

Arizona Department of Liquor Licenses and Control



March 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 5 customer service representatives (CSRs), 3 records custodians, and a licensing manager. CSRs answer questions and assist licensees with completing required paperwork. Personal assistance was provided to 494 walk-in applicants and licensees in March 2019. On average, CSRs spent 14 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	March 2019	FY 2019 Year to Date	FY 2018** Year End
New liquor licenses issued	576	4,846	4,270
Liquor licenses renewed	2,491	11,805	10,339
Special event permits issued	301	2,008	3,755
Interim permits issued	61	355	674
Exempt locations issued	8	165	159
Lottery licenses issued	3	17	26
Active liquor licenses*	16,812	16,812	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, Series 11-Hotel, and Series 12-Restaurant licenses in no more than 75 days.

License Type	Average Number of Days to Issue License – March 2019			
	Number of Applications	Average Time to Process	FY 2019 Running Average	FY 2018 Year End Average
Series 6-Bar	10	71	64	83
Series 7-Beer and Wine Bar	3	63	65	83
Series 9-Liquor Store	1	54	62	76
Series 10-Beer and Wine Store	16	72	67	85
Series 11-Hotel	0	N/A	63	N/A
Series 12-Restaurant	15	64	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	March 2019	FY 2019 Year to Date	FY 2018 Year End
FMV (Liquor License Lottery)	270,425	2,128,650	3,170,925
Applications	19,175	165,723	425,241
Licenses Issuances Fees	70,050	971,262	1,141,560
Licenses Renewals Fees	925,900	2,326,298	2,845,781
Interim Permit Fees	5,800	34,600	59,700
Agent Change	6,150	23,550	35,551
Fines (Liquor Law Violations)	26,788	297,902	328,476
Special Event (DHS)	8,250	60,895	72,500
Club (DES)	0	36,975	41,700
Penalty Fees (Late Renewals)	4,800	98,250	200,400
Copy Fees	0	1,595	1,623
Non-Use Surcharge	11,200	114,200	177,300
Audit Surcharge (J Fund)	53,100	147,240	182,550
Enforcement K Surcharge	67,550	363,615	422,415
Enforcement L Surcharge	40,805	311,070	363,210
Miscellaneous	8,622	73,530	90,022
17W Direct Shipment License	8,550	39,375	54,675
17W Direct Shipment Renewal	24,425	119,800	74,025
Growlers	11,100	20,635	N/A
Samplings	640	27,770	N/A
Fingerprints Fees	5,346	40,594	53,522
Total Revenue Collected	\$1,568,676	\$7,403,529	\$9,741,176

* 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 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 March 2019.

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 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	March 2019	FY 2019 Year to Date	FY 2018 Year End
Officer-to-Liquor License Ratio (Nonsupervisory staff of ten full time sworn officers)	1:1,681	1:1,681	1:1,456
Citations			
Total Citations Issued (Number of citations issued by an investigator for administrative, criminal, and underage violations)	16	390	428
Citations Issued to Underage (Number of citations written to underage persons who were found in violation of Title 4)	15	326	421
Violations			
Criminal Counts Charged (Number of counts charged by an investigator when person is in violation of Title 4, Title 13 or Title 28)	25	724	758
Administrative Counts Charged (Number of administrative counts charged by an investigator when a liquor law violation was found at a liquor-licensed establishment)	34	353	531
Underage Violations (Number of counts charged by an investigator for a liquor law violation involving an underage person)	28	757	732
Compliance			
Routine Liquor Inspections (Number of establishments randomly inspected to ensure they are operating in compliance with Title 4)	27	151	260
Actioned (Administrative) Complaints (Number of administrative citations issued and scheduled for an administrative hearing)	7	89	165
Compliance Case Reports Submitted	11	67	225
Non-Actioned (Criminal) Complaints (Number of incoming complaints to the Investigation Division reporting a liquor law violation)	49	374	399
Investigation			
Site Inspections Completed	41	380	481
On-View Violation Case Reports (Level 1 high priority involving underage, over service, and/or act of violence)	2	31	143
Total Achievements*	808	8,042	9,918

*Including police report reviews and completed protests not listed above

LAW ENFORCEMENT SPECIAL DETAIL

- Covert Underage Buyer Program (CUB) – Sergeant Palubeskie and Detective Barchak
- CUB – Detective Fletcher and Detective Zacarias
- CUB – Detective Carruthers and Detective Sanchez
- Pot O' Gold Music Festival – Sergeant Kuhl, Detective Barchak, Detective Swift and Detective Schrimpf
- Route 66 DUI detail – Detective Carruthers
- ELLI (electronic liquor licensing system) testing at DLLC – Sergeant Kuhl, Sergeant Palubeskie, Detective Turner and Detective Trevizo
- Trade Practice training for National Association of Beverage Control States conference in Washington DC (225 attendees) – Detective Williams
- Alcohol awareness classes (7 sessions) at Maricopa High School (1,418 students) – Detective Webb
- Title 4 training for Maricopa County Attorney’s Office (20 attendees) – Detective Webb
- Title 4 training for Tucson Police Department (16 officers) – Detective Webb
- Title 4 and Fake ID training for LaPaz County Sheriff’s Office (7 officers) – Detective Sanchez and 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 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.

Action	March 2019	FY 2019 Year to Date	FY 2018 Year End	May 2003 to March 2019
Locations Investigated	13	139	118	4,275
Number That Sold to CUB	0	31	32	1,353
Percentage of Establishments That Sold to CUB	0%	22.3%	27.1%	31.6%
Administrative Citations Issued	6	102	77	3,263
Criminal Citations Issued	0	74	47	2,549

UNDERAGE VIOLATIONS

Statute and Violation	Number of Counts Charged in March 2019	Number of Counts Charged in FY 2019	Number of Counts Charged in FY 2018
A.R.S. § 4-241(A) Failure to request ID from underage; accepting unauthorized forms of ID	0	44	49
A.R.S. § 4-241(K) Accepting unauthorized IDs	0	0	2
A.R.S. § 4-241(L) Underage who uses false ID to buy alcohol	5	123	75
A.R.S. § 4-241(M) Underage who solicits another person for alcohol	0	7	0
A.R.S. § 4-241(N) Underage who uses of false ID to gain entry to a liquor business	1	32	23
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	16	293	274
A.R.S. § 4-244(20) Consuming spirituous liquor in public place, thoroughfare or gathering	0	4	1
A.R.S. § 4-244(41) Underage with alcohol in system	4	139	218
A.R.S. § 13-2907.01 False reporting to law enforcement agencies	0	2	1
A.R.S. § 13-3613 Contributing to delinquency and dependency of a child	0	2	2
A.R.S. § 28-3478.1 Unlawful use of driver license	1	101	59
A.R.S. § 28-3478.2 Lend ID to another person	0	0	2
A.R.S. § 28-3478.3 Using another person's driver license	1	10	9
Total Violations	28	757	715

Ages of Underaged Cited This Month	<15	15	16	17	18	19	20
	0	0	0	2	5	5	3

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 2019	FY 2019 Year to Date Average	FY 2018 Year End
Hotel/Motel w/Restaurant (Series 11)	193	192	184
Restaurant (Series 12)	4,012	3,975	3,856
Total Restaurant-Type Licenses	4,205	4,166	4,040
Auditor-to-Liquor License Ratio (Two full time auditors)	2,103	2,083	1:2,020
Audit Action		Year to Date Total	FY 2018 Year End
Audits Completed	10	28	2
Audits Passed	9	18	0
Audits Failed	1	7	0
Audits Inconclusive/Audit Not Performed	0	3	0
Locations granted one year to continue operation	1	3	0
Open Audit Cases		Year to Date Average	FY 2018 Year End
Audits in progress	14	7	2
Open cases w/projected ratio of >37%	10	6	0
Open cases w/projected ratio between 30 to 37%	3	2	2
Open cases w/projected ratio of <30%	1	0	0
Locations being monitored	87	99	95
Source of Revenue		Year to Date Total	FY 2018 Year End
Assessed fine revenue	\$19,500	\$36,000	\$59,500
Collected fine revenue	\$2,500	\$16,750	\$34,875

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 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	1	1	2
Cases Received	105	245	632
Cases Completed	19	33	119
Cases in Progress	86	212	516
Warning Letter Issued	7	10	72
Cases Sent to the Office of Administrative Hearings	0	3	6
Fines Collected	\$24,650	\$279,000	\$290,000
Cases Adjudicated	31	203	303
Action Resulting From Underage Violations			
Licenses Suspended	0	1	0
Licenses Revoked	0	0	0
Fines Collected	\$31,000	\$64,155	\$43,875

UPCOMING EVENTS AND MILESTONES

Legislation*

HB 2131: state agencies; citizen portal; access

Purpose

Requires each state agency that collects personal information to allow a person that has personal information collected by a state agency (person) to access the information and, subject to legislative appropriation, to establish a citizen portal that allows a person to access the personal information, correct any error in the personal information or delete any financial information.

Background

State agencies must develop and establish commercially-reasonable procedures to ensure that entity-identifying and personal-identifying information collected or obtained by the state agency is secure and cannot be accessed, viewed or acquired without statutory authorization (A.R.S. § 18-522). State agency websites must contain a privacy policy statement disclosing internet-related information-gathering and dissemination practices. The privacy policy statement must at minimum describe the state agency's information practices with regard to: 1) services provided by the website; 2) information the state agency obtains from individuals online; 3) a person's option to choose to proceed with a transaction and any alternatives available; 4) how the state agency uses the information; 5) whether and under what circumstances the state agency discloses the obtained information to other parties; 6) whether other parties collect information through the state agency website; and 7) a general description of the security measures in place to protect a person's information without compromising the integrity of the security measures (A.R.S. § 18-202).

According to the Joint Legislative Budget Committee (JLBC), H.B. 2131 is anticipated to have a significant cost to the state as state agencies implement information technology improvements. However, the JLBC states that there is no practical method to estimate that cost in a timely fashion.

Provisions

1. Requires each state agency that collects personal information to:
 - a) allow a person to access the information collected by the state agency;
 - b) correct any error in the information; and
 - c) remove any of that person's financial information.
2. Requires, beginning January 1, 2024, and subject to legislative appropriation, each state agency that collects personal information and does not maintain a public website to establish a manual citizen portal available at the state agency's office during normal business hours.

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

3. Requires the citizen portal to be a secure online website that allows a person to:
 - a) access the person's personal information that a state agency collects;
 - b) correct any error in the information; and
 - c) delete any of that person's financial information.
4. Requires, by January 1, 2023, affected state agencies to:
 - a) conduct a cost-estimate analysis on establishing and maintaining a citizen portal;
 - b) submit the cost-estimate analysis to the Legislature; and
 - c) submit an appropriation request to the Legislature to cover the cost of establishing and maintaining the citizen portal.
5. Defines *financial information* and *personal information*.
6. Exempts cities, towns and counties from the definition of *state agency*.

HB 2131 passed Third Reading in the House and was transmitted to the Senate. The Senate Government Committee amended and passed the bill with a 4-3-0-0 vote (ayes/nays/not voting/excused). HB 2131 passed Rules Committee and was recommended for an *aye* vote by both the majority and minority caucuses.

END OF MARCH 2019 REPORT TO THE GOVERNOR