



IOWA ABD

Alcoholic Beverages Division

Performance Report

FY 2023

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Introduction

The Iowa Department of Commerce, Alcoholic Beverages Division (ABD) is pleased to present its Performance Report for Fiscal Year (FY) 2023 (July 1, 2022 - June 30, 2023). This report contains information about the services ABD provided over the fiscal year. This document is provided pursuant to Iowa Code section 8E.210, which requires agencies to report on performance. The report includes an agency overview, financial highlights summary, and templates providing details about some of ABD's key results. Also included is a table outlining FY23 performance plan measures and results by core function and service, product, or activity (SPA).

Iowa ABD had a strong revenue fiscal year with increases in annual liquor sales, beer and wine tax collection, and licensing revenue. Liquor sales revenue increased to \$445.8 million, an increase of 3.3% over FY22, and \$150.6 million was transferred to the Iowa General Fund for appropriation by the legislature to different departments and programs throughout the state. An additional \$2 million was transferred to the Iowa Economic Development Authority (IEDA) to supplement the funding of the Wine and Beer Promotion Board.

In FY23, there was a decrease in license fees due to the implementation of Senate File 2374, (SF2374). SF2374 is a bill relating to alcoholic beverage control and licensing. The bill made technical changes to Iowa's alcohol laws and policy. SF2374 modified the fees for a majority of the licenses, permits, and certificates issued by ABD. These modifications were made through a direct change to the fee amount or by an update to the criteria that determines the fee. The privileges granted by previous retail beer and wine permits were incorporated into new or existing retail alcohol licenses. As a result, some existing retail beer permits, wine permits and some specialized liquor control license types were eliminated. Additionally, the bill created new economic opportunities for native breweries, wineries, and distilleries, by allowing them to obtain a Class "C" retail alcohol license for the purpose of selling liquor, wine, and beer for consumption at the manufacturing location. The bill removed the 100,000-proof gallon production cap at native distilleries. Eliminating this cap allows all native distilleries to sell up to 9-liters of native distilled spirits from their manufacturing location to customers. Finally, SF2374 granted the option of automatic renewal for Class "E" retail alcohol licenses, certificates of compliance, and wine direct shipper permits. There was a total of \$17.2 million in license fee revenue collected during FY23, which was a decrease of 23.3%.

In FY23, ABD processed 12,576 licenses, permits, and certificates. This was a decrease of 5,501 compared to FY22. Licensees and permittees include both on-premises and off-premises retailers, manufacturers, brokers, and wholesalers. ABD interacts with licensees and permittees in multiple ways, including not only providing platforms for online licensing and product ordering, but also conducting compliance inspections, audits, and investigations to protect the public health, safety, and welfare of Iowans. As well as to ensure a fair and level playing field for all licensees and permittees, and equitably delivering orders to class "E" licensees.

As we look to the future, ABD remains diligent in working toward refreshing our laws, processes, and policies in finding ways that align with the governor's goals that protect the general welfare of Iowans. ABD recognizes the need to continue to adapt to meet industry and consumer demands for brand diversity, blending of business models, and increased convenience within the retail tier in addition to advances in technology, e-commerce platforms, and business models.

ABD is challenged with balancing its obligation to generate revenue through the wholesale distribution of spirits to over 2,032 class "E" customers with the responsibility of licensing, regulating, and educating the alcoholic beverage industry.

Agency Overview

ABD operates under the authority of the Iowa Alcoholic Beverage Control Act (Iowa Code chapter 123) as well as other applicable state laws, rules, and regulations. ABD administers and regulates Iowa's alcoholic beverage laws, led by the Administrator, who is charged with the authority and responsibility of overseeing ABD's day-to-day functions and executing ABD's policies.

ABD comprises three bureaus: Regulatory Compliance, Administrative Affairs, and Business Operations. Regulatory Compliance oversees regulation and tobacco enforcement, Administrative Affairs oversees administrative actions, licensing, education and outreach, legislative support activities, and rules administration. Business Operations encompasses financial and asset management, product and inventory management, information technology, safety and security, buildings and grounds, and managerial oversight of the wholesale spirits distribution contract, which administers warehousing and distribution functions and the fulfillment of spirits orders.

ABD's core functions of licensing, regulation, and the distribution of spirits, focus on maintaining a fair and level playing field for stakeholders; protecting the health, safety, and welfare of Iowans; and simultaneously generating revenue for state and local governments. ABD reverted and distributed over \$171.9 million to state and local authorities for FY23.

Mission: To serve Iowans through responsible and efficient licensing, regulation, and distribution of alcohol.

Vision: The Iowa ABD provides clarity, consistency, and equity to all stakeholders within the alcoholic beverage industry.

Values: The Division has adopted the following core values; which employees are expected to demonstrate in carrying out the core functions.

- **Accountability**
Respond to requests for guidance received from policymakers and stakeholders with information that is accurate and unbiased. Provide accurate service to class "E" customers in a timely manner.
- **Appreciation**
Instill within Division employees an understanding of the worth and importance of providing our customers with high quality goods and services they need to be successful.
- **Integrity**
Conduct every task within the Division with honesty and dedication to purpose. Enable staff to take pride in their respective duties through communication and training.
- **Commitment**
Regulate the industry and wholesale spirits in a responsible manner.

Agency Core Functions:

The agency's SPAs relate to the following core functions:

- Sales and Distribution
- Licensing
- Regulation and Compliance
- Administration and Resources Management
- Tobacco Compliance and Enforcement

Services, Products and Activities:

- Reverting profits from the sale of spirits to the State of Iowa General Fund
- Fund substance abuse programs administered by the Iowa Department of Health and Human Services
- Maintain a high level of order accuracy
- Maintain gross profits on liquor sales and operate a profitable spirits distribution model
- Minimize returns to the warehouse to minimize costs of distribution through efficient management and allocation of resources
- Generate license revenue to fund regulation and licensing expenses and to license Iowa businesses involved in the sale and distribution of alcohol.
- Ensure the safety and security of state employees and state assets while adhering to compliance with Iowa Code Chapter 123
- Develop education programs targeted at licensees to increase understanding and compliance
- Maintain budgeted expenditure levels
- Ensure accounting procedures are performed efficiently and effectively
- Maintain yearly return on sales percentages
- Ensure tobacco retailers are educated in regulations and remain in compliance
- Contract with Iowa Department of Health and Human Services for statewide tobacco compliance

Key Results: Sales and Distribution

Core Function: Sales and Distribution

Description: ABD is given statutory authority to be the exclusive wholesaler of spirits in the state of Iowa. Per Iowa Code section 123.24(4), the Division is required to assess a mark-up of 50% of the wholesale price paid by the agency for spirits. ABD is also entrusted with transferring profits from the sale of spirits to the State of Iowa General Fund.

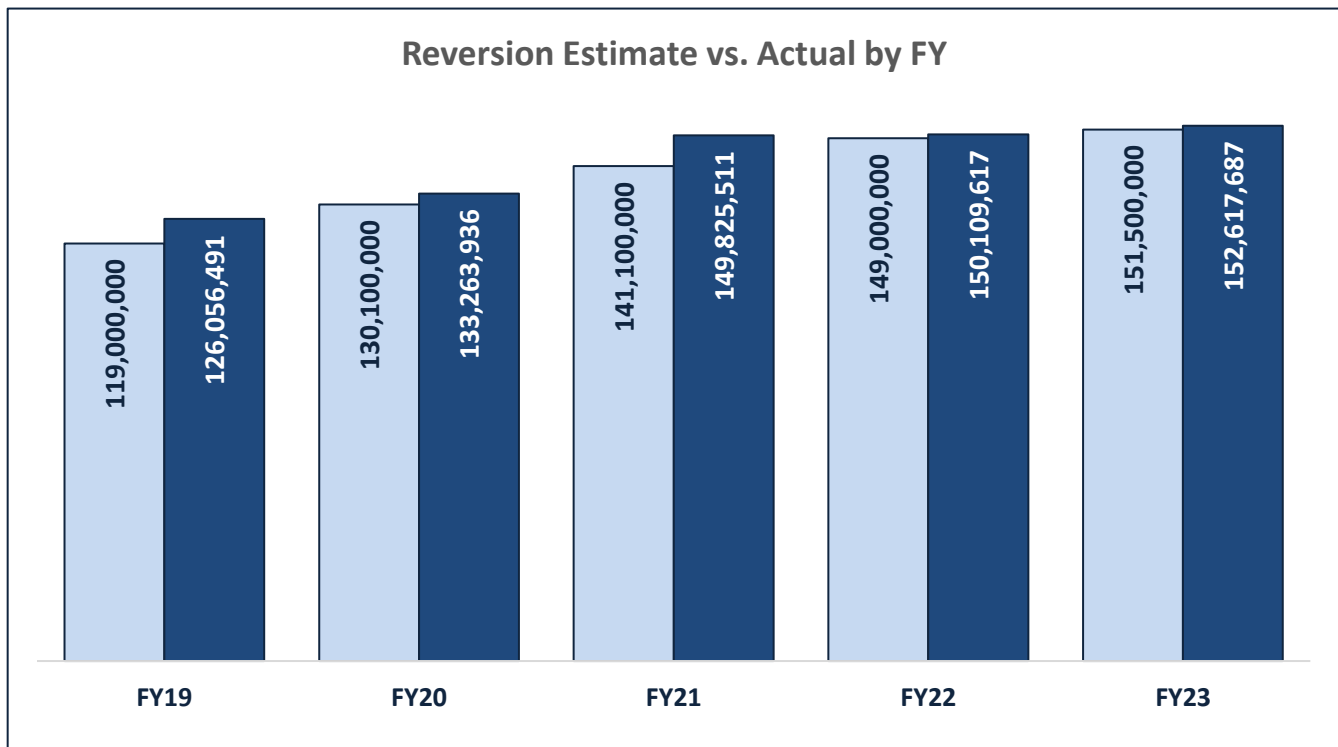
Why is this done: Iowa Code sections 123.53(2) and 123.53(5) require the agency to transfer liquor profits to the State of Iowa General Fund. ABD is also given a minimum transfer target that is established by the Revenue Estimating Conference (REC).

What is being done to achieve results: Improved analytics and financial reporting on metrics have shown to benefit the distribution model. Since FY19, ABD has operated in partnership with Ruan Transport Corporation for the distribution of spirits. Today Ruan employees continue to efficiently and effectively run the warehouse and fleet operations and work closely with ABD staff on daily operations.

Performance Measure:

- Amount of revenues transferred to the State of Iowa General Fund
- Amount of revenues transferred for substance abuse programs

Performance Target: The REC established ABD’s total transfer obligation. The Fiscal Year 2023 REC target was \$151.5 million; with the Division transferring \$152.6 million by the end of the fiscal year.



Note: Figures reported above represent substance abuse programs transfer, liquor profits transfer, and IEDA transfers only.

What was achieved: ABD reverted over \$150.6 million to the State of Iowa General Fund and \$2 million to IEDA. These totals allowed ABD to exceed the target amount of \$150 million that was set for Fiscal Year 2023. ABD has again set a goal of \$151.5 million for the Fiscal Year 2024 target amount based on these results. As of November 30, 2022, the agency is on track to reach this target.

Data sources: Review of ABD financial records and REC revenue reports.

ABD has established targets for SPAs related to its core function of sales and distribution:

Unit	Outcome Measure	FY23 Target	FY23 Actual
Sales and Distribution	Amount of liquor profit transferred to the general fund	\$120,000,000	\$119,250,000
Sales and Distribution	Revert 7% of sales to the general fund for substance abuse	\$30,000,000	\$30,812,465
Product Administration	Maintain order accuracy above 98%	99%	99%
Warehouse Admin Management	Gross Profit on Liquor Sales, total liquor sales minus the cost of inventory, above 30%	35%	35.7%
Warehouse Operations	Minimize the number of returns to the warehouse to decrease the total dollars returned	\$1,000,000	\$1,554,805

Resources: These activities are funded through the wholesale of spirits and related revenues. Total expenses associated are \$327.9 million. Major expenditures associated with performing these core functions are the cost of goods sold, direct labor, indirect labor, information technology, and capital projects.

Key Results: Licensing

Core Function: Licensing

Description: ABD is responsible for licensing and regulating all entities associated with the sale, manufacturing, and distribution of alcoholic beverages within the state of Iowa. The Administrative Affairs Bureau was established to hold accountable licensees, permittees, and certificate holders as well as certify and administer licenses and permits.

Why this is done: Iowa Code chapter 123 grants ABD the express authority to license and regulate entities associated with the sale of alcohol.

What is being done to achieve results: The Administrative Affairs Bureau works towards achieving compliance with all laws and regulations related to the alcoholic beverage industry in Iowa. This includes proactive measures through analysis of existing laws and education to licensees and alcohol industry members.

ABD has established targets for SPAs related to its core function of licensing through the Administrative Affairs Bureau.

Unit	Outcome Measure	FY23 Target	FY23 Actual
License Operations	Generate license revenue	\$17,000,000	\$17,366,334

Resources: These activities are funded through General Fund appropriation and license revenue collection.

Key Results: Regulation and Compliance

Core Function: Regulation and Compliance functions to enhance the safety, health, and economic well-being of the public through compliance and enforcement of state and federal laws and regulations. Activities may include: examining; accreditation; inspections and compliance; complaint investigation; and, various licensing, permitting, and registration activities.

Description: ABD is responsible for licensing and regulating all entities associated with the sale, manufacturing, and distribution of alcoholic beverages within the state of Iowa.

Why this is done: Iowa Code chapter 123 grants ABD the express authority to license and regulate entities associated with the sale. As part of the Division's core function, it is our responsibility to ensure compliance with all license holders as well as public safety and security in the alcohol beverage industry.

What is being done to achieve results: The compliance program at ABD has been expanded to include more personnel and more diverse roles in the areas of compliance, investigation, and audits. With a dedicated team, ABD has been successful in educating and enforcing the laws that govern this area. More efforts have been directed to on-site compliance.

ABD has established targets for SPAs related to its core function of Regulation and Compliance to ensure compliance with Chapter 123:

Unit	Outcome Measure	FY23 Target	FY23 Actual
Alcohol Compliance	Total Inspections completed	500	507
Alcohol Compliance	Total Investigations completed	200	216
Alcohol Compliance	Total Audits completed	100	67

Resources: These activities are funded through General Fund appropriation and transfers from the Liquor Control Trust fund to the ABD general fund.

What was achieved and goals moving forward: During FY23, the primary focus was partnering on joint compliance checks and joint investigations. ABD actively engaged in joint compliance checks with local law enforcement agencies across the state. ABD intends to improve communication and collaboration with law enforcement agencies across the state as well as to continue to provide education to law enforcement agencies. In FY23, ABD conducted 36 law enforcement trainings to include 320 agencies for a total of 813 law enforcement officers trained.

Key Results: Administration

Core Function: Administration provides all vital infrastructure needs necessary to administer and support agency operations. Key activities may include financial and human resources management such as payroll; accounting and budget; purchasing of goods and services; media management; information technology enhancement; management and support; staff development; leadership; planning; policy development; and, maintenance of physical infrastructure and governance system development to achieve results for Iowans.

Description: Provides vital infrastructure needs necessary to administer and support agency operations.

Why are we doing this: Effective resource management will assist ABD in fulfilling its core functions while maintaining accountability and efficient use of revenues and resources.

What we're doing to achieve results: Each fiscal year, ABD reviews and modifies performance targets. Targets set for Fiscal Year 2023 related to resource management and accounting efficiency. ABD has grown the resources in these areas to better serve the Alcohol Beverage industry as well as stakeholders and customers.

ABD has established targets for SPAs related to its core function of Administration:

Unit	Outcome Measure	FY23 Target	FY23 Actual
Accounting	Use current systems to ensure all Beer and Wine tax obligations have been collected.	23.0 Million	20.6 Million
Accounting	Yearly return on sales percentages, Net profit over the total liquor sales, above 30%	35%	29.6%
Education and Outreach	Percent of IPACT passing rate	98%	95%
Safety and Security	Employees work in a safe environment and workers compensations claims are minimal	0 filed	1 filed

Resources: These activities are funded through General Fund appropriation and the Liquor Control Trust Fund revenues including liquor sales, license revenue, and other liquor revenues.

Key Results: Tobacco Compliance and Enforcement

Core Function: Execute MOU with the Iowa Department of Health and Human Services in the enforcement and compliance of tobacco retailers throughout the state. Meet all contractual requirements with the U.S. Food and Drug Administration and educate retailers on tobacco laws and regulations.

Description: Provides education and compliance to Iowa tobacco retailers through on-site inspections. Also partners with local law enforcement to provide compliance. The tobacco unit also manages the online education training known as I-PLEDGE for tobacco retailers.

Why are we doing this: Partnerships and contracts with the Iowa Department of Health and Human Services and the U.S. Food and Drug Administration allow ABD to utilize resources that also maintain licensure and activities in the alcohol beverage industry.

What we're doing to achieve results: ABD monitors the contracts on a monthly basis and tracks all expenses related to the tobacco area.

ABD has established targets for SPAs related to its core function of Tobacco Compliance and Enforcement.

Unit	Outcome Measure	FY23 Target	FY23 Actual
Tobacco Compliance	Ensure retailers are educated on tobacco rules and regulations by maintaining the I-PLEDGE passing rate	98%	95%
Tobacco Enforcement	Contract with IHHS for compliance checks and complete check on retail outlets throughout Iowa	3,000	3,554

Resources: These activities are funded through contracts with the Iowa Department of Health and Human Services and the U.S. Food and Drug Administration as well as Civil Penalties within local jurisdictions.

Resource Reallocation

Description: In April, 2019, ABD began a public-private partnership with Ruan Transport Company for fleet and warehousing services. At that time, the warehouse workers and transport driver positions remained on the ABD table of authorization for reallocation to other areas of the business. ABD continues to look for both efficiencies in personnel as well as areas that need more personnel to provide greater service to industry stakeholders and customers. Some of the open positions from this update have been used in other areas of the business.

Areas of Focus: In FY23, ABD focused on the areas of Administrative Affairs and Education and Outreach for Native Manufacturers, Financial Management, and Regulatory Compliance.

Positions Reallocated or Rehired: 11; Accounting Tech 2 rehired, Public Service Manager 2 rehired, Compliance Officer 2, 2 Executive Officer 2, Investigator 3, Executive Officer 1, Secretary 1, Storekeeper 3, Accounting Technician 2, Storekeeper 2.

New Positions: 2; 1 Compliance Officer 2 and 1 Training Specialist.

Personnel Classifications left vacant: Total of 6 positions left vacant by retirement or leaving the agency; Executive Officer 2, Program Planner 3, Technical Service Specialist, Accountant 4, Administrative Intern, Administrative Assistant 2.

Information

Executive Information

Kim Reynolds Governor of Iowa
 Adam Gregg Lieutenant Governor

Division Administration

Stephen Larson Administrator
 Herbert H. Sutton, Jr. Bureau Chief of Operations
 Leisa Bertram Chief Financial Officer
 Leisa Bertram Bureau Chief of Operations
 Demario A. Luttrell... Bureau Chief of Regulatory Compliance
 Lolani Lekkas Bureau Chief of Administrative Affairs
 Stephanie Strauss Governmental Relations

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