

Performance Results
Fiscal Year 2020



**ALCOHOLIC
BEVERAGES
DIVISION**
State of Iowa

Governor Kim Reynolds

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Overview

Introduction: The Department of Commerce, Alcoholic Beverages Division (ABD) is pleased to present its Performance Report for Fiscal Year (FY) 2020 (July 1, 2019 - June 30, 2020). This report contains information about the services ABD provided over the past 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 FY19 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 for each section.

Agency Vision: The Iowa Alcoholic Beverages Division provides clarity, consistency and equity to all stakeholders within the alcohol beverage industry.

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

Agency Core Values and Focus:

- Integrity: Our employees, partners, and licensees can count on ABD to be honest and trustworthy.
- Mission Oriented: We will keep a constant focus on the Iowans our programs benefit.
- Accountability: Willingness to accept responsibility and honor our commitments.
- Customer Service Focus: We are courteous, responsive, and respectful.
- Trusted Resource: We are a reliable resource for Iowans.

Agency Core Functions:

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

- Sales and Distribution
- Regulation and Compliance
- Resource Management

Services, Products and Activities:

- Reverting profits from the sale of spirits to the State of Iowa General Fund
- Funding substance abuse programs administered by the Iowa Department of Public Health
- Licensing and regulating all entities that are under the purview of Iowa Code chapter 123
- Operating a profitable spirits distribution model
- Minimizing costs of distribution through efficient management and allocation of resources
- Ensure the safety and security of state employees and state assets
- Developing education programs targeted at licensees to increase understanding and compliance

Key Results

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.

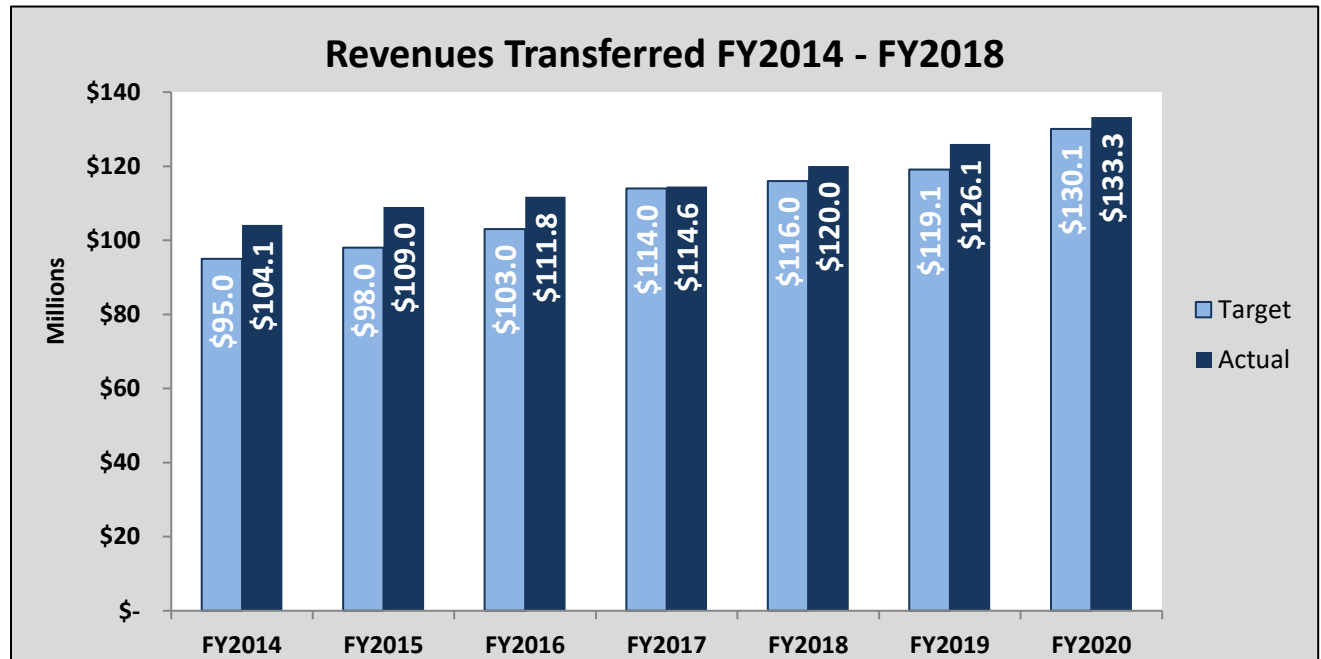
Why is this done: Iowa Code sections 123.53(2) and 123.53(5) require the agency to transfer liquor profits to the State of Iowa General Fund. ABD is also given a minimum transfer target that is established by the Revenue Estimating Conference (REC).

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.

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 2020 REC target was **\$130.1 million**; this obligation was used as a base coupled with prior year transfers.



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.

Key Results

What was achieved: ABD reverted over **\$133 million** to the State of Iowa General Fund. Fiscal Year 2020 and exceeded the target amount by **2.4%**. ABD set a goal of **\$141.1 million** for the Fiscal Year 2021 target amount. As of December 2020, the agency has achieved **35.5%** of this goal and 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	FY 20 Target	FY 20 Actual
Product Administration	Maintain order accuracy above 98%	97%	98%
Warehouse Admin Management	Minimize the cost of warehouse administration in relation to % of liquor revenue earned	0.15%	0.09%
Warehouse Operations	Minimize the cost of Warehouse operations as a percentage of sales	0.60%	0.79%
Warehouse Operations	Reduce breakage – Warehouse and Truck Breakage combined	\$30,000.00	\$15,668
Freight Operations	Minimize the cost of Fleet operations as a percentage of sales	0.60%	0.88%
Safety and Security	Minimize amount of Workers Comp Claims	2	0

Resources: These activities are funded through the wholesale of spirits and related revenues. Total expenses associated with generating the transfer are **\$242.3 million**. Major expenditures associated with performing this core function 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

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: The actuals in this area were impacted by the pandemic and the need for remote work at the onset. As FY20 concluded, more work was being done in the field and those numbers will be reflective in the FY21 results.

Unit	Outcome Measure	FY 20 Target	FY 20 Actual
License Operations	Generate license revenue	\$18,500,000	\$17,676,967
	Licensing Personnel Expenses	\$350,000	\$245,928
Regulation	Ensure adequate compliance checks	415	271
Tobacco Enforcement	Number of tobacco compliance checks on retail outlets	3,450	2,934

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

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 FY21, ABD then shifted back to on-site compliance and these increased numbers will be reflected in the FY21 report.

Core Function: Resource Management and Education 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 lowans.

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 functions in the following areas:

- Licensing and Regulation
- Distribution of Spirits
- Education of Licensees

What we're doing to achieve results: Each fiscal year ABD reviews and modifies performance targets. Targets set for Fiscal Year 2020 related to resource management and education is outlined below:

ABD has established targets for SPAs related to its core function of Resource Management and Education:

Unit	Outcome Measure	FY 20 Target	FY 20 Actual
Administration	Maintain budgeted General Fund Expenditure	2.5 Million	1.9 Million
Revenues Transferred to the State General Fund	Maintain REC estimate and transfer total to GF	105 Million	107.5 Million
Revenues Transferred to Substance Abuse	Required 7% is transferred	24 Million	25.8 Million
Education of Licensees	Percent of IPACT passing rate	96%	96%
Education of Licensees	Percent of IPLEDGE passing rate	97%	96%

Resources: These activities are funded through General Fund appropriation, license revenue and liquor revenues.

Impact from COVID-19: As referenced earlier, revenues to the General Fund increased with the surplus in liquor sales. In FY20 there were deferred revenues for both the beer and wine taxes as well as some license fees. These revenues will be collected in FY21 and will increase the reversion for that fiscal year as well.