

# Arizona Department of Liquor Licenses and Control



## FY 2017 Annual Report

STATE OF ARIZONA  
DEPARTMENT OF LIQUOR LICENSES AND CONTROL

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

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# A Message from the Director

It is a pleasure to report the progress and successes of the Arizona Department of Liquor Licenses and Control (Department) in this *FY 2017 Annual Report*. 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. This is an exciting time for all of us in state government. Arizona is on the leading edge of states across the country looking for better, faster ways to deliver vital services and citizen outcomes. We are proud of the work we are doing and look forward to another productive year. Here are some highlights of our successes.

- On January 1, 2017, a new Direct-to-Consumer Wine Shipment liquor license (Ariz. Sess. Laws Ch. 76 § 2 (2016)) was available online. Licensees can complete the application in less than 15 minutes and receive their license the following day. The Department issued 522 Direct-to-Consumer Wine Shipment (Series 17W) licenses in FY 2017.
- During the first three quarters of FY 2017, the Department's Prevention Unit completed community events providing alcohol awareness and public safety promotion strategies to 210 peace officers, 457 licensed retailers, 698 teens, and 738 community members. In addition, the unit assisted six communities in enacting social host ordinances. These efforts were made possible by our partnership with the Governor's Office of Youth, Faith and Family (GOYFF) and the Governor's Office of Highway Safety (GOHS).
- In FY 2017, the Licensing Section processed over 13,790 applications and provided continuing services to 12,871 active licenses. By law, staff had to process and resolve license applications within 105 days from the date of receipt. At the start of the fiscal year, the average number of days it actually took to process an application was 89 days (benchmarked across 5 key license-types). By the end of this performance period, in using AMS tools and strategies, staff reduced the average number of days to 74 days.
- On April 2, 2017, I made numbers of staffing and organizational changes to better align work groups, balance span of control, maximize employee strengths, and orient staff to areas of business newly energized by the continuous improvement element of AMS. In exploring innovative solutions and mobilizing partnerships, the Department is best positioned to set safety policy, enforce laws, and protect children and families.
- In July 2016, the average time to investigate and resolve public complaints was 70 days. With process improvements, the backlog of cases was dramatically reduced and detective time was freed to work on high priority complaints. In November 2016, the average time to resolve public complaints was 34 days. By FY 2017 year's end, the average time to resolve public complaints was 22 days.



The accomplishments and tremendous gains made within the Department this past year were the result of our colleagues' dedication, ingenuity, and hard work. It is a privilege to serve the Great State of Arizona with these professionals and I thank you for this opportunity.

A handwritten signature in black ink, appearing to read "John C.", located at the bottom right of the page.

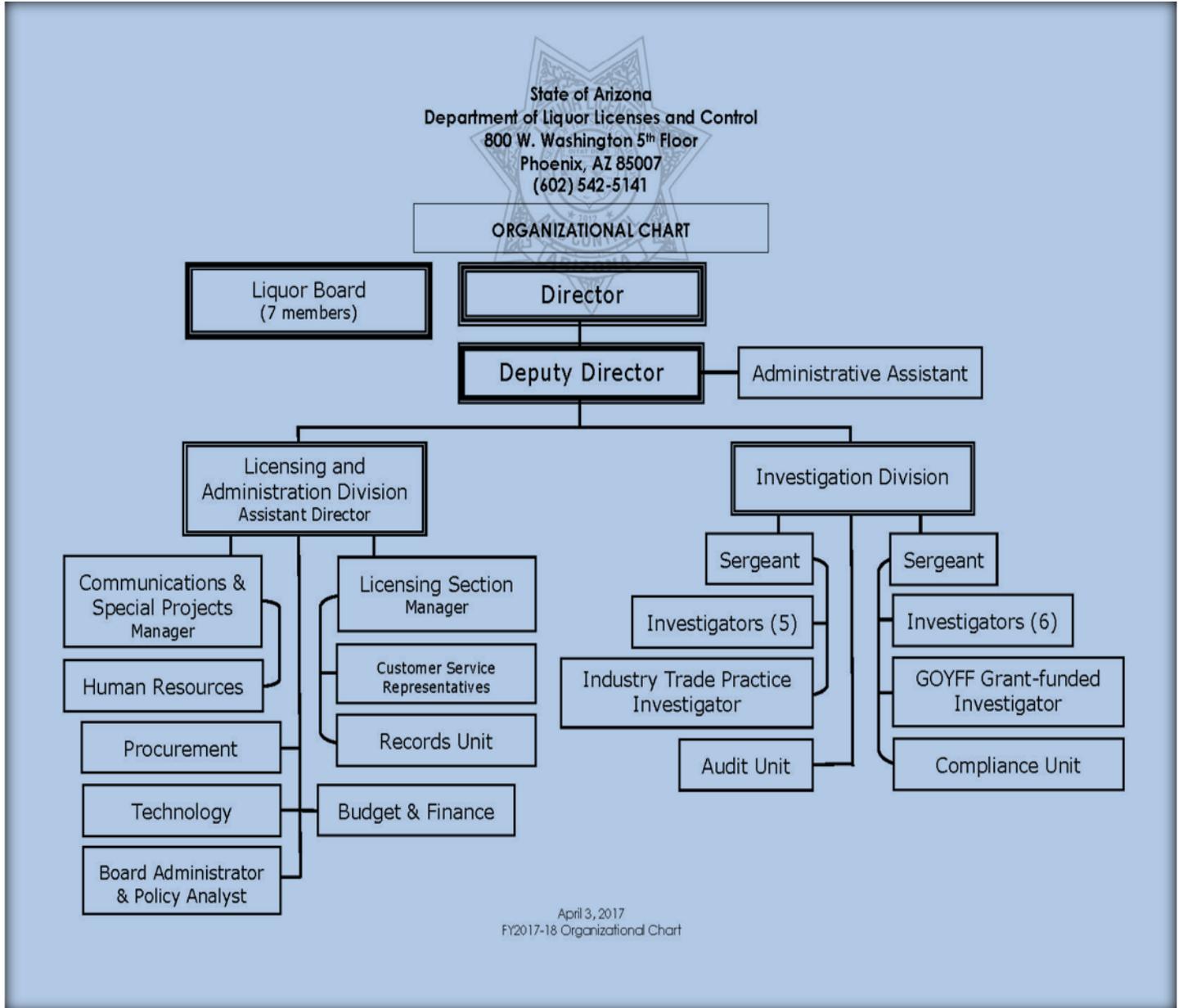
## **Mission Statement**

*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.*

# Organizational Chart



# Arizona Management System Roadmap

## Department Mission Performance Measures

### ★ Strong Innovative Economy

- 2.1 Implement a new eLicensing system with 21st century capability to replace an aged records management system
- 2.2 Promote Arizona business opportunities and generate revenue for the General Fund
- 2.3 Reduce the lead time to issue licenses

### ★ Healthy People, Places, and Resources

- 3.1 Promote the Governor's Office of Youth, Faith and Family outreach initiatives
- 3.2 Promote youth health and safety by addressing alcohol sales to minors
- 3.3 Retain valuable employees

### ★ Safe Communities

- 4.1 Customer complaint investigations process improvement
- 4.2 Increase numbers of audits per Auditor

### ★ Efficient and Accountable Government

- 5.1 Institutionalize Lean Initiatives into Department culture
- 5.2 Promote the Governor's AMS Goals into Department standard work



# Licensing and Administration Division

## LICENSING SECTION

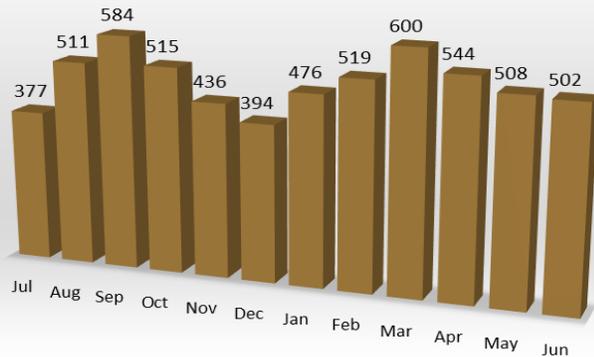
Licensing is responsible for issuing liquor licenses to qualified applicants and providing exceptional customer service to the public. The licensing staff includes seven Customer Service Representatives, three Records Custodians, and a Licensing Manager. Customer Service Representatives answer questions and assist licensees with completing required paperwork. Assistance was provided to more than 5,960 walk-in applicants and licensees in FY 2017. Records Custodians ensure the state’s liquor records are safe, legible, and readily accessible by processing payments, transferring records between local governments and the state, and creating electronic business forms and instructions.

### TYPES OF LICENSES

| Series | License Type                             |
|--------|--|
| 01     | In-state Producer                        |
| 02     | Out-of-state Producer                    |
| 2D     | Out-of-state Craft Distillery            |
| 2L     | Limited Out-of-state Winery              |
| 2M     | Out-of-state Microbrewery                |
| 2W     | Out-of-state Farm Winery                 |
| 03     | Microbrewery                             |
| 04     | Wholesaler                               |
| 05     | Government                               |
| 06     | Bar (all spirituous liquor)              |
| 07     | Beer and Wine Bar (beer and wine only)   |
| 08     | Conveyance (airplanes, trains, boats)    |
| 09     | Liquor Store (all spirituous liquor)     |
| 09S    | Liquor Store sampling privileges         |
| 10     | Beer and Wine Store (beer and wine only) |
| 10S    | Beer and Wine Store sampling privileges  |
| 11     | Hotel/Motel (with restaurant)            |
| 12     | Restaurant                               |
| 12G    | Restaurant growler privileges            |
| 13     | Farm Winery                              |
| 14     | Private Club                             |
| 15     | Special Event (temporary license)        |
| 16     | Fair/Festival (temporary license)        |
| 17     | Direct Shipment                          |
| 17W    | Direct Shipment Wine*                    |
| 18     | In-state Craft Distillery                |
| 19     | Remote Tasting Room                      |
| 20     | Alternating Proprietorship               |
| 21     | Custom Crush                             |

\* Issuance began 1/1/17.

Front Desk Walk-ins  
FY 2017



### LICENSE NUMBERING

Licenses are issued by License Type and County. The license number indicates the license type, county, and sequence in which the license was issued.

**License Number: 06031050**

06 = Series 6 Bar License

03 = Coconino County

1050 = Sequential numbering

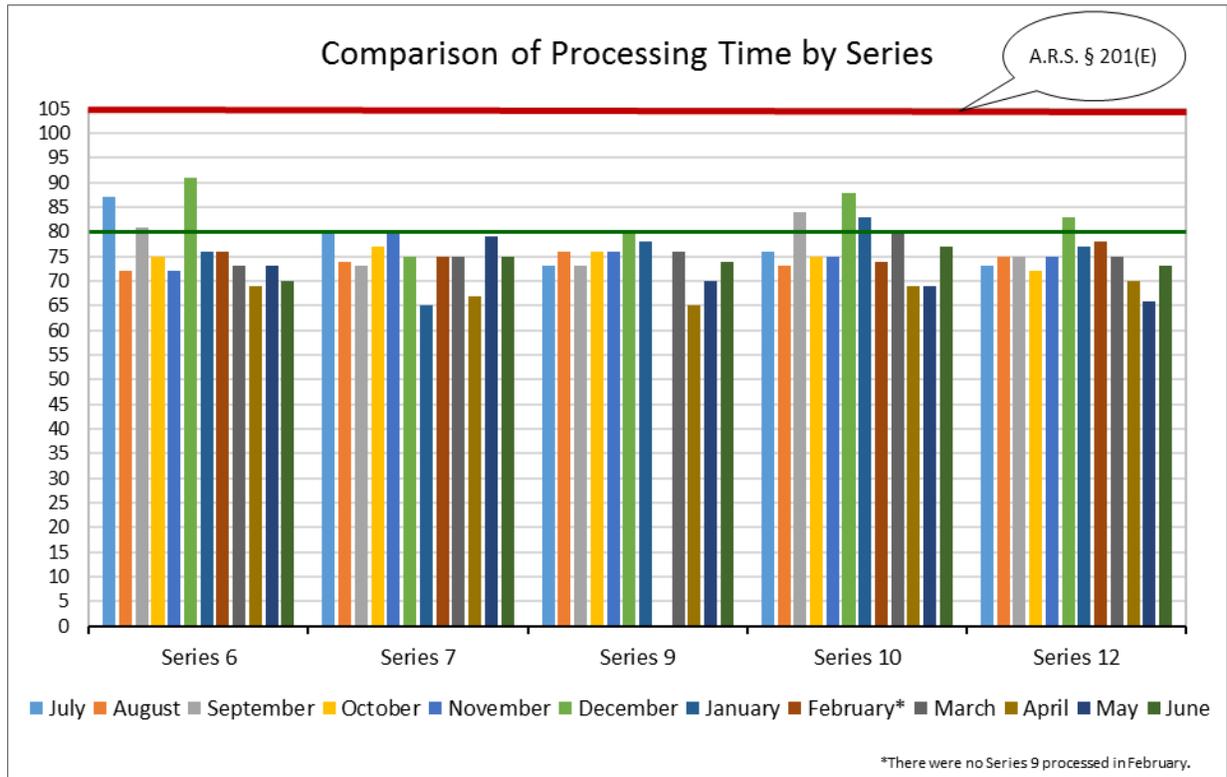
| County Name | County Code |
|-------------|-------------|
| Apache      | 01          |
| Cochise     | 02          |
| Coconino    | 03          |
| Gila        | 04          |
| Graham      | 05          |
| Greenlee    | 06          |
| Maricopa    | 07          |
| Mohave      | 08          |
| Navajo      | 09          |
| Pima        | 10          |
| Pinal       | 11          |
| Santa Cruz  | 12          |
| Yavapai     | 13          |
| Yuma        | 14          |
| La Paz      | 15          |

## LICENSE TRANSACTIONS Five Year History

| Action                       | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|------------------------------|---------|---------|---------|---------|---------|
| New liquor licenses issued*  | 1,560   | 1,629   | 1,581   | 1,476   | 2,006   |
| Liquor licenses renewed      | 11,104  | 11,645  | 11,952  | 11,977  | 12,319  |
| Special event permits issued | 2,198   | 2,497   | 2,688   | 3,614   | 3,576   |
| Interim permits issued       | 509     | 525     | 619     | 422     | 485     |
| Exempt locations issued      | 62      | 91      | 84      | 57      | 131     |
| Lottery licenses issued      | 1       | 1       | 16      | 14      | 18      |
| Active licenses on June 30   | 11,930  | 11,939  | 12,066  | 12,174  | 12,871  |

\*Includes transfer licenses.

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 in FY 2017 was 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 80 days. Applications for these licenses made up 66% of the new licenses issued in FY 2017.



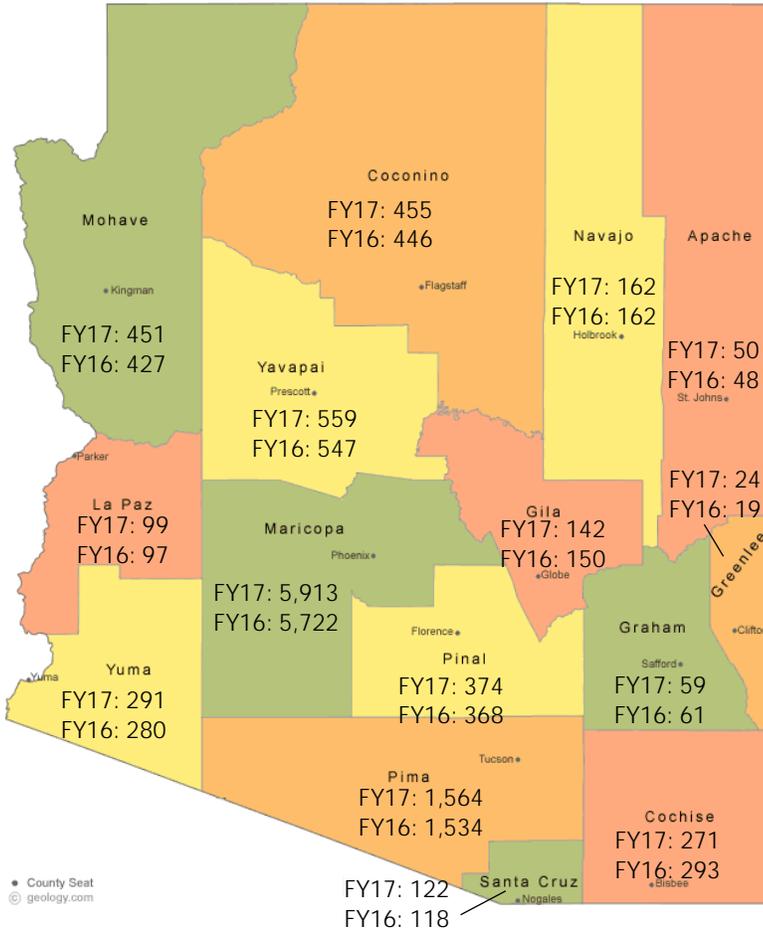
**LICENSE COUNT**  
**By County and Type**  
**June 30, 2017\***

| Series        | Counties                   | Apache    | Cochise    | Coconino   | Gila       | Graham    | Greenlee  | La Paz    | Maricopa     | Mohave     | Navajo     | Pima         | Pinal      | Santa Cruz | Yavapai    | Yuma       | Out-of-State | TOTALS        |
|---------------|----------------------------|-----------|------------|------------|------------|-----------|-----------|-----------|--------------|------------|------------|--------------|------------|------------|------------|------------|--------------|---------------|
|               | Type                       | 01        | 02         | 03         | 04         | 05        | 06        | 15        | 07           | 08         | 09         | 10           | 11         | 12         | 13         | 14         | 17           |               |
| 01            | In-state Producer          |           |            | 1          |            |           |           |           | 8            |            |            |              |            |            |            |            |              | 9             |
| 02            | Out-of-state Producer      |           |            |            |            |           |           |           |              |            |            |              |            |            |            |            | 1,907        | 1,907         |
| 03            | Microbrewery               |           | 2          | 10         | 1          |           |           |           | 53           | 5          | 2          | 23           |            | 2          | 11         | 1          |              | 110           |
| 04            | Wholesaler                 |           | 1          | 5          | 1          | 1         |           |           | 71           | 3          | 2          | 10           |            | 2          | 2          | 3          |              | 101           |
| 05            | Government                 |           | 3          | 8          |            | 2         | 1         | 1         | 46           | 3          |            | 16           | 2          | 1          | 2          | 5          |              | 90            |
| 06            | Bar                        | 15        | 50         | 50         | 40         | 14        | 6         | 16        | 617          | 47         | 30         | 198          | 64         | 18         | 65         | 44         |              | 1,274         |
| 07            | Beer and Wine Bar          | 2         | 23         | 58         | 11         | 4         | 1         | 11        | 395          | 42         | 15         | 160          | 31         | 6          | 45         | 25         |              | 829           |
| 08            | Conveyance                 |           |            | 3          |            |           |           |           | 11           |            |            | 3            |            |            | 1          |            |              | 18            |
| 09            | Liquor Store               | 14        | 40         | 52         | 25         | 14        | 7         | 17        | 774          | 51         | 42         | 263          | 71         | 13         | 54         | 56         |              | 1,493         |
| 10            | Beer and Wine Store        | 9         | 55         | 87         | 21         | 15        | 3         | 29        | 1,300        | 128        | 25         | 284          | 98         | 26         | 106        | 70         |              | 2,256         |
| 11            | Hotel/Motel                |           | 3          | 21         | 1          |           |           |           | 101          | 3          | 1          | 29           | 2          | 2          | 10         | 5          |              | 178           |
| 12            | Restaurant                 | 6         | 42         | 145        | 28         | 7         | 3         | 18        | 2,413        | 135        | 33         | 526          | 89         | 33         | 197        | 70         |              | 3,745         |
| 13            | Farm Winery                | 1         | 32         | 2          | 4          |           |           |           | 10           | 2          | 2          | 5            | 1          | 13         | 34         |            |              | 106           |
| 14            | Private Club               | 3         | 12         | 10         | 9          | 2         | 3         | 7         | 99           | 30         | 10         | 42           | 16         | 1          | 21         | 12         |              | 277           |
| 17            | Direct Shipment            |           | 2          |            | 1          |           |           |           | 3            | 1          |            |              |            | 1          | 1          |            | 428          | 437           |
| 18            | Craft Distillery           |           | 1          | 2          |            |           |           |           | 8            | 1          |            | 4            |            | 2          | 1          |            |              | 19            |
| 19            | Remote Tasting Room        |           | 1          | 1          |            |           |           |           | 4            |            |            | 1            |            | 1          | 5          |            |              | 13            |
| 20            | Alternating Proprietorship |           |            |            |            |           |           |           |              |            |            |              |            |            | 3          |            |              | 3             |
| 21            | Custom Crush               |           | 4          |            |            |           |           |           |              |            |            |              |            | 1          | 1          |            |              | 6             |
| <b>TOTALS</b> |                            | <b>50</b> | <b>271</b> | <b>455</b> | <b>142</b> | <b>59</b> | <b>24</b> | <b>99</b> | <b>5,913</b> | <b>451</b> | <b>162</b> | <b>1,564</b> | <b>374</b> | <b>122</b> | <b>559</b> | <b>291</b> | <b>2,335</b> | <b>12,871</b> |

\*There were 12,871 active licenses on June 30, 2017. This number fluctuates daily depending on renewals, new applications, suspensions, and revocations.

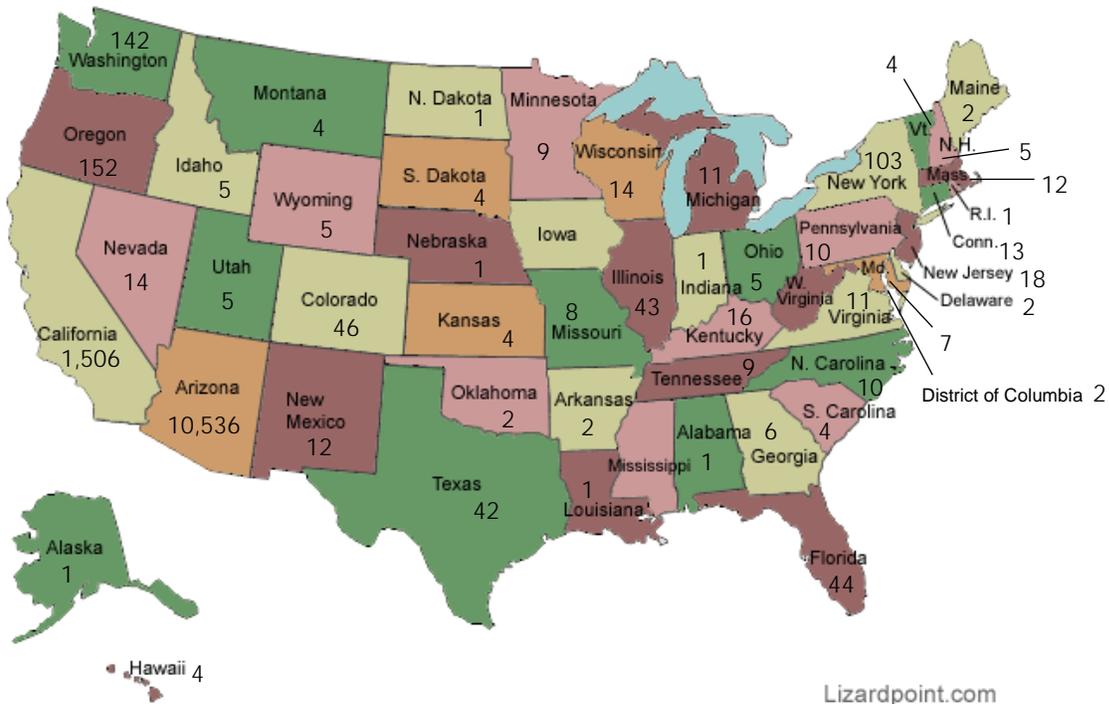
| Out-of-State Licenses                      |                               | FY 2016      | FY 2017      |
|--|-------------------------------|--------------|--------------|
| 02   | Out-of-state Producer         | 1,141        | 1,172        |
| 2D   | Out-of-state Craft Distillery | 9            | 12           |
| 2L   | Limited Out-of-state Winery   | 162          | 142          |
| 2M   | Out-of-state Microbrewery     | 33           | 42           |
| 2W   | Out-of-state Winery           | 519          | 539          |
| 17   | Direct Shipment               | 39           | 31           |
| 17W  | Direct Shipment Wine          | N/A          | 397          |
| <b>Total out-of-state licenses</b>         |                               | <b>1,903</b> | <b>2,335</b> |
| <b>Percentage of total active licenses</b> |                               | <b>15.6%</b> | <b>18.1%</b> |

# LIQUOR-LICENSED ESTABLISHMENTS REGULATED BY THE DEPARTMENT



**Total Active Licenses  
at FY 2017 Year End:  
12,871**

The number of active licenses fluctuates daily depending on renewals, new applications, suspensions, and revocations. Eighty-two (81.9%) percent of these liquor-licensed establishments are located in Arizona. Eighteen (18.1%) percent are located in 47 states, the District of Columbia, and 4 foreign countries. The maps on this page indicate locations of Department licensees in the United States. International licensees are located in Mexico (8), Peru (1), Italy (1), and Germany (1).



## 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. The Procurement Unit coordinates with Arizona Department of Administration in obtaining and evaluating resources and supplies with a goal of improving the cost efficiency of Department operations.

The Information Technology Unit provides desktop support and expertise in maximizing the utility of the Department's 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.

### DISBURSEMENT OF REVENUE Five Year History

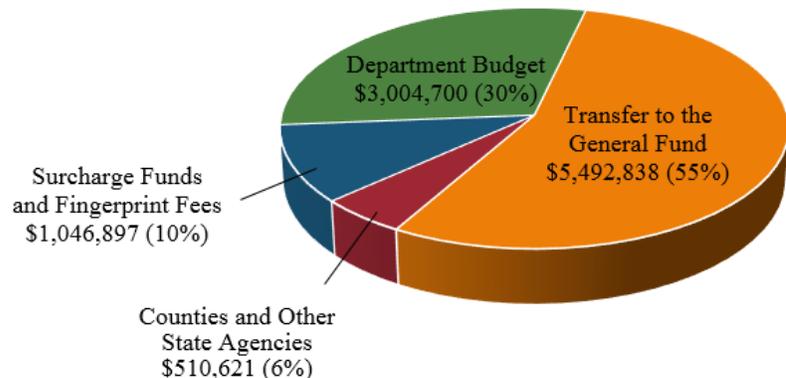
| Source of Revenue   | FY 2013            | FY 2014            | FY 2015            | FY 2016            | FY 2017             |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|
| 17W Direct Shipment Wine License<br>(issuance began 1/1/17)               | N/A                | N/A                | N/A                | N/A                | 141,000             |
| License and Permit Fees   | 5,441,301          | 5,775,695          | 5,698,767          | 5,750,294          | 5,736,811           |
| Fair Market Value Fees<br>(liquor license lottery)                        | 349,950            | 0                  | 1,547,625          | 2,207,600          | 3,526,825           |
| Fines (liquor law violations)   | 600,435            | 495,685            | 472,490            | 466,575            | 420,550             |
| Penalty Fees (late renewals)  | 116,550            | 111,150            | 107,700            | 108,450            | 169,350             |
| Fingerprint Fees  | 59,280             | 66,220             | 65,208             | 64,196             | 60,522              |
| <b>TOTAL REVENUE COLLECTED</b>  | <b>\$6,567,516</b> | <b>\$6,448,750</b> | <b>\$7,891,790</b> | <b>\$8,597,115</b> | <b>\$10,055,058</b> |
| Disbursement of Revenue   | FY 2013            | FY 2014            | FY 2015            | FY 2016            | FY 2017             |
| Fair Market Value Fees<br>(liquor license lottery)                        | 349,950            | 0                  | 1,547,625          | 2,207,600          | 3,526,825           |
| Disbursements to Counties and<br>Other State Agencies                     | 565,697            | 561,531            | 554,728            | 500,541            | 510,621             |
| Disbursements to the Department<br>(Surcharge Funds and Fingerprint Fees) | 994,526            | 1,019,205          | 1,012,228          | 1,027,301          | 1,046,897           |
| License and Permit Fees   | 3,932,010          | 4,251,240          | 4,197,019          | 4,286,648          | 4,380,815           |
| Fines (liquor law violations)   | 600,435            | 495,685            | 472,490            | 466,575            | 420,550             |
| Penalty Fees (late renewals)  | 116,550            | 111,150            | 107,700            | 108,450            | 169,350             |
| <b>TOTAL TRANSFERS</b>  | <b>\$6,559,168</b> | <b>\$6,438,811</b> | <b>\$7,891,790</b> | <b>\$8,597,115</b> | <b>\$10,055,058</b> |

**DISBURSEMENT OF REVENUE  
TO COUNTIES, OTHER STATE AGENCIES, AND THE DEPARTMENT  
Five Year History**

| <b>Counties</b>  | <b>FY 2013</b>     | <b>FY 2014</b>     | <b>FY 2015</b>     | <b>FY 2016</b>     | <b>FY 2017</b>     |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Apache   | 4,750              | 4,566              | 2,852              | 6,468              | 5,319              |
| Cochise  | 24,678             | 23,667             | 28,374             | 25,380             | 19,039             |
| Coconino   | 50,421             | 49,286             | 53,195             | 61,836             | 62,495             |
| Gila   | 16,222             | 11,649             | 14,231             | 13,519             | 12,293             |
| Graham   | 5,783              | 4,650              | 6,634              | 5,994              | 3,316              |
| Greenlee   | 1,800              | 1,367              | 1,378              | 1,972              | 1,946              |
| La Paz   | 9,100              | 11,458             | 6,299              | 10,194             | 6,989              |
| Maricopa   | 60,000             | 51,000             | 57,000             | 15,000             | 0                  |
| Mohave   | 47,553             | 50,095             | 41,175             | 50,147             | 48,054             |
| Navajo   | 14,716             | 15,983             | 13,646             | 14,286             | 13,817             |
| Pima   | 81,000             | 57,000             | 63,000             | 24,000             | 72,000             |
| Pinal  | 30,133             | 38,253             | 34,017             | 37,809             | 38,040             |
| Santa Cruz   | 11,453             | 14,187             | 16,015             | 11,041             | 16,003             |
| Yavapai  | 64,570             | 75,687             | 73,136             | 75,902             | 66,910             |
| Yuma   | 26,711             | 33,408             | 29,276             | 31,041             | 24,650             |
| <b>Other State Agencies</b>  | <b>FY 2013</b>     | <b>FY 2014</b>     | <b>FY 2015</b>     | <b>FY 2016</b>     | <b>FY 2017</b>     |
| Department of Health Services<br>(Special Event Fees)                        | 61,857             | 64,725             | 66,725             | 71,200             | 70,925             |
| Department of Economic Security<br>Division of Developmental<br>Disabilities | 54,950             | 54,550             | 47,775             | 47,225             | 48,825             |
| <b>The Department</b>  | <b>FY 2013</b>     | <b>FY 2014</b>     | <b>FY 2015</b>     | <b>FY 2016</b>     | <b>FY 2017</b>     |
| Audit Surcharge  | 166,800            | 170,680            | 169,080            | 173,190            | 179,230            |
| Enforcement Surcharge K  | 409,080            | 416,780            | 414,995            | 421,995            | 432,250            |
| Enforcement Surcharge L  | 358,740            | 365,525            | 362,945            | 367,920            | 374,895            |
| Fingerprint Fees   | 59,906             | 66,220             | 65,208             | 64,196             | 60,522             |
| <b>TOTAL DISBURSEMENT</b>  | <b>\$1,560,223</b> | <b>\$1,580,736</b> | <b>\$1,566,956</b> | <b>\$1,530,315</b> | <b>\$1,557,520</b> |

**FY 2017 DISBURSEMENT OF REVENUE**

The Department is an appropriated self-funded agency. In FY 2017, the Department collected \$10,055,058 in revenue and its appropriated budget was \$3,004,700. Title 4 requires disbursement of revenue to counties, other state agencies, and the Department.



## STATE LIQUOR BOARD ACTIONS Five Year History

The Department consists of the State Liquor Board (Board) and the Office of Director of the Department (A.R.S. § 4-111(A)). The Board's primary functions are to grant and deny applications in accordance with the law, adopt rules in order to carry out the provisions of Title 4, and hear appeals and hold hearings as provided in Title 4 (A.R.S. § 4-112(A)). One of the duties of the Director is to provide the Board with supplies and personnel as may be directed by the Board (A.R.S. § 4-112(B)(4)). The Board Administrator prepares and maintains hearing notices, agendas, orders, and minutes.

|  | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|--|---------|---------|---------|---------|---------|
| Hearings Scheduled   | 51      | 42      | 57      | 25      | 29      |
| Licenses Granted   | 21      | 13      | 20      | 1       | 16      |
| Licenses Denied  | 9       | 9       | 11      | 4       | 3       |
| Continuances Granted<br>(Matters may be postponed to a subsequent hearing.)  | 10      | 11      | 11      | 4       | 7       |
| Continuances Denied  | 1       | 1       | 1       | 0       | 0       |
| Applications Withdrawn<br>(Applicants may withdraw their applications.)  | 7       | 5       | 13      | 8       | 4       |
| Appeals Heard<br>(Applicants and licensees have the right to appeal a decision made by the Director or the Board.)                               | 0       | 2       | 0       | 3       | 0       |
| Rehearings Requested<br>(A rehearing of a case may be requested by the Board, the applicant, or an interested party.)                            | 2       | 1       | 1       | 1       | 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.) | 1       | 1       | 3       | 3       | 4       |

### LIQUOR BOARD MEMBERS\*

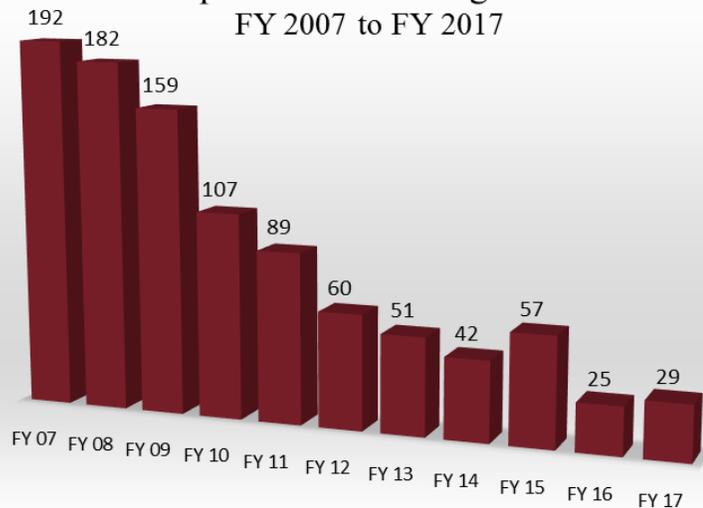
**Michael J. Troyan (I)**  
Chair  
Maricopa County  
Retailer  
Term Expires January 15, 2018

**Troy L. Campbell (R)**  
Vice Chair  
Coconino County  
No Financial Interest  
Term Expires January 15, 2018

**Michael N. Widener (R)**  
Maricopa County  
No Financial Interest  
Term Expires January 15, 2018

**John M. McLoughlin (R)**  
Cochise County  
Wine Producer  
Term Expires January 20, 2020

State Liquor Board Hearings Scheduled  
FY 2007 to FY 2017

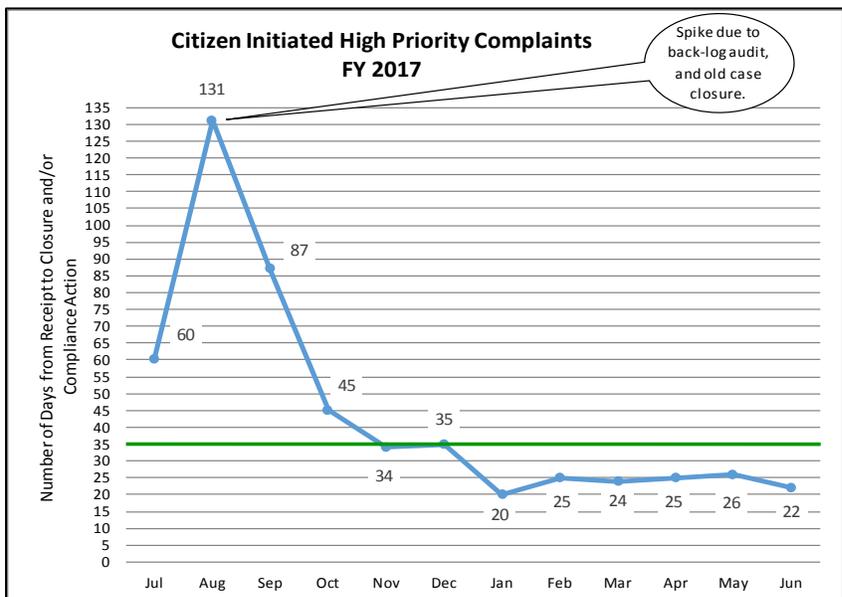


\*The Board consists of seven members who are appointed by the Governor. Five of the Board members shall not be financially interested directly or indirectly in a business licensed to deal with spirituous liquors. Two members shall be engaged in business in the spirituous liquor industry, at least one 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.

# Investigation Division

It is the responsibility of the Investigation Division to ensure licensees statewide comply with Arizona Revised Statutes 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. The primary functions of the 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.
- Work with community members to ensure that licensed establishments positively impact neighborhoods.
- 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 or 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 Department's 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.



## DIVISION STATISTICS

### Five Year History

|   | FY 2013         | FY 2014        | FY 2015        | FY 2016        | FY 2017              |
|---|-----------------|----------------|----------------|----------------|----------------------|
| Officer-to-liquor license ratio:  | 1:782           | 1:851          | 1:1,095        | 1:1,274        | 1:1,287 <sup>‡</sup> |
| <b>Citations</b>  | <b>FY 2013</b>  | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b>       |
| <b>Total Citations Issued</b><br>(Number of citations issued by an investigator for administrative, criminal, and underage violations)  | 1,279           | 735*           | 660            | 435            | 429                  |
| <b>Citations Issued to Underage</b><br>(Number of citations written to underage persons who were found in violation of Title 4)   | 458             | 981            | 505            | 350            | 324                  |
| <b>Violations</b>   | <b>FY 2013</b>  | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</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)  | NA <sup>†</sup> | 1,244*         | 1,300          | 729            | 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)                   | 1,996           | 1,473          | 1,140          | 852            | 700                  |
| <b>Underage Violations</b><br>(Number of counts charged by an investigator for a liquor law violation involving an underage person)   | 845             | 1,312          | 1,087          | 691            | 767                  |
| <b>Tax Deficiency Charges</b><br>(Number of tax delinquencies where a licensee is over 120-days late and owes more than \$250)  | NA <sup>†</sup> | 277            | 374            | 213            | 192                  |
| <b>MVD Affidavit/Suspension</b><br>(Number of driver's license suspensions where an underage is arrested for either using a fake ID or using another person's ID to buy alcohol or enter a bar) | NA <sup>†</sup> | 132            | 140            | 53             | 60                   |
| <b>Compliance</b>   | <b>FY 2013</b>  | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b>       |
| <b>Routine Liquor Inspections</b><br>(Number of establishments randomly inspected to ensure they are operating in compliance with Title 4)  | 2,900           | 3,434          | 2,710          | 2,386          | 526                  |
| <b>Actioned (Administrative) Complaints</b><br>(Number of administrative citations issued and scheduled for an administrative hearing)  | 118             | 120            | 96             | 87             | 124                  |
| <b>Compliance Case Reports Submitted</b>  | 705             | 648            | 423            | 345            | 285                  |
| <b>Non-Actioned (Criminal) Complaints</b><br>(Number of incoming complaints to the Investigation Division reporting a liquor law violation)   | 531             | 507            | 423            | 421            | 468                  |
| <b>Investigation</b>  | <b>FY 2013</b>  | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b>       |
| <b>Hidden Ownerships Completed</b>  | 22              | 24             | 16             | 16             | 11                   |
| <b>Site Inspections Completed</b>   | 343             | 297            | 272            | 346            | 432                  |
| <b>Law Enforcement Liaison Completed</b>  | 497             | 836            | 786            | 747            | 245                  |
| <b>On-View Violation Case Reports</b>   | 498             | 341            | 256            | 218            | 59                   |
| <b>Training</b>   | <b>FY 2013</b>  | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b>       |
| <b>Law Enforcement Training Events</b>  | 11              | 21             | 71             | 37             | 56                   |
| <b>Community Training Events</b>  | 10              | 65             | 12             | 29             | 45                   |

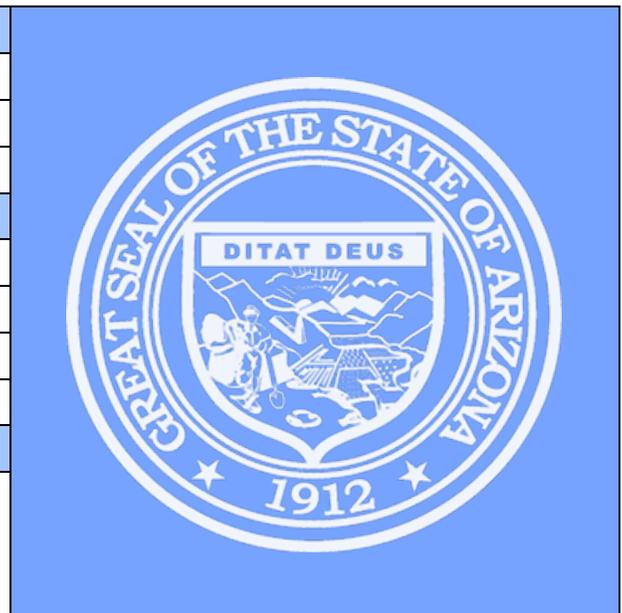
<sup>‡</sup> Ratio based on staff of ten (10) nonsupervisory full time sworn officers

<sup>†</sup> Not reported in FY 2013 Annual Report

\* Redefined and corrected data reported in FY 2014 Annual Report

## EDUCATION AND PREVENTION ACTIVITY

| <b>Law Enforcement Training</b>   | <b>Events</b> | <b>Attendees</b> |
|---|---------------|------------------|
| Title 4   | 35            | 376              |
| Fake ID   | 20            | 242              |
| Police Liaison Training   | 1             | 12               |
| <b>Industry Training</b>  | <b>Events</b> | <b>Attendees</b> |
| Title 4 Liquor Law Update   | 1             | 27               |
| Employee Q&A for Bars   | 1             | 12               |
| Winery Training   | 1             | 62               |
| Wholesaler Training   | 1             | 125              |
| <b>Government Training</b>  | <b>Events</b> | <b>Attendees</b> |
| Local Governing Body Training in Flagstaff, Phoenix, Tucson, Show Low, Peoria, and Lake Havasu  | 6             | 116              |
| <b>TOTAL</b>  | <b>66</b>     | <b>972</b>       |
| <b>Governor's Office of Youth, Faith and Family (GOYFF) and Governor's Office of Highway Safety (GOHS) Grant Funded Training and Outreach</b> |               | <b>Attendees</b> |
| Law Enforcement   |               | 210              |
| Retailers   |               | 457              |
| Teens   |               | 698              |
| Community Members   |               | 738              |
| <b>TOTAL ATTENDEES</b>  |               | <b>2,103</b>     |
| <b>GRAND TOTAL ATTENDEES</b>  |               | <b>3,075</b>     |



Detective Risa Williams and Detective Dan Webb introduce the Alcohol Maze to Miami High School students.

The Department is committed to promoting public safety through education, prevention, and enforcement. Compliance with Arizona laws is increased when stakeholders know and understand the law. In FY 2017, Department detectives connected with at least 3,075 law enforcement, industry, and community members in 12 counties and 2 tribal nations.

## COVERT UNDERAGE BUYER PROGRAM

### Five Year History

|   | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | May 2003 to June 2017 |
|---|---------|---------|---------|---------|---------|-----------------------|
| Locations Investigated                        | 273     | 121     | 195     | 119     | 131     | 4,112                 |
| Number That Sold to CUB                       | 90      | 44      | 72      | 49      | 51      | 1,318                 |
| Percentage of Establishments That Sold to CUB | 32.9%   | 36%     | 36.9%   | 41.2%   | 38.9%   | 32.1%                 |
| Administrative Citations Issued               | 255     | 102*    | 173*    | 126*    | 128*    | 3,184                 |
| Criminal Citations Issued                     | 164     | 65*     | 120*    | 84*     | 58*     | 2,479                 |

\*Sometimes the Department will issue one type of citation and the collaborating agency will issue the other.

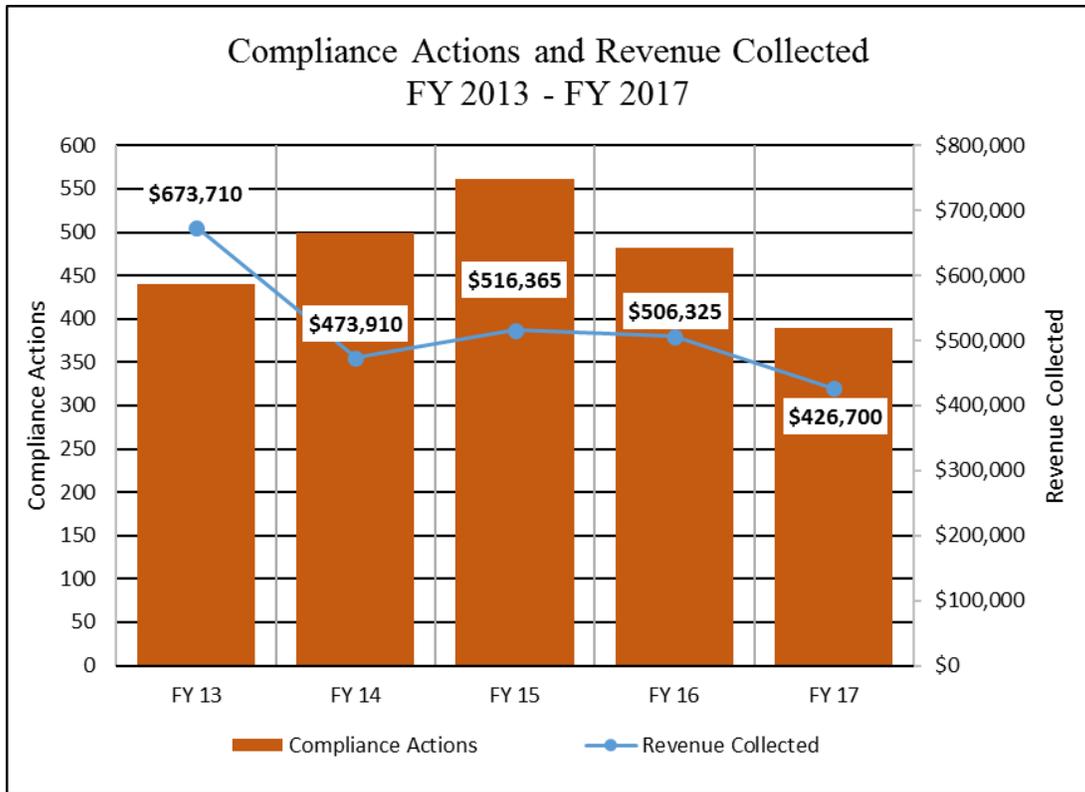
In an effort to curb the sale of liquor to underage persons, the Department utilizes the Covert Underage Buyer (CUB) program, which was instituted in May of 2003. This program provides the resources necessary for the Department to investigate reported complaints of licensed businesses suspected of underage 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.



Left to right: Detective Steve Schrimpf, Paradise Valley Police Department Lieutenant Freeman Carney, and family at the Town of Paradise Valley Public Safety Fair.

## COMPLIANCE STATISTICS Five Year History

| Action  | FY 2013   | FY 2014   | FY 2015   | FY 2016   | FY 2017   |
|---|-----------|-----------|-----------|-----------|-----------|
| Revocations   | 1         | 1         | 0         | 2         | 1         |
| Suspensions   | 4         | 1         | 2         | 0         | 5         |
| Surrenders  | 18        | 6         | 10        | 20        | 18        |
| Divestitures  | 9         | 2         | 7         | 6         | 0         |
| Administrative Complaints                           | 7         | 5         | 2         | 8         | 2         |
| Decisions and Orders                                | 3         | 6         | 1         | 2         | 0         |
| Cases Received                                      | 708       | 856       | 843       | 985       | 709       |
| Cases Completed                                     | 151       | 183       | 198       | 281       | 164       |
| Cases in Progress at Year End                       | 557       | 672       | 645       | 704       | 515       |
| Warning Letter Issued                               | 25        | 41        | 22        | 28        | 46        |
| Cases Sent to the Office of Administrative Hearings | 7         | 7         | 7         | 5         | 4         |
| Fines Collected                                     | \$673,710 | \$473,910 | \$516,365 | \$506,325 | \$426,700 |
| Cases Adjudicated                                   | 440       | 500       | 561       | 482       | 389       |
| Action Resulting From Underage Violations           | FY 2013   | FY 2014   | FY 2015   | FY 2016   | FY 2017   |
| Licenses Suspended                                  | 4         | 1         | 0         | 0         | 1         |
| Licenses Revoked                                    | 1         | 2         | 0         | 0         | 0         |
| Fines Collected                                     | \$125,500 | \$80,625  | \$82,375  | \$99,000  | \$86,250  |



## AUDIT STATISTICS Five Year History

| <b>Active Restaurant-Type Licenses on June 30</b> | <b>FY 2013</b> | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b> |
|---|----------------|----------------|----------------|----------------|----------------|
| Hotel/motel w/Restaurant (series 11)              | 164            | 166            | 166            | 173            | 179            |
| Restaurant (series 12)                            | 3,293          | 3,368          | 3,434          | 3,577          | 3,745          |
| Total restaurant-type licenses                    | 3,457          | 3,534          | 3,600          | 3,750          | 3,924          |
| Total liquor licenses                             | 11,930         | 11,939         | 12,052         | 12,174         | 12,871         |
| <b>Audit Action</b>                               | <b>FY 2013</b> | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b> |
| Total audits completed                            | 84             | 92             | 91             | 98             | 67             |
| Total audits passed                               | 64             | 69             | 56             | 74             | 51             |
| Total audits failed                               | 17             | 17             | 25             | 16             | 15             |
| Total audits inconclusive/audit not performed     | 3              | 6              | 10             | 7              | 1              |
| Locations granted one year to continue operation  | 2              | 3              | 7              | 1              | 0              |
| <b>Cases Open for Audit on June 30</b>            | <b>FY 2013</b> | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b> |
| Audits in progress                                | 16             | 16             | 16             | 16             | 2              |
| Open cases w/projected ratio of >37%              | 12             | 8              | 14             | 9              | 0              |
| Open cases w/projected ratio between 30 to 37%    | 4              | 6              | 2              | 7              | 2              |
| Open cases w/projected ratio of <30%              | 0              | 2              | 0              | 0              | 0              |
| Locations being monitored                         | 69             | 76             | 83             | 99             | 91             |
| <b>Source of Revenue</b>                          | <b>FY 2013</b> | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b> |
| Assessed fine revenue                             | \$55,425       | \$50,300       | \$71,350       | \$45,525       | \$56,650       |
| Collected fine revenue                            | \$47,625       | \$49,625       | \$47,725       | \$73,700       | \$74,200       |

## ONLINE AUDIT SERVICES

Prior to FY 2014, audit staff processed sampling requests. The average time to process one sampling request was three minutes. Since FY 2014, the online service processed 29,477 sampling requests and saved 1,539 staff hours. Since FY 2015, online annual production reporting for farm wineries (in-state and out-of-state), microbreweries (in-state and out-of-state), craft distilleries (in-state and out-of-state), limited out-of-state wineries, and remote tasting rooms saved 383 staff hours.

| <b>Sampling Requests</b>          | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b> |
|-----------------------------------|----------------|----------------|----------------|----------------|
| Total sampling requests           | 330            | 7,385          | 9,317          | 13,733         |
| Total sampling requests cancelled | 26             | 263            | 325            | 674            |
| Total time savings in hours       | 17             | 369            | 466            | 687            |

| <b>Annual Production Reporting</b>                           | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b> |
|--|----------------|----------------|----------------|
| Total licenses within reporting categories                   | 1,012          | 856            | 862            |
| Percentage of applicable licensees who used online reporting | 73%            | 96%            | 97%            |
| Total time savings in hours                                  | 107            | 137            | 139            |

# Looking Forward

## ★ E-Licensing

In FY 2016, the Legislature approved agency funding for a new licensing data management system to replace an aged system of 25 years. The new system met the Governor’s vision of “government at the speed of business” and will result in roughly 60% of the Department’s licensing services being available online in FY 2018.

## ★ “One stop” for Information and Answers

The Department’s website will be optimized in FY 2018 with a simplified site design and value added tools and information.

## ★ Safe Communities

The Department will promote and act to create safe communities in FY 2018 by achieving the following objectives:

- Actively participate on the Governor’s initiative to reduce the incidence of wrong way drivers on Arizona’s freeways.
- Conduct a breakthrough project targeting reducing the sale of alcohol to persons under 21.
- Leverage partnerships to grow and enrich youth outreach and education programs targeting abstinence of alcohol.
- Grow the Audit Unit’s impact on reviewing Hotel–Motel and Restaurant series licensee compliance with applicable Arizona Revised Statutes Title 4 laws.

