

Arizona Department of Liquor Licenses and Control



May 2019 Governor's Monthly Report (REVISED 12/9/19)

STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL
JOHN COCCA, DIRECTOR

800 West Washington Street, Fifth Floor
Phoenix, Arizona 85007
Phone: (602) 542-5141 ★ Fax: (602) 542-5707
www.azliquor.gov



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 6 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 313 walk-in applicants and licensees in May 2019. On average, CSRs spent 16 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	May 2019	FY 2019 Year to Date	FY 2018** Year End
New liquor licenses issued	543	5,969	4,270
Liquor licenses renewed	723	12,790	10,339
Special event permits issued	239	2,410	3,755
Interim permits issued	32	435	674
Exempt locations issued	12	191	159
Lottery licenses issued	8	26	26
Active liquor licenses*	15,618	15,618	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 – May 2019			
	Number of Applications	Average Time to Process	FY 2019 Running Average	FY 2018 Year End Average
Series 6-Bar	13	65	64	83
Series 7-Beer and Wine Bar	10	60	64	83
Series 9-Liquor Store	7	63	62	76
Series 10-Beer and Wine Store	8	65	67	85
Series 12-Restaurant	47	60	64	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	May 2019	FY 2019 Year to Date	FY 2018 Year End
FMV (Liquor License Lottery)	322,625	2,685,550	3,170,925
Applications	26,560	213,443	425,241
Licenses Issuances Fees	94,975	1,182,437	1,141,560
Licenses Renewals Fees	171,313	2,883,340	2,845,781
Interim Permit Fees	3,500	42,700	59,700
Agent Change	5,700	33,000	35,551
Fines (Liquor Law Violations)	61,250	402,800	328,476
Special Event (DHS)	8,200	76,885	72,500
Club (DES)	3,450	41,875	41,700
Penalty Fees (Late Renewals)	5,250	130,500	200,400
Copy Fees	38	1,836	1,623
Non-Use Surcharge	23,500	151,200	177,300
Audit Surcharge (J Fund)	11,370	180,300	182,550
Enforcement K Surcharge	25,305	416,920	422,415
Enforcement L Surcharge	22,065	350,750	363,210
Miscellaneous	8,333	90,183	90,022
17W Direct Shipment License	5,625	51,075	54,675
17W Direct Shipment Renewal	350	122,750	74,025
Growlers	2,025	29,785	N/A
Samplings	1,800	30,470	N/A
Fingerprints Fees	6,094	52,188	53,522
Total Revenue Collected	\$809,328	\$9,169,987	\$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	May 2019	FY 2019 Year to Date	FY 2018 Year End
Hearings Scheduled	2	28	33
Licenses Granted	0	2	14
Licenses Denied	0	6	2
Continuances Granted (Matters may be postponed to a subsequent hearing.)	1	6	4
Continuances Denied	0	0	0
Applications Withdrawn (Applicants may withdraw their applications.)	1	11	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

LIQUOR BOARD MEMBERS	
Troy L. Campbell (R) Chair Maricopa County No Financial Interest Term Expires January 18, 2021	Walter W. Jahn (R) Vice Chair Maricopa County Wholesaler Term Expires January 20, 2020
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

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	May 2019	FY 2019 Year to Date	FY 2018 Year End
Officer-to-Liquor License Ratio (Nonsupervisory staff of ten full time sworn officers)	1:1,481	1:1,481	1:1,456
Citations			
Total Citations Issued (Number of citations issued by an investigator for administrative, criminal, and underage violations)	16	456	428
Citations Issued to Underage (Number of citations written to underage persons who were found in violation of Title 4)	10	383	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)	22	833	758
Administrative Counts Charged (Number of administrative counts charged by an investigator when a liquor law violation was found at a liquor-licensed establishment)	54	453	531
Underage Violations (Number of counts charged by an investigator for a liquor law violation involving an underage person)	16	872	732
Compliance			
Routine Liquor Inspections (Number of establishments randomly inspected to ensure they are operating in compliance with Title 4)	28	205	260
Actioned (Administrative) Complaints (Number of administrative citations issued and scheduled for an administrative hearing)	0	99	165
Compliance Case Reports Submitted	20	97	225
Non-Actioned (Criminal) Complaints (Number of incoming complaints to the Investigation Division reporting a liquor law violation)	37	457	399
Investigation			
Site Inspections Completed	30	445	481
On-View Violation Case Reports (Level 1 high priority involving underage, over service, and/or act of violence)	2	39	143
Total Achievements*	240	20,921	9,918

*Including police report reviews and completed protests not listed above

LAW ENFORCEMENT SPECIAL DETAIL

- Covert Underage Buyer Program (CUB) – Detective Schrimpf and Detective Williams
- CUB – Detective Barchak and Detective Webb
- Sergeant Kuhl, Detective Schrimpf and Detective Swift assisted Chandler Police Department with Sandbar/El Coyote problem bars
- Detective Schrimpf attended Internet Resources at Arizona Counter Terrorism Information Center (ACTIC)
- Detective Barchak attended Field Training Officer School
- Detective Carruthers assisted Coconino County Sheriff’s Office with Overland Expo
- Detective Carruthers assisted Coconino County Sheriff’s Office with Route 66 DUI checkpoint
- Wrong Way Driver investigation – Detective Zacarias
- Alcohol awareness training at Grand Canyon University (44 students) – Detective Webb
- Alcohol awareness training at Skyline High School (94 students) – Detective Webb
- Alcohol awareness training at Career Success High School (21 students) – Detective Webb
- Title 4/Fake ID training for Avondale Police Department (70 officers) – Detective Webb
- Title 4/Fake ID training for Page Police Department (28 officers) – Detective Carruthers
- Governor’s Office of Youth, Faith and Family (GOYFF) outreach in San Luis area (8 retailer contacts) – Detective Sanchez
- Memorial Day DUI Task Force – Sergeant Kuhl, Detective Williams and Detective Schrimpf

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	May 2019	FY 2019 Year to Date	FY 2018 Year End	May 2003 to May 2019
Locations Investigated	10	171	118	4,307
Number That Sold to CUB	2	39	32	1,361
Percentage of Establishments That Sold to CUB	20.0%	22.8%	27.1%	31.6%
Administrative Citations Issued	4	115	77	3,275
Criminal Citations Issued	4	92	47	2,565

UNDERAGE VIOLATIONS

Statute and Violation	Number of Counts Charged in May 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	2	54	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	1	137	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	0	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	4	334	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	9	182	218
A.R.S. § 13-2907.01 False reporting to law enforcement agencies	0	3	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	0	107	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	0	10	9
Total Violations	16	872	715

Ages of Underaged Cited This Month	<15	15	16	17	18	19	20
						4	6

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	May 2019	FY 2019 Year to Date Average	FY 2018 Year End
Hotel/Motel w/Restaurant (Series 11)	192	192	184
Restaurant (Series 12)	3,962	3,970	3,856
Total Restaurant-Type Licenses	4,154	4,161	4,040
Auditor-to-Liquor License Ratio <small>(Two full time auditors)</small>	2,077	2,081	1:2,020
Audit Action		Year to Date Total	FY 2018 Year End
Audits Completed	6	37	2
Audits Passed	4	24	0
Audits Failed	2	9	0
Audits Inconclusive/Audit Not Performed	0	4	0
Locations granted one year to continue operation	1	4	0
Open Audit Cases		Year to Date Average	FY 2018 Year End
Audits in progress	13	8	2
Open cases w/projected ratio of >37%	11	7	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	90	98	95
Source of Revenue		Year to Date Total	FY 2018 Year End
Assessed fine revenue	\$2,000	\$70,050	\$59,500
Collected fine revenue	\$16,500	\$36,250	\$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	May 2019	FY 2019 Year to Date	FY 2018 Year End
Revocations	0	0	0
Suspensions	1	4	2
Surrenders	13	21	7
Divestitures	0	2	0
Administrative Complaints	0	0	0
Decisions and Orders	0	2	2
Cases Received	110	577	632
Cases Completed	15	63	119
Cases in Progress	95	514	516
Warning Letter Issued	8	25	72
Cases Sent to the Office of Administrative Hearings	0	3	6
Fines Collected	\$53,700	\$358,275	\$290,000
Cases Adjudicated	67	318	303
Action Resulting From Underage Violations			
Licenses Suspended	0	1	0
Licenses Revoked	0	0	0
Fines Collected	\$31,000	\$69,905	\$43,875

UPCOMING EVENTS AND MILESTONES

Session Laws of the Fifty-fourth Legislature – First Regular Session

CHAPTER 136*

HOUSE BILL 2281

Provisions

Joint Premises Permit (Sec. 10)

1. Permits one or more on-sale spiritous liquor licensees with the same type of bar, beer and wine bar, restaurant, farm winery, or farm winery tasting room license to apply to the Department of Liquor Licenses and Control for a joint premises permit.
2. Specifies the following regarding a permit:
 - a. Application requirements;
 - b. Designated area of the joint premises;
 - c. Liabilities, restrictions, and prohibitions;
 - d. Nontransferable; and
 - e. Term of issuance and renewability.
3. Allows the Director to charge an application fee.
4. Permits the Director to suspend or revoke the permit.

Special Event License (Sec. 5)

5. Permits a licensed producer or wholesaler to make a monetary donation to a licensed special event nonprofit entity to help sponsor the special event.
 - a. Allows the donation to be payable by check to either the special event licensee or approved event contractor.

Restaurant License (Sec. 6)

6. Asserts businesses that were awarded a small restaurant exemption prior to January 31, 2019 may continue to maintain the capacity of 50 or fewer seats for the duration of the business.

Farm Winery License (Sec. 7)

7. Removes the restriction on the number of gallons of distilled spirits that a farm winery and craft distiller licensee may produce per year.
8. Excludes production and storage space of the farm winery from the licensed farm winery premises and public areas, with exception.
 - a. Allows for the inspection of production and storage space.
 - b. Defines public area.

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

Craft Distiller License (Sec. 8)

9. Allows a licensee to hold a farm winery license.
 - a. Subjects a craft distiller and a farm winery licensee to statutory requirements relating to such license.
10. Allows a licensee to provide sampling and retail sales of distilled spirits on the same premises as the wine sampling and retail sales.
11. Excludes production and storage space of the craft distiller from the public area of the licensed craft distiller premises.
 - a. Allows for the inspection of production and storage space.
 - b. Defines production and storage spaces and public area.

Bar, Beer, & Wine Bar License (Sec. 9)

12. Clarifies the number of new licenses that the Director may issue in each county.
13. Allows a licensee to charge a fee for educational classes where the sampling of any spirituous liquor product is incidental to the course.

Miscellaneous

14. Allows the Director to suspend or revoke the previous approval of trainers.
 - a. Allows a trainer to appeal to the State Liquor Board. (Sec. 2)
15. Specifies an applicant for a liquor license must file one copy, rather than three, to the Director. (Sec. 3)
16. Allows a retail licensee to take orders by telephone, mail, fax, catalog, through the internet or by other means for the sale and delivery of liquor off the premises. (Sec. 4)
17. Adds the requirement for a licensee to inform the purchaser of liquor of state law age limits and that the person accepting the delivery verify their age. (Sec. 4)
18. Authorizes a retail licensee to contract with one or more independent contractors, or contract with a common carrier, for delivery of spirituous liquor.
 - a. Allows an independent contractor to contract with other independent contractors. (Sec. 4)
19. Requires certain liquor deliveries to be conspicuously labeled that a signature of a 21 or older person is required for delivery. (Sec. 4)
20. Asserts the delivery of liquor must be made by an employee who is at least 21 years old to a customer who is at least 21 years old and who shows identification at the time of delivery. (Sec. 4)
21. Specifies any violation that is based on the act or omission of a licensee's employee with respect to the delivery of liquor, the Director must consider evidence of mitigation that the employee acted intentionally. (Sec. 4)
22. Allows a business, stock-in-trade and spirituous liquor to be transferrable with the ownership provided the transfer is in compliance with any applicable requirements under law. (Sec. 4)

23. Adds the revoking, suspending or refusing to renew a license for unpaid taxes or penalties is a contested case with the Department of Revenue and outlines an appeals process. (Sec. 11, 14)
24. Authorizes the use of a biometric identity verification device to determine a person's age.
 - a. Defines *biometric identity verification device*. (Sec. 1, 12, 13)
25. Assesses a Class 1 misdemeanor to a person who *knowingly hosts* a gathering of two or more persons who are under the legal drinking age, rather than the current standard of a person *knowingly allows* such a gathering.
 - a. Defines *hosts* as allowing or promoting a party, gathering or event at a person's place of residence or other premises under the person's ownership or control where spirituous liquor is served to, in the possession of or consumer by an underage person. (Sec. 12)
26. Permits an off-sale retailer to receive and process orders, accept payment or package, load or prepare liquor for delivery between 6 a.m. and 2 a.m. (Sec. 13)
27. Adds it is unlawful for a direct shipment licensee, a farm winery licensee, or such employee to sell, dispose of, deliver or give liquor to a consumer between 2 a.m. and 6 a.m., with exception. (Sec. 13)
28. Modifies the definition of *act of violence*. (Sec. 1)
29. Makes technical and conforming changes. (Sec. 1, 3, 4, 5, 6, 7, 9, 11, 13)

Senate Amendments

1. Clarifies the retail licensee must collect payment for the full price of the liquor from the purchaser before the product leaves the premises, instead of no later than at the time of delivery.
2. Clarifies the business that may be transferred with the ownership is a farm winery or craft distiller.
3. Replaces the farm winery license with a remote tasting room license as a type of license that is applicable for a joint premises permit.
4. Specifies the joint premises are limited to common areas that are pedestrian only and that are not immediately adjacent to a road, driveway or parking area.
5. Requires the application for a joint premises permit to contain plans and diagrams that completely disclose and designate the physical arrangement of the proposed premises.
6. Adds, as a condition for a joint premises permit, that the participating licensees identify the spirituous liquor beverages sold by each licensee by using distinguishable containers, if required by the Director.
7. Requires the licensees, under a joint premises permit, to file with the Director a schedule showing the days and time periods when the joint premises will be in use.
8. Establishes a pilot program in the DLLC which allows for one on-sale retail licensee at a regional shopping center to sell spirituous liquor and to allow patrons to consume liquor throughout a designated pedestrian area.
9. Permits the Director to establish guidelines and issue up to 10 extensions of premises.

10. Outlines application requirements for the pilot program, which include:
 - a. Submitting a copy of the application to the local governing body for review,
 - b. Providing plans or diagrams designating the specific extension of premises within the regional shopping center, and
 - c. Designate times of liquor service on the extended premises.
11. Asserts the retail licensee that obtains an extension of premises under the pilot program is responsible for complying with laws governing the sale of liquor.
12. Delineates the conditions for an extension of premises under the pilot program.
13. Terminates the pilot program January 1, 2023.
14. Makes clarifying changes.

END OF MAY 2019 REPORT TO THE GOVERNOR