

# Arizona Department of Liquor Licenses and Control



## September 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"> <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 490 walk-in applicants and licensees in September 2017.

| Transaction                  | September 2017 | FY 2018<br>Year to Date | Total FY 2017 |
|------------------------------|----------------|-------------------------|---------------|
| New liquor licenses issued   | 116            | 383                     | 2,006         |
| Liquor licenses renewed      | 769            | 2,460                   | 12,319        |
| Special event permits issued | 382            | 726                     | 3,576         |
| Interim permits issued       | 30             | 148                     | 485           |
| Exempt locations issued      | 14             | 47                      | 131           |
| Number of exempt locations   | 137*           | 137*                    | 138           |
| Lottery licenses issued      | 1              | 5                       | 18            |
| Active liquor licenses       | 13,128**       | 13,128**                | 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 |                            |                             |
|-------------------------------|---|----------------------------|-----------------------------|
|                               | September 2017                          | FY 2018<br>Running Average | FY 2017 Year<br>End Average |
| Series 6-Bar                  | 84                                      | 80                         | 76                          |
| Series 7-Beer and Wine Bar    | 85                                      | 79                         | 75                          |
| Series 9-Liquor Store         | 104                                     | 82                         | 74                          |
| Series 10-Beer and Wine Store | 96                                      | 81                         | 77                          |
| Series 12-Restaurant          | 89                                      | 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              | September<br>2017 | FY 2018<br>Year to Date | FY 2017<br>Year End |
|--------------------------------|-------------------|-------------------------|---------------------|
| FMV (Liquor License Lottery)   | 40,150            | 159,350                 | 3,526,825           |
| Applications                   | 12,200            | 41,000                  | 165,425             |
| Licenses Issuances Fees        | 102,110           | 358,680                 | 1,269,105           |
| Licenses Renewals Fees         | 245,525           | 654,480                 | 2,860,895           |
| Interim Permit Fees            | 4,200             | 15,400                  | 46,900              |
| Agent Change                   | 3,400             | 11,450                  | 53,410              |
| Fines (Liquor Law Violations)  | 26,450            | 80,250                  | 420,550             |
| Special Event (DHS)            | 8,825             | 15,325                  | 70,800              |
| Club (DES)                     | 2,950             | 14,050                  | 48,675              |
| Penalty Fees (Late Renewals)   | 10,350            | 36,000                  | 169,350             |
| Copy Fees                      | 217               | 369                     | 2,154               |
| Non-Use Surcharge              | 14,900            | 53,200                  | 201,200             |
| Audit Surcharge (J Fund)       | 17,790            | 45,300                  | 178,350             |
| Enforcement K Surcharge        | 26,180            | 86,030                  | 430,645             |
| Enforcement L Surcharge        | 20,720            | 73,475                  | 373,360             |
| Miscellaneous                  | 2,626             | 13,223                  | 35,892              |
| 17W Direct Shipment License    | 3,150             | 11,475                  | 118,800             |
| 17W Direct Shipment Renewal    | 0                 | 0                       | 22,200              |
| Fingerprints Fees              | 4,312             | 14,586                  | 60,522              |
| <b>Total Revenue Collected</b> | <b>\$546,055</b>  | <b>\$1,683,653</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   | September<br>2017 | FY 2018<br>Year to Date | FY 2017<br>Year End |
|--|-------------------|-------------------------|---------------------|
| Hearings Scheduled   | 4                 | 7                       | 31                  |
| Licenses Granted   | 3                 | 5                       | 15                  |
| Licenses Denied  | 0                 | 0                       | 3                   |
| Continuances Granted<br>(Matters may be postponed to a subsequent hearing.)  | 0                 | 0                       | 9                   |
| Continuances Denied  | 0                 | 0                       | 0                   |
| Applications Withdrawn<br>(Applicants may withdraw their applications.)  | 1                 | 1                       | 4                   |
| Appeals Heard<br>(Applicants and licensees have the right to appeal a decision made by the Director or the Board.)                               | 0                 | 0                       | 0                   |
| Rehearings Requested<br>(A rehearing of a case may be requested by the Board, the applicant, or an interested party.)                            | 0                 | 0                       | 0                   |
| Hearings Cancelled<br>(If the reason for the protest is clearly removed or satisfied, the Director may request the Board to cancel the hearing.) | 0                 | 1                       | 4                   |

| LIQUOR BOARD MEMBERS   |  |
|--|--|
| <b>Michael J. Troyan (I)</b><br>Chair<br>Maricopa County<br>Retailer<br>Term Expires January 15, 2018      | <b>Troy L. Campbell (R)</b><br>Vice Chair<br>Coconino County<br>No Financial Interest<br>Term Expires January 15, 2018 |
| <b>Michael N. Widener (R)</b><br>Maricopa County<br>No Financial Interest<br>Term Expires January 15, 2018 | <b>John M. McLoughlin (R)</b><br>Cochise County<br>Wine Producer<br>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  | September<br>2017 | FY 2018<br>Year to<br>Date | FY 2017<br>Year End |
|---|-------------------|----------------------------|---------------------|
| <b>Officer-to-Liquor License Ratio</b><br>(Nonsupervisory staff of ten full time sworn officers)  | 1:1,312           | 1:1,312                    | 1:1,287             |
| <b>Citations</b>  |                   |                            |                     |
| <b>Total Citations Issued</b><br>(Number of citations issued by an investigator for administrative, criminal, and underage violations)  | 29                | 54                         | 429                 |
| <b>Citations Issued to Underage</b><br>(Number of citations written to underage persons who were found in violation of Title 4)   | 23                | 34                         | 324                 |
| <b>Violations</b>   |                   |                            |                     |
| <b>Criminal Counts Charged</b><br>(Number of counts charged by an investigator when person is in violation of Title 4, Title 13 or Title 28)                                  | 52                | 100                        | 804                 |
| <b>Administrative Counts Charged</b><br>(Number of administrative counts charged by an investigator when a liquor law violation was found at a liquor-licensed establishment) | 43                | 119                        | 700                 |
| <b>Underage Violations</b><br>(Number of counts charged by an investigator for a liquor law violation involving an underage person)   | 47                | 91                         | 767                 |
| <b>Tax Deficiency Charges</b><br>(Number of tax delinquencies where a licensee is over 120-days late and owes more than \$250)  | 11                | 26                         | 192                 |
| <b>Compliance</b>   |                   |                            |                     |
| <b>Routine Liquor Inspections</b><br>(Number of establishments randomly inspected to ensure they are operating in compliance with Title 4)                                    | 31                | 112                        | 526                 |
| <b>Actioned (Administrative) Complaints</b><br>(Number of administrative citations issued and scheduled for an administrative hearing)  | 9                 | 17                         | 124                 |
| <b>Compliance Case Reports Submitted</b>  | 34                | 86                         | 285                 |
| <b>Non-Actioned (Criminal) Complaints</b><br>(Number of incoming complaints to the Investigation Division reporting a liquor law violation)                                   | 60                | 128                        | 468                 |
| <b>Investigation</b>  |                   |                            |                     |
| <b>Site Inspections Completed</b>   | 14                | 4                          | 432                 |
| <b>On-View Violation Case Reports</b>   | 0                 | 0                          | 59                  |
| <b>Total Achievements*</b>  | <b>845</b>        | <b>2,449</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 Schrimpf
- CUB – Detective Webb and Detective Trevizo
- New eLicensing System Training – Sergeant Kuhl, Sergeant Palubeskie, Detective Swift and Detective Turner
- El Antro Underage Detail – Sergeant Kuhl, Detective Webb, Detective Trevizo, Detective Sanchez, Detective Turner and Detective Williams
- Opioid Narcan Training – Detective Webb
- Indian Country Conference – Detective Webb
- Navajo County Fair Detail – Detective Carruthers
- Oro Valley Music Festival – Sergeant Kuhl and Detective Swift
- Youth Alcohol Detail with Scottsdale Police Department – Detective Swift
- Title 4 Updates Training with Tempe Police Department for Mill Avenue employees (40 attendees) – Detective Swift
- Title 4/Fake I.D. Training for Prescott Valley Police Department (14 officers) – Detective Webb
- Title 4 Training for Northern Arizona Regional Training Academy (NARTA) (30 recruits) – Detective Webb
- Governor's Office of Youth, Faith and Family (GOYFF) Retail Training on September 27th and 28th – Detective Zacarias
- GOYFF Retail Training on September 12th, 25th and 26th – 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>September 2017</b> | <b>FY 2018 Year to Date</b> | <b>FY 2017 Year End</b> | <b>May 2003 to September 2017</b> |
|---|-----------------------|-----------------------------|-------------------------|-----------------------------------|
| Locations Investigated                        | 7                     | 35                          | 131                     | 4,076                             |
| Number That Sold to CUB                       | 1                     | 10                          | 51                      | 1,303                             |
| Percentage of Establishments That Sold to CUB | 14.3%                 | 28.6%                       | 38.9%                   | 32%                               |
| Administrative Citations Issued               | 2                     | 25                          | 128                     | 3,140                             |
| Criminal Citations Issued                     | 1                     | 10                          | 58                      | 2,457                             |

## UNDERAGE VIOLATIONS

| Statute and Violation   | Number of Counts Charged in September 2017 | Number of Counts Charged in FY 2018 | Number of Counts Charged in FY 2017 |
|---|--|-------------------------------------|-------------------------------------|
| <b>A.R.S. § 4-241(A)</b><br>Failure to request ID from underage; accepting unauthorized forms of ID | 1  | 11                                  | 51                                  |
| <b>A.R.S. § 4-241(K)</b><br>Accepting unauthorized IDs  | 0  | 0                                   | 1                                   |
| <b>A.R.S. § 4-241(L)</b><br>Underage who uses false ID to buy alcohol                               | 14   | 18                                  | 81                                  |
| <b>A.R.S. § 4-241(M)</b><br>Underage who solicits another person for alcohol                        | 0  | 0                                   | 9                                   |
| <b>A.R.S. § 4-241(N)</b><br>Underage who uses of false ID to gain entry to a liquor business        | 0  | 0                                   | 28                                  |
| <b>A.R.S. § 4-241(P)</b><br>Person purchasing alcohol for underage                                  | 0  | 0                                   | 0                                   |
| <b>A.R.S. § 4-244(9)</b><br>Furnishing alcohol to an underage; underage in possession/consumption   | 16   | 38                                  | 272                                 |
| <b>A.R.S. § 4-244(20)</b><br>Consuming spirituous liquor in public place, thoroughfare or gathering | 0  | 0                                   | 2                                   |
| <b>A.R.S. § 4-244(41)</b><br>Underage with alcohol in system  | 7  | 12                                  | 205                                 |
| <b>A.R.S. § 13-2907.01</b><br>False reporting to law enforcement agencies                           | 0  | 0                                   | 5                                   |
| <b>A.R.S. § 13-3613</b><br>Contributing to delinquency and dependency of a child                    | 0  | 0                                   | 1                                   |
| <b>A.R.S. § 28-3478.1</b><br>Unlawful use of driver license   | 9  | 12                                  | 95                                  |
| <b>A.R.S. § 28-3478.3</b><br>Using another person's driver license                                  | 0  | 0                                   | 12                                  |
| <b>Total Violations</b>   | <b>47</b>                                  | <b>91</b>                           | <b>803</b>                          |

| Ages of Underaged Cited This Month | <15 | 15 | 16 | 17 | 18 | 19 | 20 |
|------------------------------------|-----|----|----|----|----|----|----|
|                                    | 0   | 0  | 0  | 1  | 8  | 9  | 5  |

## 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  | September<br>2017 | FY 2018<br>Year to<br>Date | FY 2017<br>Year End |
|--|-------------------|----------------------------|---------------------|
| Hotel/Motel w/Restaurant (Series 11)                                       | 179               | 179                        | 179                 |
| Restaurant (Series 12)   | 3,812             | 3,812                      | 3,745               |
| <b>Total Restaurant-Type Licenses</b>                                      | <b>3,991</b>      | <b>3,991</b>               | <b>3,924</b>        |
| Auditor-to-Liquor License Ratio<br><small>(Two full time auditors)</small> | 1:1,996           | 1:1,996                    | 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  | 94                | 94                         | 91                  |
| <b>Source of Revenue</b>   |                   |                            |                     |
| Assessed fine revenue  | \$0               | \$1,500                    | \$56,650            |
| Collected fine revenue   | \$2,750           | \$6,500                    | \$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   | September<br>2017 | FY 2018<br>Year to Date | FY 2017<br>Year End |
|---|-------------------|-------------------------|---------------------|
| Total sampling requests   | 1,630             | 3,536                   | 13,733              |
| Total sampling requests cancelled   | 73                | 167                     | 674                 |
| Total time savings in hours<br><small>(Calculation: One sampling request takes three minutes to process.)</small> | 81.5              | 176.9                   | 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  | September<br>2017 | FY 2018<br>Year to Date | FY 2017<br>Year End |
|---|-------------------|-------------------------|---------------------|
| Revocations   | 0                 | 0                       | 1                   |
| Suspensions   | 0                 | 0                       | 5                   |
| Surrenders  | 2                 | 3                       | 18                  |
| Divestitures  | 0                 | 0                       | 0                   |
| Administrative Complaints                           | 0                 | 0                       | 2                   |
| Decisions and Orders                                | 0                 | 0                       | 0                   |
| Cases Received                                      | 20                | 59                      | 709                 |
| Cases Completed                                     | 4                 | 9                       | 164                 |
| Cases in Progress                                   | 19                | 53                      | 515                 |
| Warning Letter Issued                               | 4                 | 7                       | 46                  |
| Cases Sent to the Office of Administrative Hearings | 1                 | 2                       | 4                   |
| Fines Collected                                     | \$26,450          | \$89,250                | \$426,700           |
| Cases Adjudicated                                   | 16                | 66                      | 389                 |
| <b>Action Resulting From Underage Violations</b>    |                   |                         |                     |
| Licenses Suspended                                  | 0                 | 0                       | 1                   |
| Licenses Revoked                                    | 0                 | 0                       | 0                   |
| Fines Collected                                     | \$2,250           | \$8,250                 | \$86,250            |

# UPCOMING EVENTS AND MILESTONES

## Special Event Contractor Application Now Available

Laws that went into effect on August 9, 2017, include creation of a provision allowing for the use of a special event contractor to administer a special event (A.R.S. § 4-203.02. Special event license; rules). A special event licensee may retain a special event contractor to assist the applicant in selling and serving spirituous liquor at the special event. The special event contractor shall be listed on the application form.

A special event contractor will be required to provide controlling person’s identification and background information deemed necessary to identify the special event contractor and to demonstrate proof of the contractor's authority to conduct business in this state, including providing copies of any required state or local business licenses or permits.

A licensee holding a current series 6, 7, 11 or 12 license may also serve as the special event contractor for a special event license. A special event contractor or an employee of a special event contractor that has been retained for an approved special event may order or purchase spirituous liquor.

Once a special event contractor has been approved, they will be placed on a list that is maintained by the department. Violations of the statute by a special event contractor could result in a one year suspension of the special event contractor’s privilege.

| <b>Special Event Contractor Application</b>                                |  |
|--|--|
| Who can apply  | <ul style="list-style-type: none"> <li>➤ Owner of an LLC or Corporation</li> <li>➤ Individual licensed to do business in Arizona                             <ul style="list-style-type: none"> <li>• Must have AZ tax license or city business license</li> </ul> </li> </ul>   |
| Required documents to successfully complete the online application process | <ul style="list-style-type: none"> <li>➤ PDF of valid Driver's License</li> <li>➤ PDF of valid Basic Title 4 Training Certificate of Completion</li> <li>➤ PDF of valid Management Title 4 Training Certificate of Completion</li> <li>➤ PDF of current Resume in lieu of inputting jobs held in the last five years</li> </ul>  |
| Fingerprint services   | <ul style="list-style-type: none"> <li>➤ Fingerprint cards are required to receive the Special Event Contractor permit and may be submitted to the Department via mail or in-person.</li> <li>➤ Applicants have three options to complete fingerprint card requirements:                             <ol style="list-style-type: none"> <li>1. Department of Liquor fingerprint services are available in the licensing offices for \$35.</li> <li>2. Local law enforcement agency (prices vary)</li> <li>3. Bona fide fingerprinting service on FBI-approved fingerprint cards (prices vary)</li> </ol> </li> </ul> |