



# IOWA ABD

**Alcoholic Beverages Division**

**Performance Report**

FY 2021

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## Introduction

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The Department of Commerce, Alcoholic Beverages Division (ABD) is pleased to present its Performance Report for Fiscal Year (FY) 2021 (July 1, 2020 - June 30, 2021). This report contains information about the services ABD provided over the referenced 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, templates providing details about some of ABD's key results and a table outlining FY21 performance plan measures and results by core function and service, product or activity (SPA). Also included in this document are impact statements related to the COVID-19 pandemic.

Iowa ABD had a strong revenue fiscal year with increases to the annual liquor sales, beer and wine tax collection, and licensing revenue. The liquor sales revenue increased to \$415.8 million, an increase of 13.2% over FY20, and \$149.8 million was transferred to the Iowa General Fund for appropriation by the legislature to different department and programs throughout the state.

In FY20, the Emergency Disaster Relief Proclamation deferred both beer and wine taxes as well as some license classifications for collection. The deferment for taxes expired at the end of December 2020. This expiration allowed ABD to begin collecting taxes from the months of February 2020 through December. This increase in collection greatly increased the overall tax revenue deposited in FY21 by 92.8% or \$14.3 million. The license deferment expired at the end of the FY21 fiscal year, and collection on those revenues were deposited in both FY21 and continued into FY22.

In FY21, ABD issued 15,964 licenses, permits, and certificates. Licensees and permittees include on- and off-premises retailers, manufacturers, brokers, and wholesalers. ABD interacts with licensees and permittees in multiple ways, including providing platforms for online licensing and product ordering, conducting compliance inspections, audits, and investigations to protect the public health, safety, and welfare, and ensure a fair and level playing field for all licensees and permittees, and delivering orders to class "E" licensees. In FY21 ABD launched a new licensing site, eLAPS (Electronic Licensing and Permitting System.) This new system is utilized for new and renewal license applications as well as for the collection of monthly Beer and Wine tax, bi-annual Direct Shipping tax, and monthly Shipping reporting.

As we look to the future, ABD continues to work toward refreshing our laws, processes, and policies to find ways to align with the governor's goals that are fair and protects 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, increased convenience within the retail tier, and 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 1,850 class "E" customers with the responsibility of licensing, regulating, and educating the alcoholic beverage industry.

## Agency Overview

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ABD operates under the authorities 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 is comprised of 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 oversees 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 oversees 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 transferred over \$150 million to state and local authorities for FY21 and FY22 transfer commitments will meet or exceed past transfer amounts.

**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 Public Health
- 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 Public Health 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.

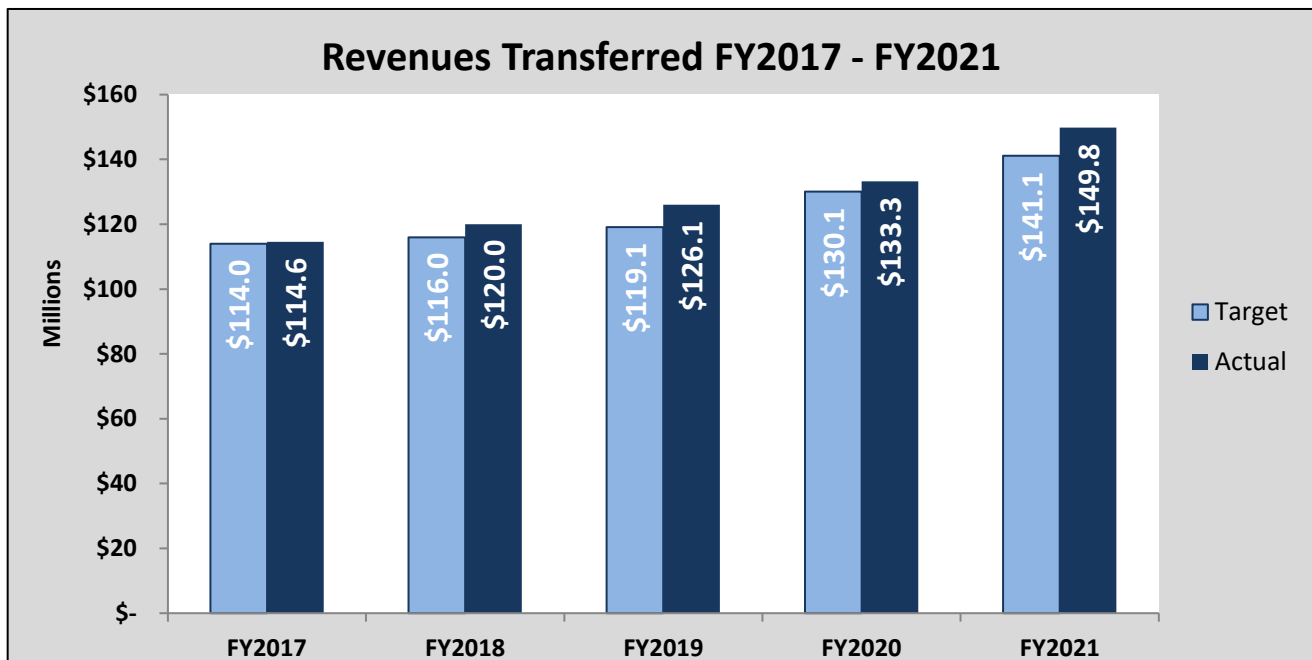
**Why is this done:** Iowa Code sections 123.53(2) and 123.53(5) require the agency to transfer liquor profits to the State of Iowa General Fund. ABD is also given a minimum transfer target that is established by the Revenue Estimating Conference (REC).

**What is being done to achieve results:** Improved analytics and financial reporting on metrics have shown to benefit the distribution model. In FY19, ABD entered into a partnership with Ruan Transport Corporation for the distribution of spirits. Today Ruan employees run the warehouse and fleet operations, and work closely with ABD staff on daily operations for operational efficiency.

### 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 2021 REC target was \$141.1 million; with the Division transferring 149.8 by the end of the fiscal year.



**Note:** Figures reported above represent substance abuse programs transfer and liquor profits transfer only.

**Impact from COVID-19:** There was significant growth in the liquor sales which contributed to record sales and reversion numbers.

**What was achieved:** ABD reverted over \$149 million to the State of Iowa General Fund. Fiscal Year 2021 and exceeded the target amount by 12.4%. ABD set a goal of \$148million for the Fiscal Year 2022 target amount. As of November 2021, the agency is on track to reach that 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	FY21 Target	FY21 Actual
<b>Sales and Distribution</b>	Amount of liquor profit transferred to the general fund	\$110,000,000	\$120,600,000
<b>Sales and Distribution</b>	Revert 7% of sales to the general fund for substance abuse	\$26,000,000	\$29,200,000
<b>Product Administration</b>	Maintain order accuracy above 98%	99%	98%
<b>Warehouse Admin Management</b>	Gross Profit on Liquor Sales, total liquor sales minus the cost of inventory, above 30%	35%	36.5%
<b>Warehouse Operations</b>	Minimize the number of returns to the warehouse to decrease the total dollars returned	\$1,000,000	\$1,231,855

**Resources:** These activities are funded through the wholesale of spirits and related revenues. Total expenses associated are \$302.3 million. Major expenditures associated with performing these core functions are the cost of goods sold, labor, and fuel.

**Impact from COVID-19:** Due to the increase in liquor sales, there was a significant increase in the operational metrics of ABD. The orders, deliveries, cases, and bottles all increased and ABD was successfully able to continue operations in partnership with Ruan Transport Corporation. The increase in the cost for warehouse and fleet operations increased, but this was expected due to the volumes.

## Key Results: Licensing

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**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	FY21 Target	FY21 Actual
License Operations	Generate license revenue	\$17,000,000	\$19,134,834

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

**Impact from COVID-19:** The Emergency Disaster Relief Proclamation deferred some license classifications for collection. The license deferment expired at the end of the FY21 fiscal year, and collection on those revenues were deposited in both FY21 and continued into FY22. The collection of some of these licenses is ongoing.



## Key Results: Regulation 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 regulations. Activities may include: examining; accreditation; inspections and compliance; complaint investigation; and various licensing, permit 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, and the onset of the pandemic drove more work in this area.

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

Unit	Outcome Measure	FY21 Target	FY21 Actual
Alcohol Compliance	Total Inspections completed	400	3,229
Alcohol Compliance	Total Investigations completed	350	246
Alcohol Compliance	Total Audits completed	25	54

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

**Impact from COVID-19:** At the onset of the pandemic, ABD shifted from on-site compliance checks to more remote work. This shift decreased the number of compliance checks and inspections that were completed in FY20. In FY21, ABD then shifted back to on-site compliance and these increased the numbers greatly as more complaints were filed and more inspections were performed.

## Key Results: Administration

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**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; 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 2021 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	FY21 Target	FY21 Actual
<b>Administration</b>	Maintain budgeted General Fund Expenditure	1.9 Million	1.8 Million
<b>Accounting</b>	Yearly return on sales percentages, Net profit over the total liquor sales, above 30%	33%	29.0%
<b>Education and Outreach</b>	Percent of IPACT passing rate	95.8%	96%
<b>Safety and Security</b>	Employees work in a safe environment and workers compensations claims are minimal	0 filed	0 filed

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

**Impact from COVID-19:** As referenced earlier, revenues to the Liquor Control Trust Fund increased with the surplus in liquor sales. In FY21 there were deferred revues for both the beer and wine taxes as well as some license fees. These revenues were collected in FY21 and increased the overall revenues.

## Key Results: Tobacco Compliance and Enforcement

**Core Function:** Execute MOU with the Iowa Department of Public Health in the enforcement and compliance of tobacco retailers throughout the state. Meet all contractual requirements with the 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 IPLEDGE for tobacco retailers.

**Why are we doing this:** Partnerships and contracts with the Iowa Department of Public Health and the Federal 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 expense related to the tobacco area.

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

Unit	Outcome Measure	FY21 Target	FY21 Actual
<b>Tobacco Compliance</b>	Ensure retailers are educated on tobacco rules and regulations by maintaining the IPLEGE passing rate	96%	90%
<b>Tobacco Enforcement</b>	Contract with IDPH for compliance checks and complete check on retail outlets throughout Iowa	3,000	3,463

**Resources:** These activities are funded through contracts with the Iowa Department of Public Health and the Federal Food and Drug Administration as well as Civil Penalties within local jurisdictions.

## Resource Reallocation

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**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.

**Areas of Focus:** In FY21, ABD focused on the areas of Regulation Compliance, Accounting, and Education and Outreach. Along with the reallocation of resources in these areas, there was vacant position growth in accounting and administration. Overall, ABD filled or reclassified eleven positions.

**Positions Reallocated:** For all the reclassified positions, ABD used the Warehouse Operations Worker classification. The previous funding source was department 212, Alcoholic Beverage, fund 0631, Liquor Control Trust Fund, unit 9206, Warehouse Operations.

The following positions were added with their applicable funding sources listed:

Compliance Officer 2, 212-0001-1401, Regulation Compliance  
 Compliance Officer 2, 212-0001-1401, Regulation Compliance  
 Budget Analyst 3, 212-0631-9302, Accounting  
 Program Planner 3, 212-0001-1009, Education and Outreach  
 Public Service Manager 1, 212-0001-1401, Regulation Compliance

**Personnel Added to Vacant Positions:** ABD filled vacant positions in the fiscal year. Some of these positions were internal moves to other positions, while others were left vacant upon resignation.

The following positions were hired into vacant positions with their applicable funding sources listed:

Receptionist, 212-0631-9202, Administration  
 Accounting Tech 2, 212-0631-9302, Accounting  
 Investigator 2, 212-0001-1401, Regulation Compliance  
 Intern, 212-0631-9202, Administration  
 Investigator 2, 212-0091-6001, Tobacco Compliance  
 Licensing Clerk Specialist, 212-0631-9801, Licensing

## Information and Contact

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### Executive Information

Kim Reynolds ..... Governor of Iowa

Adam Gregg ..... Lieutenant Governor

### Division Administration

Stephen Larson ..... Administrator

Herbert H. Sutton, Jr. .... Operations Bureau Chief

Leisa Bertram ..... Chief Financial Officer

Joshua Happe ..... Regulatory Compliance Bureau Chief

Lolani Lekkas ..... Administrative Affairs Bureau Chief

Stephanie Strauss ..... Government Relations

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