\$2,500 plus surcharges) (Sec. 17).
25. Permits a producer to buy samples from the retailer where the sampling is being held and requires the purchase price to be the same as that paid by the public. (Sec. 18)
26. Stipulates that a retail location with a permanent sampling privilege issued by DLLC waives the requirement for separation or barrier from the remainder of the licensed premises. (Sec. 18)
27. Modifies the 2014 legislation relating to Farm Winery Licenses and the grandfathered licensees who will continue to operate until January 1, 2020 (now January 1, 2019). (Sec. 19)
28. Conforms language for existing Farm Winery Licensees who also hold either a Beer and Wine Bar or Beer and Wine Store License issued at the winery before January 1, 2014. (Sec. 19)
29. Modifies the definitions of acts of violence; club; voting security. (Sec. 1)
30. Makes technical changes. (Sec. 1, 2, 4-7, 9-17)
31. Makes clarifying and conforming changes. (Sec. 4-6, 9-12, 14-19)

#### **Current Law**

A.R.S. § 4-112 specifies the powers and duties of the Director, including the ability to adopt training rules for managers, servers and other employees who serve, sell or furnish spirituous liquor to retail customers and others. The training courses must include spirituous liquor handling and knowledge of liquor laws and pertinent rules.

A.R.S. § 4-202 requires every spirituous liquor license applicant to:

- a. Be a legal citizen of the United States and the state of Arizona.
- b. Submit a full set of fingerprints to the DLLC for obtaining a state and federal background check.

- c. Not have a license revocation within one year before the application.
- d. Upon request, provide full financial disclosure statements to the DLLC by the applicant.

A.R.S. § 4-203.02 sets the statutory rules and limitations for special event licenses, including an on-sale special event license allowing the sale of spirituous liquor for consumption on the premises of the event only and a daily off-sale special event license allowing a charitable auction of spirituous liquor for consumption off premises. Both the on-sale and off-sale special event license permit the licensee to conduct a wine or distilled spirits pull of up to 50 bottles of wine or distilled spirits. *Wine or distilled spirits pull* is an activity where an attendee pays a set price for an opportunity to select one or more random bottles of wine or distilled spirits at the event. A licensed producer or wholesaler may donate spirituous liquor to an organization that is having an on-sale or off-sale special event. A special event license may also be issued concurrently with a wine festival license and a craft distillery festival license.

END OF JANUARY 2018 REPORT TO THE GOVERNOR