

# Arizona Department of Liquor Licenses and Control



## February 2019 Governor's Monthly Report (REVISED 9/26/19)

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.*

## FY 2019 STRATEGIC PLAN

We endeavor to realize the Governor’s vision of “government at the speed of business,” applying effort in key areas tied to our mission. As developing practitioners of the Arizona Management System (AMS), staff potential to improve performance results is strong. A commitment to continuous improvement through AMS, plus leveraging and developing talent is needed to lean out processes plus optimize resources.

Goals	Goal Performance Indicator(s)	Objectives FY 2019
1: Enrich technology tools and opportunities	# of agency services offered on-line # of system tools improved # of license jobs done in public portal	A) Beginning November 2018, grow customer e-license system use to 15% for those who are existing customers with an email address on record
		B) Increase the number of licensing services offered on-line from 3% to 60%
		C) Identify five (5) licensing system enhancements and implement
		D) By October 1, 2018, create e-licensing webpage with tool link and FAQs to enrich customer use of new licensing system
2: Accelerate agency performance	AMS-driven continuous improvement wins Employee engagement scores	A) Identify five continuous improvement wins (from anywhere across the agency) and implement
		B) Seek outside professional development training for 30% of civilian staff
		C) Provide avenues to increase Licensing Section effectiveness by addressing workload and time impacts
		D) Create standard written work for resolving license renewals with outstanding compliance actions by March 31, 2019
3: Promote and act to create safe communities	Sales of alcohol to underage persons Over service Acts of violence	A) When notified by Arizona DPS of a collision, investigate 100% of licensees in wrong way driver cases on Arizona freeways wherein a Title 4 violation is a contributing factor, significant injury or death occurred, and a direct causal link exists between a licensed entity and the driver of the responsible vehicle
		B) Complete investigative breakthrough project efforts to reduce the sale of alcohol to persons under 21 by 50% by December 31, 2018
		C) Execute 235 youth outreach and education training deliveries targeting abstinence of alcohol

# 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 licensing staff includes five customer service representatives (CSRs), three records custodians, and a licensing manager. CSRs answer questions and assist licensees with completing required paperwork. Personal assistance was provided to 419 walk-in applicants and licensees in February 2019. On average, CSRs spent 12 minutes with each walk-in visitor. Records custodians ensure the state’s liquor records are safe, legible, and readily accessible for the Department’s archives, online services, and public records requests. Records custodians also process payments, transfer records between local governments and the state, and create electronic business forms and instructions.

Transaction	February 2019	FY 2019 Year to Date	FY 2018** Year End
New liquor licenses issued	595	4,270	4,270
Liquor licenses renewed	1,252	9,314	10,339
Special event permits issued	237	1,707	3,755
Interim permits issued	4	294	674
Exempt locations issued	28	157	159
Lottery licenses issued	0	14	26
Active liquor licenses*	15,388	15,388	14,482

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

\*\* Data discrepancies due to new license system implemented in the year.

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 – February 2019			
	Number of Applications	Average Time to Process	FY 2019 Running Average	FY 2018 Year End Average
Series 6-Bar	3	69	63	83
Series 7-Beer and Wine Bar	4	70	65	83
Series 9-Liquor Store	0	N/A	63	76
Series 10-Beer and Wine Store	4	76	67	85
Series 12-Restaurant	12	68	65	84

## 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, accounts payable, and payroll processing. The Procurement Unit coordinates with ADOA in obtaining and evaluating resources and supplies with a goal of improving the cost efficiency of operations.

The Information Technology Unit provides desktop support and expertise in maximizing the utility of technology resources. The Communications and Special Projects Unit directs incoming and outgoing information, including media communications and requests, website design and content, and industry announcements and presentations. The Human Resources Unit manages a proper entrance and exit process for employees, participates in the creation, maintenance and distribution of departmental policies and procedures, and manages on-going employee training.

### Collected Revenue by Fee Type

Source of Revenue	February 2019	FY 2019 Year to Date	FY 2018 Year End
FMV (Liquor License Lottery)	1,483,375	1,858,225	3,170,925
Applications	18,800	146,548	425,241
Licenses Issuances Fees	47,600	901,212	1,141,560
Licenses Renewals Fees	175,375	1,400,398	2,845,779
Interim Permit Fees	2,700	28,800	59,700
Agent Change	3,850	17,400	35,551
Fines (Liquor Law Violations)	37,275	271,114	328,475
Special Event (DHS)	8,425	52,645	72,500
Club (DES)	4,050	36,975	41,700
Penalty Fees (Late Renewals)	7,650	93,450	200,400
Copy Fees	7	1,595	1,623
Non-Use Surcharge	12,400	103,000	177,300
Audit Surcharge (J Fund)	21,240	94,140	182,550
Enforcement K Surcharge	28,280	296,065	422,415
Enforcement L Surcharge	25,115	270,265	363,210
Miscellaneous	8,438	64,908	90,022
17W Direct Shipment License	9,225	30,825	54,675
17W Direct Shipment Renewal	73,850	95,375	74,025
Growlers	360	9,535	N/A
Samplings	2,250	27,130	N/A
Fingerprints Fees	4,554	35,248	53,522
<b>Total Revenue Collected</b>	<b>\$1,974,819</b>	<b>\$5,834,853</b>	<b>\$9,741,172</b>

\* 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	February 2019	FY 2019 Year to Date	FY 2018 Year End
Hearings Scheduled*	0	26	33
Licenses Granted	0	2	14
Licenses Denied	0	6	2
Continuances Granted (Matters may be postponed to a subsequent hearing.)	0	5	4
Continuances Denied	0	0	0
Applications Withdrawn (Applicants may withdraw their applications.)	0	10	5
Appeals Heard (Applicants and licensees have the right to appeal a decision made by the Director or the Board.)	0	2	1
Rehearings Requested (A rehearing of a case may be requested by the Board, the applicant, or an interested party.)	0	2	3
Hearings Cancelled (If the reason for the protest is clearly removed or satisfied, the Director may request the Board to cancel the hearing.)	0	0	4

\*No hearings were scheduled for February 2019.

LIQUOR BOARD MEMBERS	
<b>Michael J. Troyan (I)</b> Chair Maricopa County Retailer Term Expires January 18, 2021	<b>Troy L. Campbell (R)</b> Vice Chair Maricopa County No Financial Interest Term Expires January 18, 2021
<b>Michael N. Widener (R)</b> Maricopa County No Financial Interest Term Expires January 18, 2021	<b>Jeffrey K. Oravits (R)</b> Coconino County Neighborhood Association No Financial Interest Term Expires January 21, 2019
<b>Walter W. Jahn (R)</b> Pima County Wholesaler Term Expires January 20, 2020	

# INVESTIGATION DIVISION

It is the responsibility of the Investigation Division to ensure licensees comply with Arizona Revised Statutes (A.R.S.) Title 4 (Alcoholic Beverages) and Arizona Administrative Code (A.A.C.) Title 19 (Rule 19-1-101 through Rule 19-1-705). The division includes Investigations, Compliance, Audit, Industry Trade Practice, and Prevention. The primary functions of the Investigation Division are to:

Enforce Title 4 and Title 13 criminal laws to ensure compliance with statutes.
Investigate complaints regarding licensed establishments received from community members and local law enforcement personnel.
Conduct background investigations of liquor license applicants to determine if they have met Title 4 qualifications to possess a liquor license.
Conduct routine licensed business inspections to educate and prevent future violations.
Conduct Covert Underage Buyer (CUB) details to determine if a licensed establishment is in compliance with Title 4 regarding the sale and service of liquor only to persons age 21 and older.
Review police reports submitted by local law enforcement agencies to assess compliance and when one or more violations are found, submit reports to the Compliance Unit for accountability.
Work with licensees and their staff regarding Fake IDs and changes to Title 4 and A.A.C. Title 19 to ensure compliance.
Track industry trade practices to ensure compliance with Title 4 and A.A.C. Title 19.
Monitor and perform audits of two types of licensed establishments: hotel/motel with restaurant (Series 11) and restaurants (Series 12).
Collaborate with law enforcement agencies statewide on the application of Title 4, with emphasis on the Administrative Law process.
Develop and implement enforcement plans for the sale and service of liquor at large scale, public "special events" where attendance of more than 1,000 people is expected.
Educate students about legal, physical, and emotional outcomes that can occur when alcohol is consumed by persons under the age of 21.
Work with community members to ensure that licensed establishments positively impact neighborhoods.

## DIVISION STATISTICS

Achievements	February 2019	FY 2019 Year to Date	FY 2018 Year End
Officer-to-Liquor License Ratio (Nonsupervisory staff of ten full time sworn officers)	1:1,538	1:1,538	1:1,456
<b>Citations</b>			
Total Citations Issued (Number of citations issued by an investigator for administrative, criminal, and underage violations)	57	374	428
Citations Issued to Underage (Number of citations written to underage persons who were found in violation of Title 4)	44	311	421
<b>Violations</b>			
Criminal Counts Charged (Number of counts charged by an investigator when person is in violation of Title 4, Title 13 or Title 28)	99	699	758
Administrative Counts Charged (Number of administrative counts charged by an investigator when a liquor law violation was found at a liquor-licensed establishment)	18	319	531
Underage Violations (Number of counts charged by an investigator for a liquor law violation involving an underage person)	104	729	732
<b>Compliance</b>			
Routine Liquor Inspections (Number of establishments randomly inspected to ensure they are operating in compliance with Title 4)	15	124	260
Actioned (Administrative) Complaints (Number of administrative citations issued and scheduled for an administrative hearing)	10	82	165
Compliance Case Reports Submitted	1	56	225
Non-Actioned (Criminal) Complaints (Number of incoming complaints to the Investigation Division reporting a liquor law violation)	35	325	399
<b>Investigation</b>			
Site Inspections Completed	46	339	481
On-View Violation Case Reports (Level 1 high priority involving underage, over service, and/or act of violence)	3	29	143
<b>Total Achievements*</b>	<b>980</b>	<b>7,234</b>	<b>9,918</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 Barchak and Detective Williams
- CUB – Sergeant Palubeskie, Detective Zacarias and Detective Fletcher
- CUB – Detective Carruthers and Detective Sanchez
- Community Anti-Drug Coalitions of America (CADCA) conference in Washington DC – Detective Webb
- Weapons qualification shoot – Detective Fletcher
- ELLI (electronic liquor licensing system) training at DLLC – Sergeant Kuhl, Sergeant Palubeskie, Detective Turner, Detective Trevizo, Detective Zacarias, and Detective Fletcher
- First Aid (CPR) training – Detective Turner
- Police Ethics training at Yuma Police Department – Detective Sanchez
- Local Governing Body Protests for City of Tucson (21 attendees) – Detective Webb
- Title 4 training for Prescott Academy (27 cadets) – Detective Webb
- Title 4 and Fake ID training for Phoenix Police Department (11 officers) – Detective Webb
- Title 4 and Fake ID training for Phoenix Police Department (32 officers) – Detective Williams
- Waste Management Open detail – Sergeant Kuhl, Sergeant Palubeskie, Detective Williams, Detective Swift, Detective Schrimpf, Detective Turner, Detective Trevizo, Detective Barchak, Detective Sanchez, Detective Zacarias and Detective Carruthers
- Presidents Day Holiday detail – entire Investigations Division

## **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 2003. This program provides the resources necessary for investigating 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. CUBs are between the ages of 16 and 19 and are carefully trained by Detectives. The Department also provides CUB program training to all Arizona law enforcement agencies.

<b>Action</b>	<b>February 2019</b>	<b>FY 2019 Year to Date</b>	<b>FY 2018 Year End</b>	<b>May 2003 to February 2019</b>
Locations Investigated	18	126	118	4,245
Number That Sold to CUB	5	31	32	1,347
Percentage of Establishments That Sold to CUB	27.8%	24.6%	27.1%	31.7%
Administrative Citations Issued	19	96	77	3,241
Criminal Citations Issued	12	74	47	2,537

## UNDERAGE VIOLATIONS

Statute and Violation	Number of Counts Charged in February 2019	Number of Counts Charged in FY 2019	Number of Counts Charged in FY 2018
<b>A.R.S. § 4-241(A)</b> Failure to request ID from underage; accepting unauthorized forms of ID	6	44	49
<b>A.R.S. § 4-241(K)</b> Accepting unauthorized IDs	0	0	2
<b>A.R.S. § 4-241(L)</b> Underage who uses false ID to buy alcohol	4	118	75
<b>A.R.S. § 4-241(M)</b> Underage who solicits another person for alcohol	0	7	0
<b>A.R.S. § 4-241(N)</b> Underage who uses of false ID to gain entry to a liquor business	1	31	23
<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	52	277	274
<b>A.R.S. § 4-244(20)</b> Consuming spirituous liquor in public place, thoroughfare or gathering	0	4	1
<b>A.R.S. § 4-244(41)</b> Underage with alcohol in system	34	135	218
<b>A.R.S. § 13-2907.01</b> False reporting to law enforcement agencies	0	2	1
<b>A.R.S. § 13-3613</b> Contributing to delinquency and dependency of a child	0	2	2
<b>A.R.S. § 28-3478.1</b> Unlawful use of driver license	7	100	59
<b>A.R.S. § 28-3478.2</b> Lend ID to another person	0	0	2
<b>A.R.S. § 28-3478.3</b> Using another person's driver license	0	9	9
<b>Total Violations</b>	<b>104</b>	<b>729</b>	<b>715</b>

Ages of Underaged Cited This Month	<15	15	16	17	18	19	20
	0	0	1	3	8	15	17

## 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.

<b>Active Restaurant-Type Licenses</b>	<b>February 2019</b>	<b>FY 2019 Year to Date Average</b>	<b>FY 2018 Year End</b>
Hotel/Motel w/Restaurant (Series 11)	195	191	184
Restaurant (Series 12)	4,021	3,970	3,856
<b>Total Restaurant-Type Licenses</b>	4,216	4,162	4,040
Auditor-to-Liquor License Ratio (Two full time auditors)	1:2,018	2,340	1:2,020
<b>Audit Action</b>		<b>Year to Date Total</b>	<b>FY 2018 Year End</b>
Audits Completed	4	18	2
Audits Passed	3	9	0
Audits Failed	1	6	0
Audits Inconclusive/Audit Not Performed	0	3	0
Locations granted one year to continue operation	0	2	0
<b>Open Audit Cases</b>		<b>Year to Date Average</b>	<b>FY 2018 Year End</b>
Audits in progress	12	6	2
Open cases w/projected ratio of >37%	10	6	0
Open cases w/projected ratio between 30 to 37%	2	1	2
Open cases w/projected ratio of <30%	0	0	0
Locations being monitored	99	101	95
<b>Source of Revenue</b>		<b>Year to Date Total</b>	<b>FY 2018 Year End</b>
Assessed fine revenue	\$5,500	\$16,500	\$59,500
Collected fine revenue	\$2,250	\$14,250	\$34,875

During February 2019 the audit unit completed 524 audits of the remaining 669 submitted Direct Shipment Reports finding violations in twenty of those audits.

## 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	February 2019	FY 2019 Year to Date	FY 2018 Year End
Revocations	0	0	0
Suspensions	0	3	2
Surrenders	0	6	7
Divestitures	0	2	0
Administrative Complaints	0	0	0
Decisions and Orders	0	0	2
Cases Received	18	140	632
Cases Completed	2	14	119
Cases in Progress	16	126	516
Warning Letter Issued	1	3	72
Cases Sent to the Office of Administrative Hearings	2	3	6
Fines Collected	\$26,950	\$254,350	\$290,000
Cases Adjudicated	19	172	303
<b>Action Resulting From Underage Violations</b>			
Licenses Suspended	0	1	0
Licenses Revoked	0	0	0
Fines Collected	\$33,155	\$58,155	\$43,875

# UPCOMING EVENTS AND MILESTONES

## Legislation\*

### HB 2473: state liquor board; membership

#### Overview

Requires a State Liquor Board (Board) appointment be made after certain nominees are submitted to the governor.

#### History

The Department of Liquor Licenses and Control (Department) consists of the Office of the Director of the Department and the Board. The Board grants and denies applications for a liquor license, adopts rules, and hears appeals and holds hearings (A.R.S. § 4-112).

The Board consists of seven members appointed by the Governor and confirmed by the Senate. Five members may not be financially interested in businesses licensed to deal with spirituous liquors. Two members must currently or previously be engaged in the liquor industry, and at least one of the two must be a retail licensee or employee of a retail licensee. One member must be a member of a neighborhood association recognized by a local government. No more than four members may be of the same political party, and no more than three members may be from the same county. Members are appointed for three-year terms (A.R.S. § 4-111).

A person eligible for appointment must have a continuous recorded registration with the same political party or as an independent for at least two years immediately preceding appointment. A person appointed to serve on the Board must be a resident of the state for at least five years before the date of appointment (A.R.S. § 4-111).

#### Provisions

1. Requires one member of the Board who is not financially interested in a licensed business to be appointed after an association representing cities and towns forwards three nominations to the governor.
  - a. Adds the nominees must be current or former elected municipal officials. (Sec. 1)
2. Allows current members of the Board to serve until the expiration of their terms. (Sec. 2)
3. Makes technical changes. (Sec. 1)

### HB 2686: business licensing requirements; web portal

#### Overview

Establishes an internet web portal that serves to streamline application processes for starting a business and appropriates an unspecified amount from the state General Fund in FY 2020 to the Arizona Department of Administration (ADOA) to establish and maintain the internet web portal.

#### History

Currently, Arizona Department of Revenues (ADOR) handles applications for Transaction Privilege Tax (Sales Tax) licensing. The Arizona Secretary of State (SOS) issues trademarks, service marks, and trade names to businesses. In order to form an Arizona Corporation of LLC,

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

you must currently file with the Arizona Corporation Commission (ACC). Professional licensing is handled through the specific board or commission as designated in statute.

### **Provisions**

1. Establishes an internet web portal to serve as a streamline application process for starting a business in this state. (Sec. 1)
2. Requires the internet web portal to include:
  - a. Business licensing requirements;
  - b. Trademark and service mark registration requirements;
  - c. Trade name registration requirements;
  - d. Transaction privilege tax and municipal privilege tax license requirements;
  - e. Other applicable business licensing requirements, as determined by ADOA. (Sec. 1)
3. Requires ADOA to coordinate with the ACC, ADOR, SOS and other agencies, boards or commissions to gather the information for the web portal. (Sec. 1)
4. Appropriates an unspecified amount from the state GF in FY 2020 to the ADOA to establish and maintain the business start-up internet web portal. (Sec. 2)
5. Makes the appropriation non-lapsing. (Sec. 2)

### **Amendments**

#### **Committee on Appropriations**

1. Appropriates \$4 million in FY 2020 to ADOA to establish and maintain the business start-up internet web portal.
2. Appropriates \$400,000 in FY 2021 to ADOA to maintain and operate the business start-up internet web portal.
3. Adds the State Treasurer to the list of offices to be coordinated with by the ADOA.

END OF FEBRUARY 2019 REPORT TO THE GOVERNOR