

Arizona Department of Liquor Licenses and Control



March 2018 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 620 walk-in applicants and licensees in March 2018.

Transaction	March 2018	FY 2018 Year to Date	Total FY 2017
New liquor licenses issued	506	1,648	2,006
Liquor licenses renewed	2,013	10,069	12,319
Special event permits issued	264	2,403	3,576
Interim permits issued	64	415	485
Exempt locations issued	4	123	131
Number of exempt locations	162*	162*	138
Lottery licenses issued	5	20	18
Active liquor licenses	13,526**	13,526**	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		
	March 2018	FY 2018 Running Average	FY 2017 Year End Average
Series 6-Bar	88	81	76
Series 7-Beer and Wine Bar	75	80	75
Series 9-Liquor Store	96	84	74
Series 10-Beer and Wine Store	94	83	77
Series 12-Restaurant	89	84	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	March 2018	FY 2018 Year to Date	FY 2017 Year End
FMV (Liquor License Lottery)	267,450	2,346,350	3,526,825
Applications	164,239	262,639	165,425
Licenses Issuances Fees	26,075	960,710	1,269,105
Licenses Renewals Fees	812,456	2,157,338	2,860,895
Interim Permit Fees	6,400	42,000	46,900
Agent Change	0	28,351	53,410
Fines (Liquor Law Violations)	48,125	230,450	420,550
Special Event (DHS)	8,025	57,475	70,800
Club (DES)	300	34,600	48,675
Penalty Fees (Late Renewals)	10,200	136,800	169,350
Copy Fees	0	1,478	2,154
Non-Use Surcharge	25,900	131,700	201,200
Audit Surcharge (J Fund)	52,350	138,600	178,350
Enforcement K Surcharge	65,765	346,220	430,645
Enforcement L Surcharge	40,955	304,205	373,360
Miscellaneous	10,054	50,439	35,892
17W Direct Shipment License	9,675	39,600	118,800
17W Direct Shipment Renewal	34,650	71,575	22,200
Fingerprints Fees	5,676	39,028	60,522
Total Revenue Collected	\$1,588,295	\$7,379,558	\$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	March 2018	FY 2018 Year to Date	FY 2017 Year End
Hearings Scheduled	11	30	31
Licenses Granted	7	13	15
Licenses Denied	1	1	3
Continuances Granted (Matters may be postponed to a subsequent hearing.)	2	4	9
Continuances Denied	0	0	0
Applications Withdrawn (Applicants may withdraw their applications.)	1	5	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.)	0	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	
Michael J. Troyan (I) Chair Maricopa County Retailer Term Expires January 18, 2021	Troy L. Campbell (R) Vice Chair Maricopa County No Financial Interest Term Expires January 18, 2021
Michael N. Widener (R) Maricopa County No Financial Interest Term Expires January 18, 2021	Jeffrey K. Oravits (R) Coconino County Neighborhood Association No Financial Interest Term Expires January 21, 2019
Walter W. Jahn (R) Pima County Wholesaler 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, Trade Practice/Training, and Prevention.

DIVISION STATISTICS

Achievements	March 2018	FY 2018 Year to Date	FY 2017 Year End
Officer-to-Liquor License Ratio (Nonsupervisory staff of ten full time sworn officers)	1:1,352	1:1,352	1:1,287
Citations			
Total Citations Issued (Number of citations issued by an investigator for administrative, criminal, and underage violations)	12	286	429
Citations Issued to Underage (Number of citations written to underage persons who were found in violation of Title 4)	14	222	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)	23	532	804
Administrative Counts Charged (Number of administrative counts charged by an investigator when a liquor law violation was found at a liquor-licensed establishment)	76	365	700
Underage Violations (Number of counts charged by an investigator for a liquor law violation involving an underage person)	31	498	767
Tax Deficiency Charges (Number of tax delinquencies where a licensee is over 120-days late and owes more than \$250)	0	44	192
Compliance			
Routine Liquor Inspections (Number of establishments randomly inspected to ensure they are operating in compliance with Title 4)	22	198	526
Actioned (Administrative) Complaints (Number of administrative citations issued and scheduled for an administrative hearing)	6	48	124
Compliance Case Reports Submitted	17	176	285
Non-Actioned (Criminal) Complaints (Number of incoming complaints to the Investigation Division reporting a liquor law violation)	24	305	468
Investigation			
Site Inspections Completed	41	362	432
On-View Violation Case Reports (Level 1 high priority involving underage, over service, and/or act of violence)	4	98	59
Total Achievements*	818	6,979	10,896

*Including police report reviews and completed protests not listed above

LAW ENFORCEMENT SPECIAL DETAIL

- Covert Underage Buyer Program (CUB) – Detective Barchak and Detective Trevizo
- Cirq bar detail with Scottsdale Police Department – Detective Swift
- Route 66 DUI Task Force – Detective Carruthers
- Drug-free walk in Globe (100 contacts) – Detective Webb
- Governor’s Office of Youth, Faith and Family (GOYFF) prevention training for Tonalea Hopi Reservation (45 students) – Detective Webb and Detective Carruthers
- Local Governing Body (LGB) training at Mesa Police Department Academy (25 attendees) – Detective Williams and Detective Schrimpf
- Alcohol Awareness class for 7th and 8th grade students at Garden Lakes Middle School in Avondale (218 students) – Detective Webb
- Alcohol Awareness class for teens at La Joya High School in Avondale (90 students) – Detective Webb
- Title 4 training for Miami Police Department (10 officers) – Detective Webb

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	March 2018	FY 2018 Year to Date	FY 2017 Year End	May 2003 to March 2018
Locations Investigated	5	92	131	4,133
Number That Sold to CUB	2	26	51	1,319
Percentage of Establishments That Sold to CUB	40%	28.3%	38.9%	31.9%
Administrative Citations Issued	4	63	128	3,180
Criminal Citations Issued	8	41	58	2,488

UNDERAGE VIOLATIONS

Statute and Violation	Number of Counts Charged in March 2018	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	5	40	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	3	68	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	0	18	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	11	163	272
A.R.S. § 4-244(20) Consuming spirituous liquor in public place, thoroughfare or gathering	0	1	2
A.R.S. § 4-244(41) Underage with alcohol in system	6	133	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	1	49	95
A.R.S. § 28-3478.2 Lend ID to another person	0	1	N/A
A.R.S. § 28-3478.3 Using another person's driver license	0	8	12
Total Violations	26	483	803

Ages of Underaged Cited This Month	<15	15	16	17	18	19	20
	0	0	0	1	0	2	4

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	March 2018	FY 2018 Year to Date Average	FY 2017 Year End
Hotel/Motel w/Restaurant (Series 11)	187	183	179
Restaurant (Series 12)	3,946	3,863	3,745
Total Restaurant-Type Licenses	4,133	4,046	3,924
Auditor-to-Liquor License Ratio <small>(Two full time auditors)</small>	1:2,067	1:2,023	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	94	91
Source of Revenue		Year to Date Total	FY 2017 Year End
Assessed fine revenue	\$0	\$1,500	\$56,650
Collected fine revenue	\$2,000	\$9,000	\$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	March 2018	FY 2018 Year to Date	FY 2017 Year End
Total sampling requests	1,376	8,469	13,733
Total sampling requests cancelled	57	427	674
Total time savings in hours <small>(Calculation: One sampling request takes three minutes to process.)</small>	68.8	423.7	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	March 2018	FY 2018 Year to Date	FY 2017 Year End
Revocations	0	0	1
Suspensions	0	1	5
Surrenders	1	7	18
Divestitures	0	0	0
Administrative Complaints	0	0	2
Decisions and Orders	0	1	0
Cases Received	36	224	709
Cases Completed	4	29	164
Cases in Progress	32	198	515
Warning Letter Issued	3	11	46
Cases Sent to the Office of Administrative Hearings	1	5	4
Fines Collected	\$22,200	\$213,900	\$426,700
Cases Adjudicated	26	192	389
Action Resulting From Underage Violations			
Licenses Suspended	0	0	1
Licenses Revoked	0	0	0
Fines Collected	\$0	\$24,750	\$86,250

UPCOMING EVENTS AND MILESTONES

State Liquor Board

Governor Doug Ducey reappointed Board members Troy L. Campbell, Michael N. Widener, and Michael J. Troyan. All three gentlemen reside in Maricopa County. Mr. Campbell and Mr. Widener have no financial interest in the liquor industry, and Mr. Troyan is a retail licensee. Governor Ducey appointed Jeffrey K. Oravits from Coconino County to fill the Neighborhood Association position. Mr. Oravits has no financial interest in the liquor industry. Walter W. Jahn was appointed as an industry representative from the wholesale distribution tier. Mr. Jahn resides in Pima County. Members are featured on the Department's website. Currently, there are two vacancies on the Board.

Board members are appointed by the governor pursuant to section 38-211. The term of members is three years. Members' terms expire on the third Monday in January of the appropriate year. The governor may remove any member of the board for cause. No member may represent a licensee before the board or the department for a period of one year after the conclusion of the member's service on the board.

The board elects from its membership a chair and vice chair in February of each year. If a vacancy occurs in the chair or vice chair office, the board holds an election for the vacant office at its next scheduled meeting. A majority of the board constitutes a quorum, and a concurrence of a majority of a quorum is sufficient for taking any action. The chair may designate panels of not less than three members. A panel may take any action that the board is authorized to take except for adopting rules. The board may take evidence, administer oaths or affirmations, issue subpoenas requiring attendance and testimony of witnesses, cause depositions to be taken and require by subpoena duces tecum the production of books, papers and other documents that are necessary for the enforcement of Title 4. Board meetings are held in the Board Hearing Room on the 5th floor of 800 W. Washington, Phoenix. Meeting agendas, minutes and decisions are posted on the Department's website.

Board History. The Department of Liquor Licenses and Control and the Office of Superintendent of the Department were created in 1939 (Laws 1939, Ch. 72). Effective July 1, 1967, the department was reorganized to consist of the State Liquor Board and the Office of Director of the Department (Laws 1967, Ch. 133, § 3). There were three board members initially, increasing to five in 1979 (Laws 1979, Ch. 134, § 1), and then to seven members in 1984 (Laws 1984, Ch. 322, § 3). At least six of the members of the board could not be financially interested directly or indirectly in business licensed to deal with spirituous liquors. One member, at the discretion of the governor, could be engaged in business in the spirituous liquor industry or could have been engaged in the past in business within the liquor industry. Effective September 30, 1992, "discretion of the governor" was deleted from the language in section 4-111 (Laws 1992, Ch. 258, § 3). In 1997, one member was required to be a member of a neighborhood association recognized by a county, city or town (Laws 1997, Ch. 146, § 1). Effective January 31, 2003, membership of the board was revised to its current status (Laws 2002, Ch. 294, § 1). Five members shall not be financially interested directly or indirectly in the liquor industry. Two members shall be engaged in business in the liquor industry, one of whom shall currently be a retail licensee or the employee of a retail licensee.