

Arizona Department of Liquor Licenses and Control



June 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 240 walk-in applicants and licensees in June 2018.

Transaction	June 2018	FY 2018 Year to Date	Total FY 2017
New liquor licenses issued	312	3,078	2,006
Liquor licenses renewed	715	12,362	12,319
Special event permits issued	94	5,856	3,576
Interim permits issued	38	674	485
Exempt locations issued	9	159	131
Number of exempt locations	160*	160*	138
Lottery licenses issued	0	26	18
Active liquor licenses	14,562**	14,562**	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		
	June 2018	FY 2018 Running Average	FY 2017 Year End Average
Series 6-Bar	82	82	76
Series 7-Beer and Wine Bar	88	83	75
Series 9-Liquor Store	66	83	74
Series 10-Beer and Wine Store	92	84	77
Series 12-Restaurant	86	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	June 2018	FY 2018 Year to Date	FY 2017 Year End
FMV (Liquor License Lottery)	60,950	3,170,925	3,526,825
Applications	16,752	425,241	165,425
Licenses Issuances Fees	80,250	1,141,560	1,269,105
Licenses Renewals Fees	144,153	2,845,781	2,860,895
Interim Permit Fees	3,900	59,700	46,900
Agent Change	2,700	35,551	53,410
Fines (Liquor Law Violations)	30,888	328,475	420,550
Special Event (DHS)	3,150	72,500	70,800
Club (DES)	4,500	41,700	48,675
Penalty Fees (Late Renewals)	10,500	200,400	169,350
Copy Fees	145	1,623	2,154
Non-Use Surcharge	15,800	177,300	201,200
Audit Surcharge (J Fund)	11,280	182,550	178,350
Enforcement K Surcharge	26,110	422,415	430,645
Enforcement L Surcharge	23,680	363,210	373,360
Miscellaneous	17,172	90,022	35,892
17W Direct Shipment License	3,375	54,675	118,800
17W Direct Shipment Renewal	175	74,025	22,200
Fingerprints Fees	4,734	53,522	60,522
Total Revenue Collected	\$460,213	\$9,741,172	\$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	June 2018	FY 2018 Year to Date	FY 2017 Year End
Hearings Scheduled	1	33	31
Licenses Granted	0	14	15
Licenses Denied	1	2	3
Continuances Granted (Matters may be postponed to a subsequent hearing.)	0	4	9
Continuances Denied	0	0	0
Applications Withdrawn (Applicants may withdraw their applications.)	0	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	4	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	June 2018	FY 2018 Year to Date	FY 2017 Year End
Officer-to-Liquor License Ratio (Nonsupervisory staff of ten full time sworn officers)	1:1,456	1:1,456	1:1,287
Citations			
Total Citations Issued (Number of citations issued by an investigator for administrative, criminal, and underage violations)	8	428	429
Citations Issued to Underage (Number of citations written to underage persons who were found in violation of Title 4)	14	421	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)	14	758	804
Administrative Counts Charged (Number of administrative counts charged by an investigator when a liquor law violation was found at a liquor-licensed establishment)	43	531	700
Underage Violations (Number of counts charged by an investigator for a liquor law violation involving an underage person)	17	732	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)	20	260	526
Actioned (Administrative) Complaints (Number of administrative citations issued and scheduled for an administrative hearing)	11	165	124
Compliance Case Reports Submitted	5	225	285
Non-Actioned (Criminal) Complaints (Number of incoming complaints to the Investigation Division reporting a liquor law violation)	13	399	468
Investigation			
Site Inspections Completed	38	481	432
On-View Violation Case Reports (Level 1 high priority involving underage, over service, and/or act of violence)	10	143	59
Total Achievements*	638	9,918	10,896

*Including police report reviews and completed protests not listed above

LAW ENFORCEMENT SPECIAL DETAIL

- Covert Underage Buyer Program (CUB) – Detective Fletcher and Detective Zacarias
- TRACE interviews – Detective Fletcher and Detective Zacarias
- Youth alcohol detail at Kenny Chesney concert – Sergeant Kuhl and Detective Barchak
- Active Shooter training with Yuma Police Department – Detective Sanchez attended
- New CUB video – Detective Williams and Detective Swift conducted
- Governor’s Office of Youth, Faith and Family (GOYFF) retail training – Detective Zacarias
- Alcohol Awareness training in Casa Grande (50 students) – Detective Webb
- Title 4 training for Tucson Police Department (20 officers) – Detective Webb
- Title 4 training for Maricopa County Sheriff’s Office Academy (20 recruits) – Detective Webb
- Title 4 Train-the-Trainers (35 industry members) at DLLC – Detective Williams
- Hidden Ownership training at DLLC – Entire Investigations section attended
- Maricopa County Attorney’s Office Miranda training at DLLC – Entire Investigations section attended

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	June 2018	FY 2018 Year to Date	FY 2017 Year End	May 2003 to June 2018
Locations Investigated	5	118	131	4,159
Number That Sold to CUB	1	32	51	1,325
Percentage of Establishments That Sold to CUB	20%	27.1%	38.9%	31.9%
Administrative Citations Issued	2	77	128	3,194
Criminal Citations Issued	1	47	58	2,494

UNDERAGE VIOLATIONS

Statute and Violation	Number of Counts Charged in June 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	1	49	51
A.R.S. § 4-241(K) Accepting unauthorized IDs	0	2	1
A.R.S. § 4-241(L) Underage who uses false ID to buy alcohol	0	75	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	23	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	9	274	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	218	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	2	1
A.R.S. § 28-3478.1 Unlawful use of driver license	0	59	95
A.R.S. § 28-3478.2 Lend ID to another person	0	2	
A.R.S. § 28-3478.3 Using another person's driver license	0	9	12
Total Violations	16	715	803

Ages of Underaged Cited This Month	<15	15	16	17	18	19	20
	0	0	0	1	2	5	1

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	June 2018	FY 2018 Year to Date Average	FY 2017 Year End
Hotel/Motel w/Restaurant (Series 11)	186	184	179
Restaurant (Series 12)	3,869	3,856	3,745
Total Restaurant-Type Licenses	4,055	4,039	3,924
Auditor-to-Liquor License Ratio <small>(Two full time auditors)</small>	1:2,028	1:2,020	1:1,962
Audit Action		Year to Date Total	FY 2017 Year End
Audits Completed	2	2	67
Audits Passed	1	1	51
Audits Failed	1	1	15
Audits Inconclusive/Audit Not Performed	0	0	1
Locations granted one year to continue operation	0	0	0
Open Audit Cases		Year to Date Average	FY 2017 Year End
Audits in progress	7	2	2
Open cases w/projected ratio of >37%	3	0	0
Open cases w/projected ratio between 30 to 37%	4	2	2
Open cases w/projected ratio of <30%	0	0	0
Locations being monitored	100	95	91
Source of Revenue		Year to Date Total	FY 2017 Year End
Assessed fine revenue	\$5,250	\$59,500	\$56,650
Collected fine revenue	\$7,500	\$34,875	\$74,200

During the month of June 2018, twenty-one (21) violation reports were sent to Compliance on farm wineries for under or over production. These violations resulted in fines being assessed in the amount of \$5,250.

ONLINE AUDIT SERVICES

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

Sampling Requests	June 2018	FY 2018 Year to Date	FY 2017 Year End
Total sampling requests	1,360	13,794	13,733
Total sampling requests cancelled	46	618	674
Total time savings in hours <small>(Calculation: One sampling request takes three minutes to process.)</small>	68	690	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	June 2018	FY 2018 Year to Date	FY 2017 Year End
Revocations	0	0	1
Suspensions	0	2	5
Surrenders	0	7	18
Divestitures	0	0	0
Administrative Complaints	0	0	2
Decisions and Orders	1	2	0
Cases Received	47	632	709
Cases Completed	1	119	164
Cases in Progress	46	516	515
Warning Letter Issued	0	72	46
Cases Sent to the Office of Administrative Hearings	1	6	4
Fines Collected	\$29,150	\$290,000	\$426,700
Cases Adjudicated	55	303	389
Action Resulting From Underage Violations			
Licenses Suspended	0	0	1
Licenses Revoked	0	0	0
Fines Collected	\$0	\$43,875	\$86,250

UPCOMING EVENTS AND MILESTONES

Session Laws of the Fifty-third Legislature – Second Regular Session

CHAPTER 240*

HOUSE BILL 2334

Abstract

Relating to the annual omnibus bill with modifications and clarifications to the liquor statutes.

Provisions

Special Event License

1. Requires a denial for a special event license by a county, city or town (or its designee) be given to the Director within 60 days after a person submits the application. (Sec. 7)
2. Permits the Director to issue a special event license to a government entity. (Sec. 7)
3. Authorizes a licensed producer or wholesaler to donate spirituous liquor to a nonprofit entity. (Sec. 7)
4. Limits an off-sale special event license for a charitable auction of spirituous liquor to 20 cases annually. (Sec. 7)
5. Limits a special event license to five days per year for a wine pull or distilled spirits pull and case amounts to 20 cases of wine and 10 cases (12-bottles per case) of distilled spirits (now 50 bottles) per day of a licensed special event. (Sec. 7)
6. Holds 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) 60 days to deny a Festival License application after its submission. (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)

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

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)
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) 60 days to deny a Craft Distillery Festival License application after its submission. (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 is revoked or reverts to DLLC, with the noted limitations. (Sec. 14)
18. Authorizes the Director to issue one new Beer and Wine Bar license (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 that after January 1, 2019:
 - a. The rules for basic and retailer management training must include the stated security measures, and the retailer must attempt to verify the registration certificate if the retailer uses a registered security guard.
 - b. Permits the Director to create a form for security personnel job applicants to disclose the specified offenses for the prior 5-year period and notarize the form. Defines the term security personnel.
 - c. Prohibits licensees from hiring or assigning any person to a security position who fails to complete the form or lists one of the infractions. (Sec. 2)
22. 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)
23. Permits protests to a liquor license to be submitted by email. (Sec, 5)
24. 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)
25. Allows a designee of the local governing body to provide input to the Director regarding the acquisition of control of a license. (Sec. 6)
26. 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)
27. Adds to the reasons the Director may suspend or revoke a license, if the licensee violates an order of the Board. (Sec. 16)
28. 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)

29. 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)
30. 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)
31. 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)
32. 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)
33. 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)
34. Modifies the definition of: act of violence; club; voting security; (Sec. 1); security personnel (Sec. 2); fair market value (Sec. 14); serious act of violence (Sec. 16).
35. Makes technical changes. (Sec. 1, 2, 4-7, 9-17)
36. Makes clarifying and conforming changes. (Sec. 1, 4-6, 9-11, 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 JUNE 2018 REPORT TO THE GOVERNOR