AGENDA

IOWA ALCOHOLIC BEVERAGES COMMISSION MEETING

Old Supreme Court Chamber (Room 103)
Iowa State Capitol
Des Moines, Iowa
December 19, 2017
1:00-4:00 PM

Call to Order ..... Chairperson Nystrom

I. Introductions/Opening Remarks

II. Approval of Agenda – **ACTION ITEM**

III. Iowa Liquor Wholesale Model Overview ..... Administrator Larson

Public Comment on the Iowa Liquor Wholesale Model ..... Chairperson Nystrom

Adjournment ..... Chairperson Nystrom

NOTE: Committee and Board agendas may be amended any time up to 24 hours before the meetings. Agenda items may be considered out of order at the discretion of the chair. Meetings will not convene earlier than stated above. If you require accommodations to participate in this public meeting, call 515.281.7407 or TTY at (toll-free) 866.IowaABD to make your request. Please notify ABD at least 48 hours in advance.

Liquor Model History

1934

- March 6, 1934 – The Iowa Liquor Control Act is enacted.
- Iowa assumes direct 'control' over the wholesale and retail sale of all alcoholic liquors except beer.
- The Iowa Liquor Control Commission is established.
- There were 71 different brands available in 1934. Today there are over 2,100.
- Seagram's 7 Bourbon cost $2.95 for one quart. One quart today would cost around $10.

1985

- Iowa's monopoly of the wholesale and retail sale of wine is ended.

1986

- The Iowa Beer and Liquor Control Department is renamed the Iowa Alcoholic Beverages Division.

1987

- Iowa reorganizes its liquor control system.
- Over 400 licensed private outlets take the place of the 219 state-owned liquor stores.
- The Division wholesales liquor to the private outlets.

2003

- A study is completed to review if the state should be involved in the sale of liquor.

2005

- There are 540 class "E" licenses.
- The Division sells 3.4 million gallons of spirits.

2009

- A study is completed to review if the state should be involved in the sale of liquor.

2010

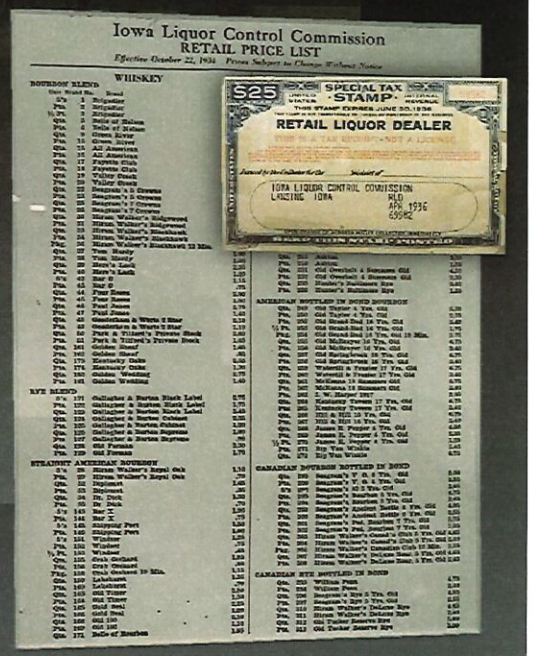
- There are 861 class "E" licenses.

2011

- Liquor is now allowed to be sold in convenience stores.
- The number of class "E" licenses jumps to over 1,000.

2017

- There are 1,455 class "E' licenses.
- The Division sells 5.2 million gallons of spirits.



A STUDY

OF IOWA'S

LIQUOR WHOLESALE SYSTEM

Fiscal Year 2003

ALCOHOLIC
BEVERAGES
DIVISION
State of Iowa

Prepared By

The Iowa Alcoholic Beverages Division
August 2002

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EXECUTIVE SUMMARY

The Iowa Alcoholic Beverages Division (ABD) is frequently questioned regarding the financial and regulatory effects of the state being involved in the business of wholesaling liquor. Usually the question centers on the state's continued involvement in the liquor wholesaling business and whether "Iowa would be better off financially to "sell off" the liquor business and turn the system over to privately-owned liquor wholesalers."

The following study and statistics prove the following:

- Iowa makes a *net* profit of over $39 million annually from wholesale liquor operations. By being directly involved in liquor wholesaling, Iowa keeps the profit that would otherwise go to private sector wholesalers.

  The annual profit generated from wholesale liquor operations is used for substance abuse treatment efforts; distributed to cities and counties for local use; and deposited in the state general fund to fund important state projects and programs.

- By being directly involved in the wholesaling of liquor, Iowa saves the cost associated with auditing private sector wholesalers to ensure tax compliance.

- By law, the ABD treats all retailers equally in regards to product pricing, regardless of quantity purchased. This "level playing field" practice has enabled over 200 smaller independent retailers to successfully compete with over 200 chain operations in Iowa. This is particularly important to retailers / consumers located in smaller cities and in rural areas.

- Proponents of liquor privatization propose that the state could apply a low rate "flat" tax per gallon on liquor that would generate the same revenue by increasing the number of gallons sold.

  Proponents of liquor privatization argue if the state placed a gallon tax that is more in line with the tax rates of the states bordering Iowa, that all Iowa consumers would "stay home" to make their liquor purchases and, in fact, some residents of bordering states would be enticed to Iowa by cheaper liquor prices. The tax rates of the states bordering Iowa range from $2.00 to $5.03 per 80 proof gallon.

  Obviously, to keep *all* Iowans at home to make liquor purchases and to attract out-of-state buyers, the tax would have to match the lowest regional competition: Missouri at $2.00 per 80 proof gallon. *At $2.00 per gallon, total raw gallon sales in Iowa would have to increase 661%, from 2,943,446 to 22,389,030 gallons, in order to maintain current annual revenue of $39.2 million. At that sale rate, Iowa's adult per capita sales would be 10.71 gallons, highest in the United States and over six times the national average of 1.76 gallons per adult.*

If Iowa decided to match the highest regional tax rate, Minnesota at $5.03 per 80 proof gallon, the argument of all Iowa consumers purchasing at home and attracting out-of-state buyers is lost. *Even so, at $5.00 per 80 proof gallon, total raw gallon sales in Iowa would have to increase 204%, from 2,943,446 to 8,955,613 gallons, in order to maintain current annual revenue of $39.2 million. At that sale rate, Iowa's adult per capita sales would be 4.28 gallons, second highest in the United States and nearly two and one-half times the national average of 1.76 gallons per adult.*

It is unrealistic to expect that liquor gallon sales could be increased sufficiently under a lower private wholesaling "flat" tax system to replace the current level of state revenue.

- If Iowa privatized wholesale liquor sales and set a "revenue neutral" tax rate ($13.31 per raw gallon) in an attempt to preserve current state revenue, liquor prices to the Iowa consumer would increase 15-20% due to the addition of the new wholesalers' profit markup. The price increase also would have an adverse affect on sales.

  If, on the other hand, Iowa attempted to privatize the wholesale liquor system under a "price neutral" scheme ($7.12 per raw gallon), the state would lose $18.2 million in FY03 and would still have the highest tax rate of any of the "License States" in the U.S.

- There would not be "price competition" but rather "brand competition" under a private wholesale system. The ABD projects that 2-3 wholesalers would initially take over the wholesaling function and the field would eventually be whittled to two wholesalers (The State of California has two major wholesalers serving a population of 35 million.)

  The projected wholesalers, who already serve as supplier brokers in Iowa, have business and financial ties with major liquor suppliers. Liquor suppliers do not offer their product lines to multiple wholesalers within a state unless forced to do so by law; the preferred method by suppliers is to franchise with one wholesaler to carry the supplier's entire product portfolio. Consequently, Iowa retailers will not be able to "shop" different wholesalers for the best price on any particular product. Retailers will be forced to purchase a particular brand from a particular wholesaler. In effect, Iowa would be trading a "public" monopoly for a "private" monopoly.

- It is questionable if the state would realize any privatization "windfall" from the sale of assets, particularly the sale of the Department of Commerce facility in Ankeny. The level of occupancy still remaining after privatization and the highly-publicized fact that the state needs additional office / storage space, indicate that the state would continue to utilize the facility as opposed to an outright sale. See Section 10 for additional detail.

In summary, all states exact revenue from the sale of liquor, either by applying a flat tax per gallon on sales made by private sector wholesalers or by directly wholesaling liquor to retailers.

Iowa, through the operations of the Alcoholic Beverages Division, has created an efficient wholesaling system that maximizes revenue for state and local government programs and

substance abuse treatment efforts, minimizes the cost of industry regulation and creates a level competitive playing field for Iowa retailers.

Privatization of Iowa's liquor wholesale system would either result in the loss of millions of dollars annually or would result in significantly higher liquor prices to the Iowa consumer.

FOR ADDITIONAL INFORMATION REGARDING THIS STUDY, CONTACT LYNN WALDING AT 515-281-7402 *WALDING@IOWAABD.COM* OR JAMES KUHLMAN AT 515-281-7406 *KUHLMAN@IOWAABD.COM*

INTRODUCTION

Should the State of Iowa be directly involved in the sale and distribution of spirits? This question has been debated since the repeal of the 18th Amendment and the end of Prohibition.

Iowa's involvement in liquor sales began in 1934 as a complete monopolistic system of the wholesale and retail sale of wine and spirits through state-operated liquor stores. Today, the State wholesales and distributes spirits only to privately-owned retail stores through the Iowa Alcoholic Beverages Division (ABD). The ABD currently uses a private sector warehousing contractor to receive, store and deliver spirits on behalf of the State.

Iowa is directly involved in liquor sales for four primary reasons:

1. ***TO MAXIMIZE THE REVENUE RECEIVED FROM LIQUOR SALES.***

By being directly involved in the sale and distribution of spirits, Iowa keeps the profit that would otherwise go to private sector wholesalers (See flow chart below). All states collect tax from the sale of spirits. The main difference is the method used by each state to collect liquor revenue.

There are 18 states and one county in Maryland that are directly involved in the sale of spirits and are referred to as the "Control States". The control jurisdictions formed at the end of Prohibition and chose this method for distributing alcoholic beverages to control the trafficking within their respective borders and to maximize the profit from the sale of alcohol. Although changes and improvements have been made to operations in the various Control States, none of the original 19 jurisdictions has abandoned the Control State System.

The other 32 states are referred to as "License States" and alcoholic beverage products are trafficked by privately-owned wholesalers. The License States, through their respective Alcohol Beverage Commissions, usually apply a "flat tax" on each gallon sold by a wholesaler to a retailer.

The following depicts the "typical flow" of spirit products / tax collections in a Control State versus License State environment:

CONTROL STATE SYSTEM		LICENSE STATE SYSTEM
Tier 1	Liquor Supplier	Liquor Supplier
↓	↓	↓
Tier 2	State Wholesaler (tax markup)	Tax Paid to State Liquor Board
↓	↓	↓
Tier 3	Licensed Retailer	Private Wholesaler (profit markup
↓	↓	↓
Tier 4	---	Licensed Retailer

A STUDY

OF IOWA'S

LIQUOR WHOLESALE SYSTEM

FISCAL YEAR 2009

PREPARED BY

THE IOWA ALCOHOLIC BEVERAGES DIVISION
DECEMBER 2008

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EXECUTIVE SUMMARY

Stakeholders and policy makers periodically question the Iowa Alcoholic Beverages Division (ABD) regarding the financial and regulatory effects of the state being involved in the liquor wholesale business. The primary question generally centers on whether Iowa would be better off financially to "sell off" the liquor business and turn the system over to privately-owned liquor wholesalers.

The attached study and statistics regarding Iowa's direct role in liquor wholesaling prove the following:

- Iowa makes a *net* profit of nearly $65 million annually from wholesale liquor operations. Iowa keeps profit that would otherwise channel to private sector wholesalers.

  Annual profit generated from the wholesale liquor operation is used for substance abuse treatment efforts; distributed to cities and counties for local use; and deposited in the state general fund to bankroll important state projects and programs.

- Iowa saves the cost associated with auditing private sector wholesalers to ensure tax compliance.

- By law, the ABD treats all retailers equally in regards to product pricing, regardless of quantity purchased. The "level playing field" practice enabled over 310 smaller independent retailers to successfully compete with over 280 chain operations in Iowa. The level playing field is particularly important to retailers and consumers located in smaller cities and in rural areas.

- Proponents of liquor privatization propose that the state could apply a low rate "flat" tax per gallon on liquor that would generate the same revenue by increasing the number of gallons sold.

  Proponents of liquor privatization argue if the state placed a gallon tax that is more in line with the tax rates of the states bordering Iowa, all Iowa consumers would stay home to make their liquor purchases and, in fact, some residents of bordering states would be enticed to Iowa by cheaper liquor prices. The tax rates of the states bordering Iowa range from $2.00 to $5.03 per 80-proof gallon.

  Obviously, to keep *all* Iowans at home to make liquor purchases and to attract out-of-state buyers, the tax would have to match the lowest regional competition: Missouri at $2.00 per 80-proof gallon. *At $2.00 per gallon, total raw gallon sales in Iowa would have to increase 661%, from 4,196,218 to 37,447,094 gallons, in order to maintain current annual revenue of $65 million. At that sale rate, Iowa's adult per capita sales would be 18.26 gallons, highest in the United States and over nine times the national average of 2.00 gallons per adult.*

If Iowa elected to match the highest regional tax rate, Minnesota at $5.03 per 80-proof gallon, the argument of all Iowa consumers purchasing at home and attracting out-of-state buyers is lost. *Even so, at $5.00 per 80-proof gallon, total raw gallon sales in Iowa would have to increase 257%, from 4,196,218 to 14,978,837 gallons, in order to maintain current annual revenue of $65 million. At that sales rate, Iowa's adult per capita sales would be 7.30 gallons; highest in the United States and over three-and-a-half times the national average of 2.00 gallons per adult.*

It is unrealistic to expect that liquor gallon sales could be increased sufficiently under a lower private wholesaling "flat" tax system to replace the current level of state revenue.

- If Iowa privatized wholesale liquor sales and set a "revenue neutral" tax rate ($15.61 per raw gallon) in an attempt to preserve current state revenue, liquor prices to the Iowa consumer would increase 15-20% due to the addition of the new wholesalers' profit markup. The price increase also would have an adverse affect on sales.

  If, on the other hand, Iowa attempted to privatize the wholesale liquor system under a "price neutral" scheme ($8.62 per raw gallon), the state would lose $29,361,015 million in FY09 and would still have the highest tax rate of any of the "License States" in the U.S.

- Privatization of the state liquor wholesale distribution system would result not in "price competition" but rather "brand competition." The ABD projects that 2-3 wholesalers would initially take over the wholesaling function and the field would eventually be whittled to two wholesalers (The State of California has two major wholesalers serving a population of 35 million.)

  The likely wholesalers already serve as supplier brokers in Iowa and have business and financial ties with major liquor suppliers. Liquor suppliers do not offer product lines to multiple wholesalers within a state unless forced to do so by law; the preferred method by suppliers is to franchise with one wholesaler to carry the supplier's entire product portfolio. Consequently, Iowa retailers will not be able to "shop" different wholesalers for the best price on any particular product. Retailers will be forced to purchase a particular brand from a particular wholesaler. In effect, Iowa would be trading a "public" monopoly for a "private" monopoly.

- The state may not realize any privatization "windfall" from the sale of assets, particularly the sale of the liquor warehouse facility in Ankeny. The level of occupancy still remaining after privatization and the highly-publicized fact that the state needs additional office / storage space, indicate that the state would continue to utilize the facility as opposed to an outright sale. See Section 10 for additional detail.

In summary, all states exact revenue from the sale of liquor, either by applying a flat tax per gallon on sales made by private sector wholesalers or by directly wholesaling liquor to retailers.

The, through the operations of the Iowa Alcoholic Beverages Division, has created an efficient wholesaling system that maximizes revenue for state and local government programs and substance abuse treatment efforts, minimizes the cost of industry regulation and creates a level competitive playing field for Iowa retailers.

Privatization of Iowa's liquor wholesale system would either result in the loss of millions of dollars annually or would result in significantly higher liquor prices to the Iowa consumer.

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Iowa is directly involved in liquor sales for four primary reasons:

1. ***TO MAXIMIZE THE REVENUE RECEIVED FROM LIQUOR SALES.***

All states tax from the sale of spirits. The main difference is the method used by each state to collect revenue. Direct involvement in the sale and distribution of spirits allows Iowa to retain profit that would otherwise go to private sector wholesalers (See flow chart below).

Currently, 18 states and one county in Maryland are directly involved in the sale of spirits and are referred to as "Control States." The Control States were formed at the end of Prohibition and chose direct state involvement as the method for distributing alcoholic beverages to control the trafficking within their respective borders and to maximize the profit from the sale of alcohol. Although changes and improvements have been made to operations in the various Control States, none of the original 19 jurisdictions have abandoned the Control State System.

The other 32 states are referred to as "License States" where alcoholic beverage products are trafficked by privately-owned wholesalers. The License States, through respective Alcohol Beverage Commissions, usually apply a "flat tax" on each gallon sold by a wholesaler to a retailer.

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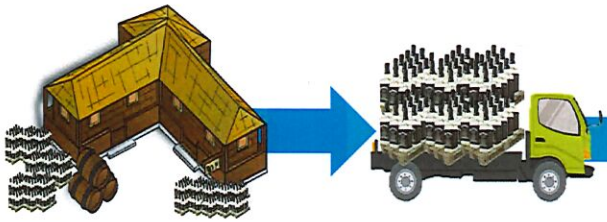
Tier 2 State Wholesaler (tax markup)	**Tier 2 Tax Paid to State Liquor Board**
Tier 3 Licensed Retailer	**Tier 3 Private Wholesaler (profit markup)**
Tier 4 ---	**Tier 4 Licensed Retailer**

Privitization of State Stores/Distribution Ops- 1987-2006

Task	Dates	
	Start	Notes
State stores privitized- Approx 1100 employees affected- 220 state store locations	1987	After privitazation less than 100 ABD employees remain
After privitization number of stores grew to approx 400+	1991	
RFP issued for Whse and Transportation	10/01/1991	Proposal for both segments only
Bids due- no notes on number of bids received	11/12/1991	Several bidders attend bidders conference on 10/11/1991
Contract signed for services with J. A. Jones	11/22/1991	5 year term w/ possible two 5 year exstensions
Services begin	01/01/1992	ABD down to approx, 24 employees
*Commision meeting note	02/01/1995	Commision rep along w/ rep from Jones visited southern tier of stores, no concerns for any services provided by Jones
Contract renewed for additional 5 year term	04/25/1996	Effective 6/30/96- 6/30/2001
Contract renewed for additional 5 year term	07/01/2001	End date 6/30/2006
J. A. Jones declares bankruptcy. *Commision note; Jones losing money due to parent company constuction business	2004	ABD resumes services approx. May 2004 after 12 years by Jones
RFP for Whse and Transportation services re-issued	No specific date in 2005 found	3 components- A-whse and delivery. B-whse only. C- delivery only
Bidders conference held	09/07/2005	Many bidders attend and submit intent to bid letters
Bids due	10/17/2005	Received 4 bids- different components
ABD bid each component (3) seperatly, Bidder #2 only for component A- whse and delivery, Bidder #3 component B-whse only, Bidder #4- whse only	10/24/2005	Bid awarded to ABD for transportation and Crystal for whse. **Note; these were the lowest bids**
Crystal begins whse operations w/out contract due to insurance issues- Noted at commision meeting on 4/11/2006	02/01/2006	Cryastal allowed to operarate without the required bonds for liquor inventory and physical whse
Contract mutually terminated May 1st 2006	05/01/2006	ABD resumes full operation
Settlement and Mutual Release Agreement signed	07/17/2006	Final payment issued to Crystal

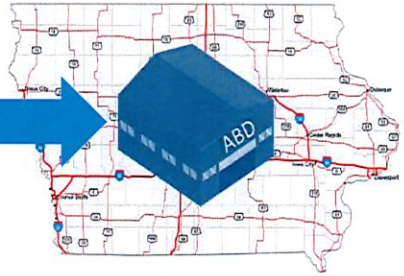
Tier 1

Manufacturer makes the product.



Tier 2

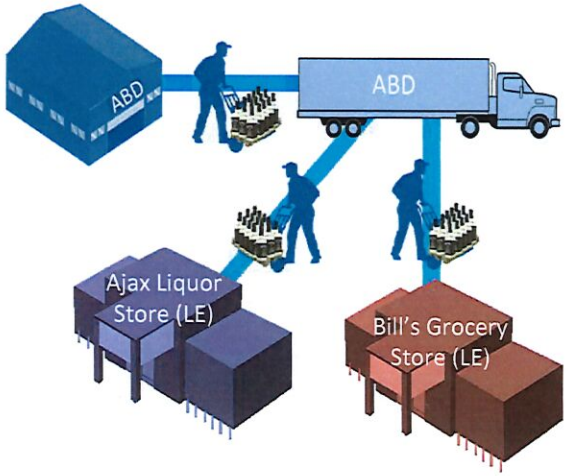
ABD receives product from the supplier.



ABD marks up the price by 50%.

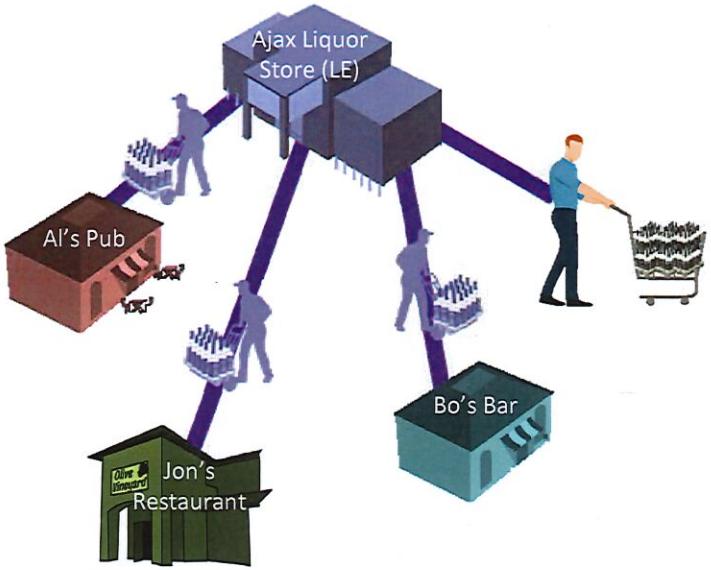
+50%

ABD sells the product to class "E" liquor license holders (LE).



Tier 3

Class "E" liquor license holders sell product to consumers for off-premises consumption and to on-premises license holders (bars, restaurants, etc.) with an unknown markup.

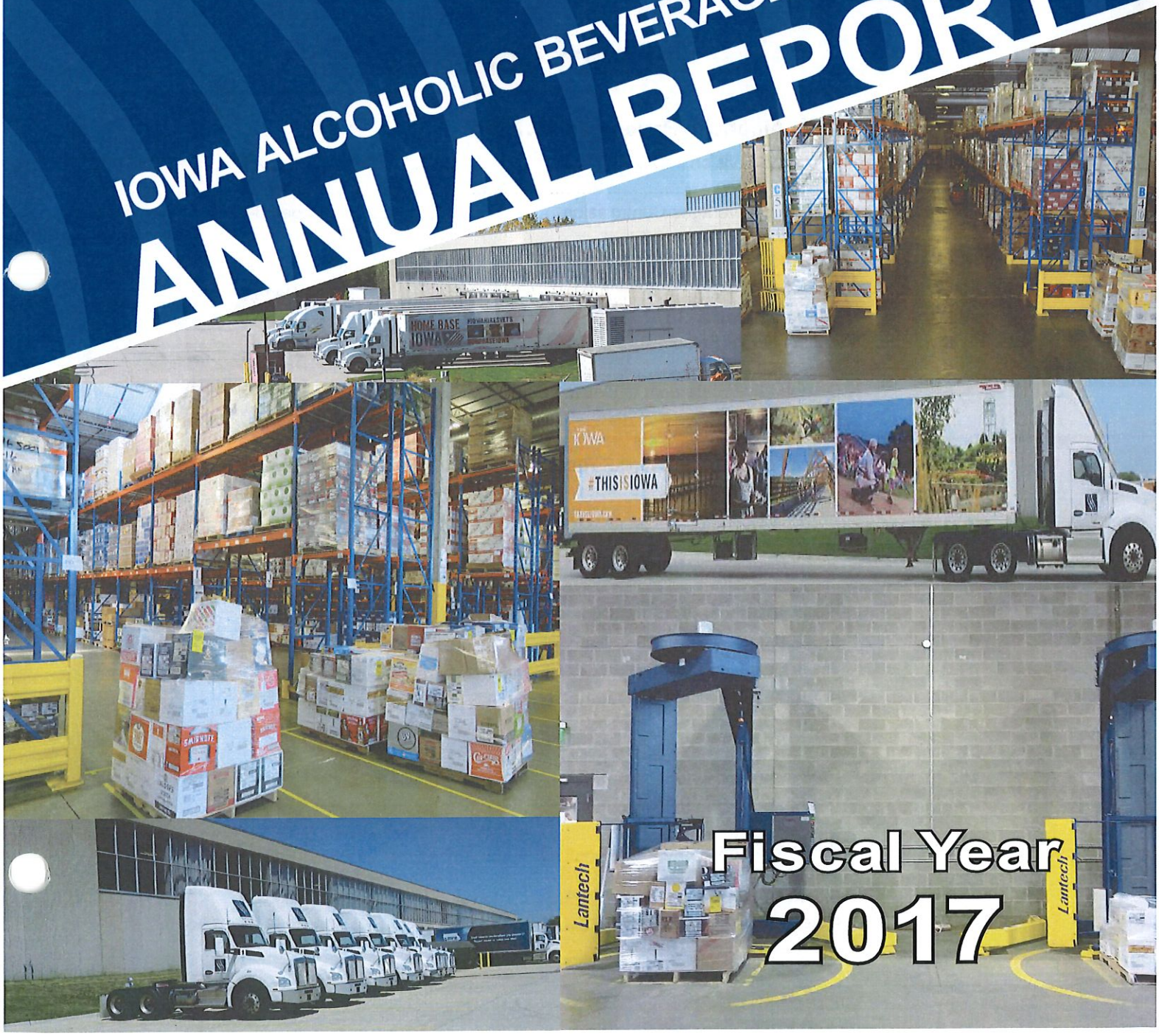


Tier 4

Class "A", "B", "C", and "D" license holders sell product to consumers at a price they determine.

IOWA ALCOHOLIC BEVERAGES DIVISION

ANNUAL REPORT



Fiscal Year 2017

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About the Division

MISSION STATEMENT

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

VISION STATEMENT

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

EXECUTIVE INFORMATION

Governor

Kim Reynolds

Lt. Governor

Adam Gregg

Commission Members

- Chairperson: Gary Nystrom
- Vice-Chairperson: Rachel Eubank
- Secretary: John Pauli
- Commissioner: Christine Spratt
- Commissioner: Jay Wilson

Division Administration

Administrator

Stephen Larson

Regulatory Compliance Bureau Chief

Joshua Happe

Business Operations Bureau Chief

Herbert Sutton, Jr.

Comptroller

Todd Halbur

Year in Review

"As we look to the future, the Division's strategic plan continues to work toward refreshing our laws, processes, and policies to find ways to create a 'Competitive Business Environment' that is fair and protects the general welfare of Iowans."

— Stephen Larson, Administrator

During Fiscal Year 2017, the Iowa marketplace once again displayed that it is anything but static. Mergers and acquisitions are occurring on a global scale; the Iowa craft and retail industry continues to grow at a pace never seen before (i.e. native beer gallons sold increased by 9.72% compared to Fiscal Year 2016, while overall beer gallons sold decreased by 2.10% compared to Fiscal Year 2016); and retailers, based on consumer demand for alcoholic diversity in the marketplace, are increasingly seeking additional business opportunities to manufacture, sell, and serve alcoholic beverages in different venues across the state.

All of this is intertwined with advances in technology, changes in attitude for increased convenience, the blending of existing business models, demand for alcoholic beverages brand diversity by licensees and the public, and expectations by industry, taxpayers, and local authorities for fair, practical, and efficient licensing regulations that protect the health, safety, and welfare of Iowans.

As a state agency operating alongside various private sector businesses on a daily basis, it is critical that the Division utilizes technology and practices that optimize efficiency and effectiveness. During Fiscal Year 2017, we completed steps toward these goals while committing to other projects that will improve and enhance our productivity and ability to work dynamically with customers, vendors, and other regulators.

FISCAL YEAR 2017 HIGHLIGHTS

In Fiscal Year 2017, the Division once again experienced healthy revenue growth. Total spirits sales were $305.6 million, a 5.7% increase over the previous fiscal year. Income from spirits profits, funds generated by excise taxes on wine and beer,

Year in Review (continued from page 4)

and license fees and fines translated into a total transfer of $133.5 million. The Division processed 58,658 orders, which is 9,678 more than FY16 and picked more than 23.3 million bottles, which equates to an increase of more than 1.2 million bottles over the previous fiscal year.

The Division was also honored with the Best Trade/Licensee Education Program award from *StateWays* magazine, a national publication that recognizes alcohol regulatory agencies across the country leading the industry in innovation, education, and enforcement. We received the award for our efforts in educating over 400 licensees across the state in conjunction with the 2017 Register's Annual Great Bicycle Ride Across Iowa (RAGBRAI).

FOCUS ON THE FUTURE

As we look to the future, the Division's initiatives as outlined in our strategic plan will continue to work toward refreshing our laws, policies, processes, and business operations to align with Governor Reynolds' vision of "Building a Better Iowa." This will be achieved by finding ways to streamline licensing, evaluating how the Iowa liquor wholesale system should operate to meet the needs of on- and off-premises licensees, and minimizing operational costs and risk related to the roles and responsibilities outlined in Iowa Code chapter 123.

In the end, this will result in optimizing monies to the General Fund and identifying new business practices that can cut red tape and give businesses an opportunity to grow and achieve success. The Division will need to prepare for further growth in the number of customers we serve, and continue to build upon a tradition and commitment that fosters a contemporary and successful alcoholic beverages industry while ensuring through regulatory enforcement a fair and level playing field within the 3-tier system.

Alcoholic Beverages Commission

The Iowa Alcoholic Beverages Commission is created under Iowa Code section 123.5 and is comprised of five members appointed by the Governor and subject to confirmation by the Iowa State Senate. The commission acts as a public policy-making body and serves in an advisory capacity to the Administrator of the Iowa Alcoholic Beverages Division.

Gary Nystrom – Chairperson

Gary Nystrom was appointed by Governor Terry E. Branstad to the Iowa Alcoholic Beverages Commission and began his first term on May 1, 2014. Commissioner Nystrom has been in business in the private sector becoming a partner at Pritchard Brothers Plumbing-Heating & Cooling in 1974. He is a lifelong resident of Boone where he is joined by his wife, two grown children, and five grandchildren. Commissioner Nystrom has served the citizens of Boone as an elected official on the City Council for the past eight years. He has always been active in the community. He continues to volunteer and is seated on various committees and boards both locally as well as at the state level. Commissioner Nystrom's current term will expire on April 30, 2019. He will be eligible for a second five-year term.

Rachel Eubank – Vice Chairperson

Rachel Eubank was appointed by Governor Terry E. Branstad to the Iowa Alcoholic Beverages Commission and began her first term on May 1, 2015. Currently the President of Sticks, Inc., she has served as a volunteer with many organizations, including Chrysalis, the I Have a Dream Foundation, the Des Moines Art Center and the 20/30 Society. She is a graduate of the University of Iowa and the University Lueneburg in Germany. She is a native of Des Moines and currently resides there with her husband and three young children. Commissioner Eubank's current term will expire on April 30, 2020. She will be eligible for a second five-year term.

Alcoholic Beverages Commission (continued from page 6)

John Pauli – Secretary

John Pauli was appointed by Governor Terry E. Branstad to the Iowa Alcoholic Beverages Commission and began his first term on May 1, 2016. Commissioner Pauli is an engineer with Pella Windows Corporation in Carroll. He is a graduate of the University of Wisconsin, Platteville (Industrial Engineering) and Drake University (MBA). He is a past member and Chairman of the Carroll County Conservation Board and has served in a number of volunteer positions in the community, including serving as the coach for the local trap shooting team. Commissioner Pauli's current term will expire on April 30, 2021. He will be eligible for a second five-year term.

Christine Spratt – Commissioner

Christine Spratt was appointed by Governor Terry E. Branstad to the Iowa Alcoholic Beverages Commission on May 1, 2017. She is the General Manager and Vice-President of Golden Eagle Distributing in Mt. Pleasant. She resides in Burlington, Iowa. Commissioner Spratt's current term will expire on April 30, 2022. She will be eligible for a second five-year term.

Jay Wilson – Commissioner

Jay Wilson was appointed by Governor Terry E. Branstad to the Iowa Alcoholic Beverages Commission on May 1, 2013. Commissioner Wilson is the Vice President of Wine and Spirits for Hy-Vee. He was selected as one of six Market Watch Leaders in 2009 by Market Watch magazine. He also started an online wine study program in 2006, intended for employees to increase their wine knowledge and improve performance. Once completing the online program, the employee is a Certified Hy-Vee Wine Specialist. Commissioner Wilson's current term will expire on April 30, 2018. He will be eligible for a second five-year term.

Revenue Earned

- Liquor Sales $305,619,126
- Split Case Revenue $1,553,309
- Bottle Deposit / Surcharge Revenue $2,834,706
- Beer Tax $13,904,082
- Wine Tax $8,078,043
- License Fees $15,664,468

Liquor Sales: $305,619,126

The Division is the sole wholesaler for all alcoholic liquor sold in Iowa and delivers product to over 1,423 off-premises retail locations across the state. Iowa Code requires the Division to markup product by 50 percent. Iowa Code §123.24(4).

Split Case Revenue: $1,553,309

A 'split case' fee is applied when liquor is sold to a retailer as a single bottle. The split case fee is $0.50 a bottle and is required by Iowa Code §123.24(1).

Bottle Deposit / Surcharge Revenue: $2,834,706

Pursuant to Iowa Code §455 (C) (2) and Iowa Code §123.24(5), the Division charges a bottle deposit and a surcharge included in the wholesale purchase price. The charge assessed by the Division is $0.09 per unit sold and includes the five-cent bottle deposit.

Beer Tax: $13,904,082

The Division collects all taxes for beer manufactured or sold in the state at wholesale and beer imported into the state and sold at wholesale at a rate of $0.19 per gallon.

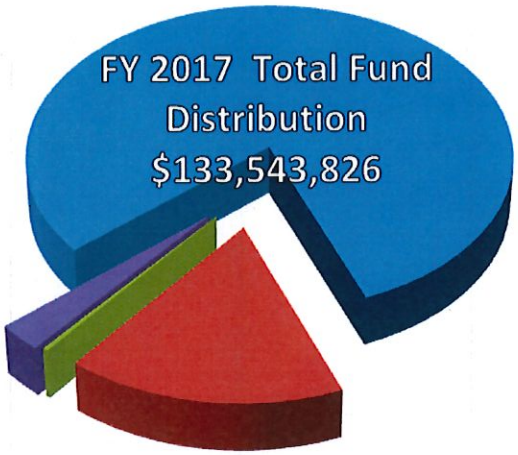
Wine Tax: $8,078,043

All wine manufactured for sale and sold in the state at wholesale, all wine imported and sold in the state at wholesale and wine directly shipped to consumers in the state is assessed a tax at the rate of $1.75 per gallon.

License Fees: $15,664,468

Fees collected are for the licenses and permits required for the sale, manufacturing and importing of liquor, beer and wine in the state.

Where the Profits Go



General Fund
$106,971,497

Iowa Department of Public Health
$22,429,448

Iowa Economic Development Authority
$427,127

Cities & Counties
$3,715,754

General Fund: $106,971,497

Payments made to the State of Iowa General Fund are appropriated by the Legislature to areas including education, natural resources, public safety and health and family services.

Iowa Department of Public Health: $22,429,448

The Division transfers 7 percent of gross sales of liquor to the State of Iowa General Fund for specific appropriation to the Iowa Department of Public Health for the administering of substance abuse and prevention education programs. The Department of Public Health receives Sunday Sales license fees, of which 50 percent are to be earmarked for grants to counties for operating substance abuse programs involving education, prevention, referral or post-treatment services.

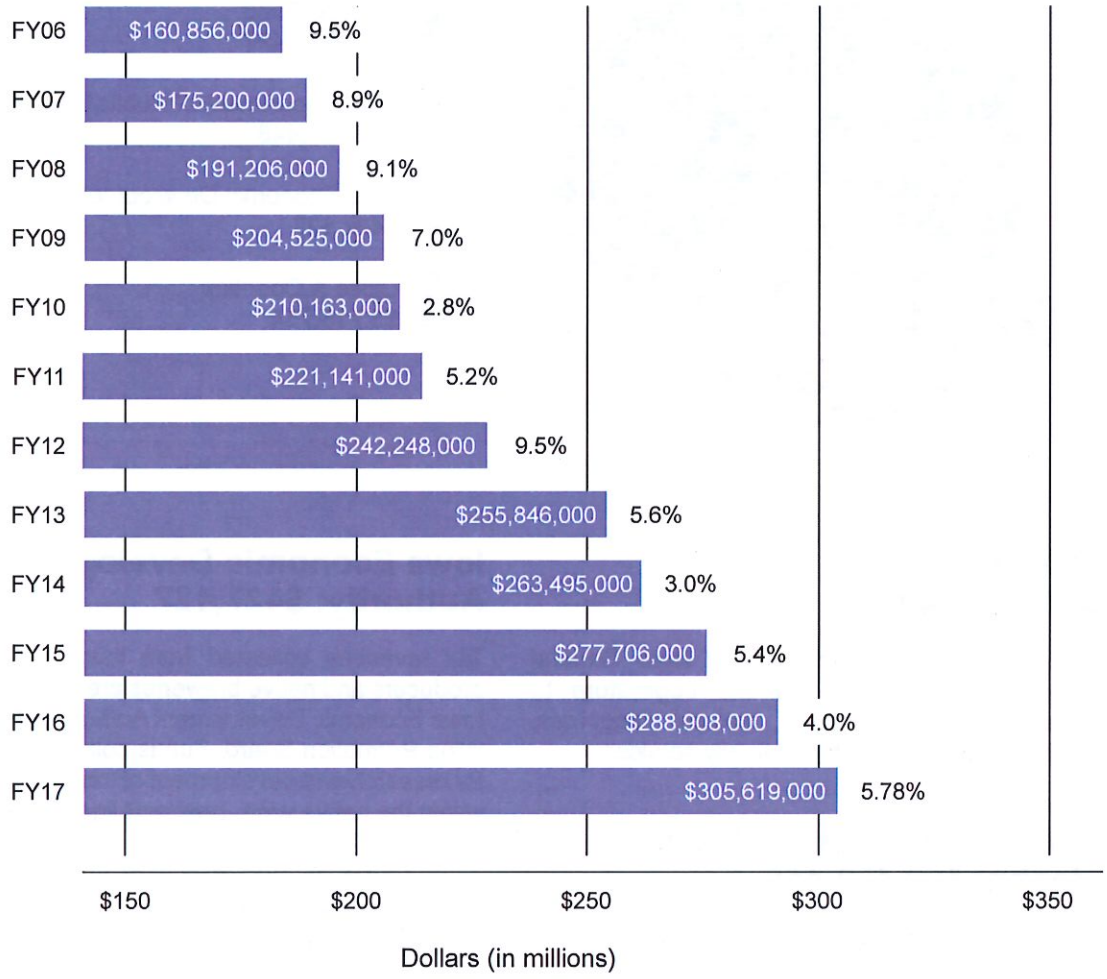
Iowa Economic Development Authority: $427,127

Tax revenues collected from Iowa native wine producers and native breweries are directed to the Iowa Economic Development Authority's Beer and Wine Promotion Board. Funds collected are used for research and development of training programs within the native wine, beer and liquor industries.

Cities & Counties: $3,715,754

A percentage of revenue collected from license fees is remitted to the local authorities (cities and counties) issuing the licenses.

Annual Liquor Sales



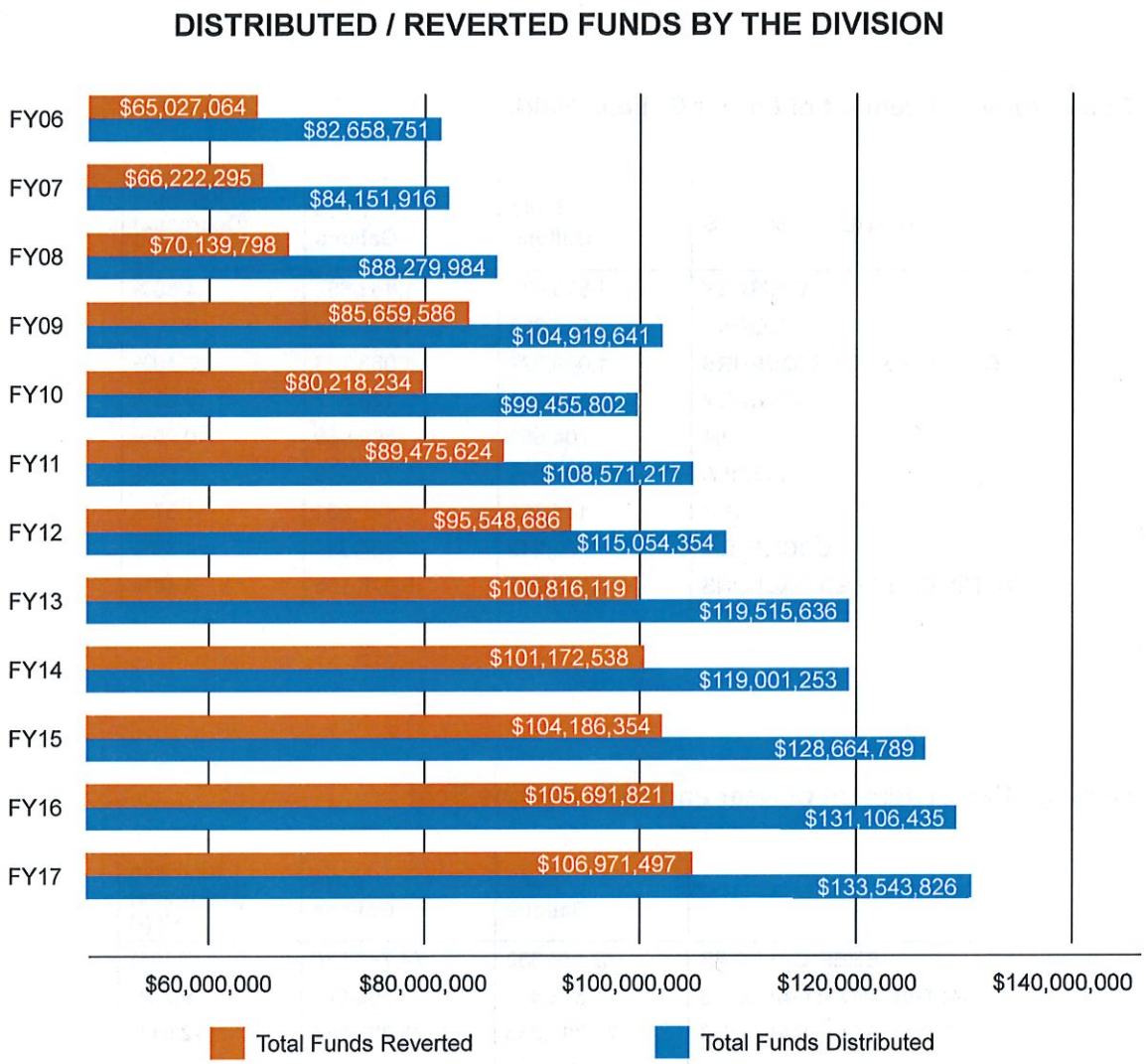
Purchasing

(Year ended 6-30-17)

Total Cases of Liquor Purchased 1,981,682
Total Cost of Liquor Sales $201,065,906
Number of Vendors 175

For more information regarding computation of costs of sales (see footnote 1 on page 31.)

Reversion Growth



Total Funds Reverted is the amount transferred to the General Fund for appropriation by the Legislature.

Total Funds Distributed refers to funds sent to all recipients, including the Iowa Economic Development Authority, Iowa Department of Public Health and local authorities.

Comparative Statement of Gallons Sold

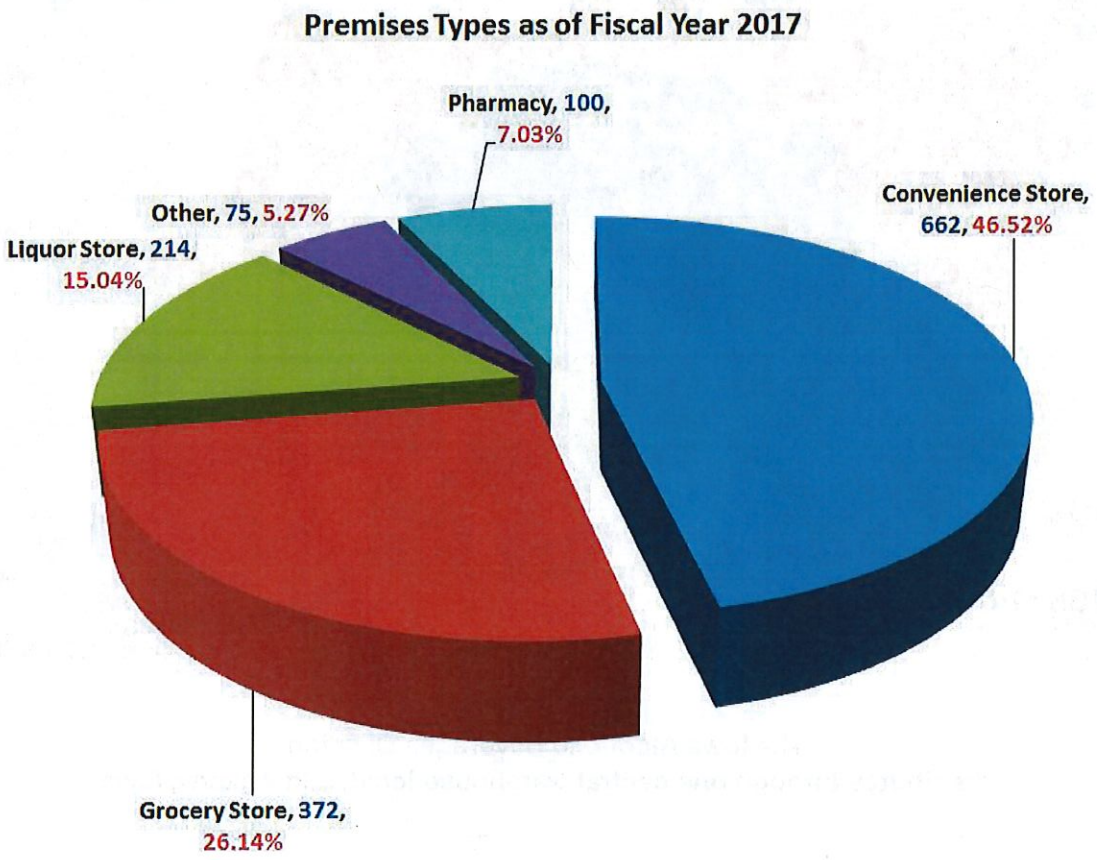
Comparative Statement of Liquor Gallons Sold

DISTILLED SPIRITS	FY17 Gallons	FY16 Gallons	Increase (Decrease) + / (-)
WHISKEY	1,525,835	1,462,862	4.30%
VODKA	1,517,853	1,419,854	6.90%
CORDIALS AND LIQUEURS	1,069,827	1,033,763	3.49%
BRANDY	134,996	123,817	9.03%
RUM	704,551	699,969	0.65%
TEQUILA	217,211	203,960	6.50%
GIN	145,602	147,631	-1.37%
COCKTAILS	192,342	184,309	4.36%
TOTAL DISTILLED GALLONS	**5,508,217**	**5,276,165**	**4.40%**

Comparative Statement of Beer and Wine Gallons Sold

	FY17 Gallons	FY16 Gallons	Increase (Decrease) + / (-)
BEER GALLONS	73,179,382	74,746,570	-2.10%
NATIVE BEER GALLONS	615,451	560,944	9.72%
TOTAL BEER GALLONS	**73,794,833**	**75,307,514**	**-2.01%**
WINE GALLONS	4,616,025	4,369,835	5.63%
NATIVE WINE GALLONS	177,253	182,261	-2.75%
TOTAL WINE GALLONS	**4,793,278**	**4,552,096**	**5.30%**

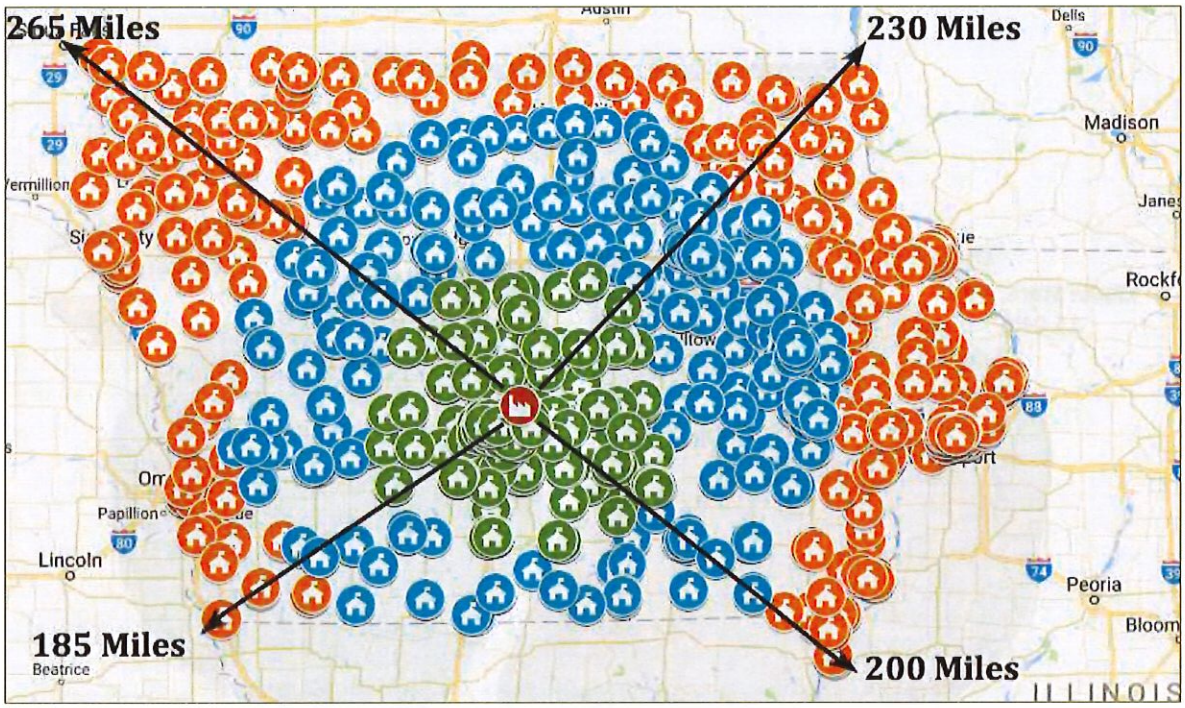
Class E (LE) Premises Types



Other	
Bar/Tavern	Hotel/Motel
Casino	Redemption Center
Discount Store	Specialty Shop
Excursion Gambling Boat	

Liquor Distribution Points For the period ending on June 30, 2017

FY17 Iowa Class E Radius Analysis



The Iowa Alcoholic Beverages Division distributes through one central warehouse located in Ankeny, Iowa

27% (391 of 1423) LE retailers 50 mile radius
- o 32% (FY17 $94,133,248.24)
- o 31% (6,568,516 Bottles)
- o 14% of Iowa

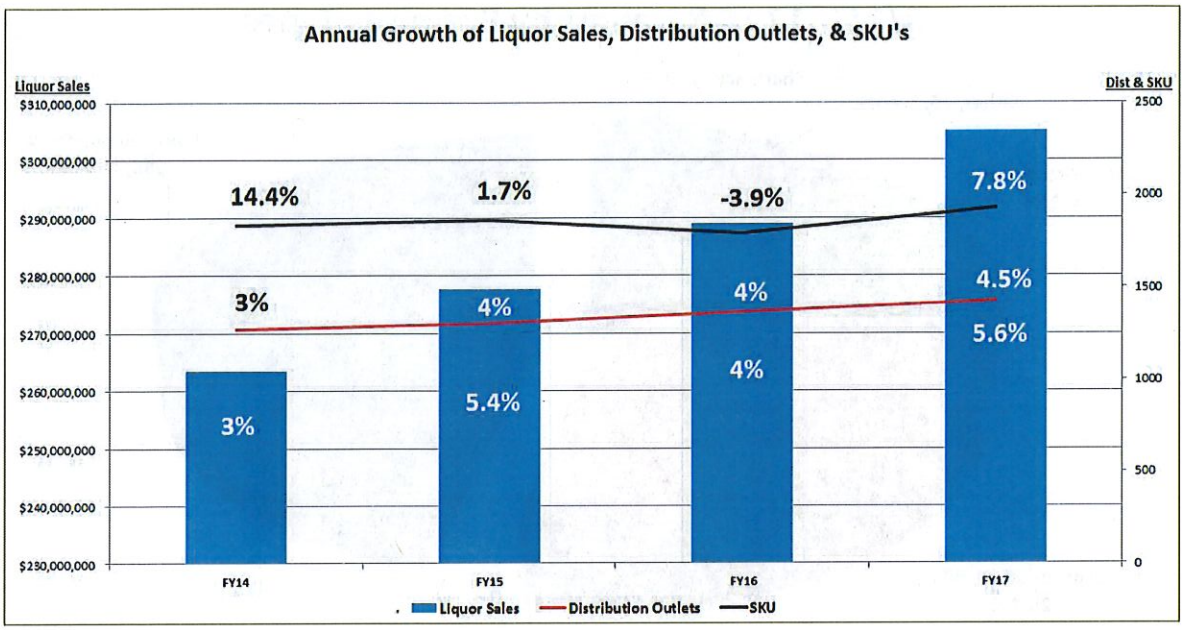
37% (524 of 1423) LE retailers 50-100 mile radius
- o 35% (FY17 $103,121,394.70)
- o 36% (7,399,033 Bottles)
- o 42% of Iowa

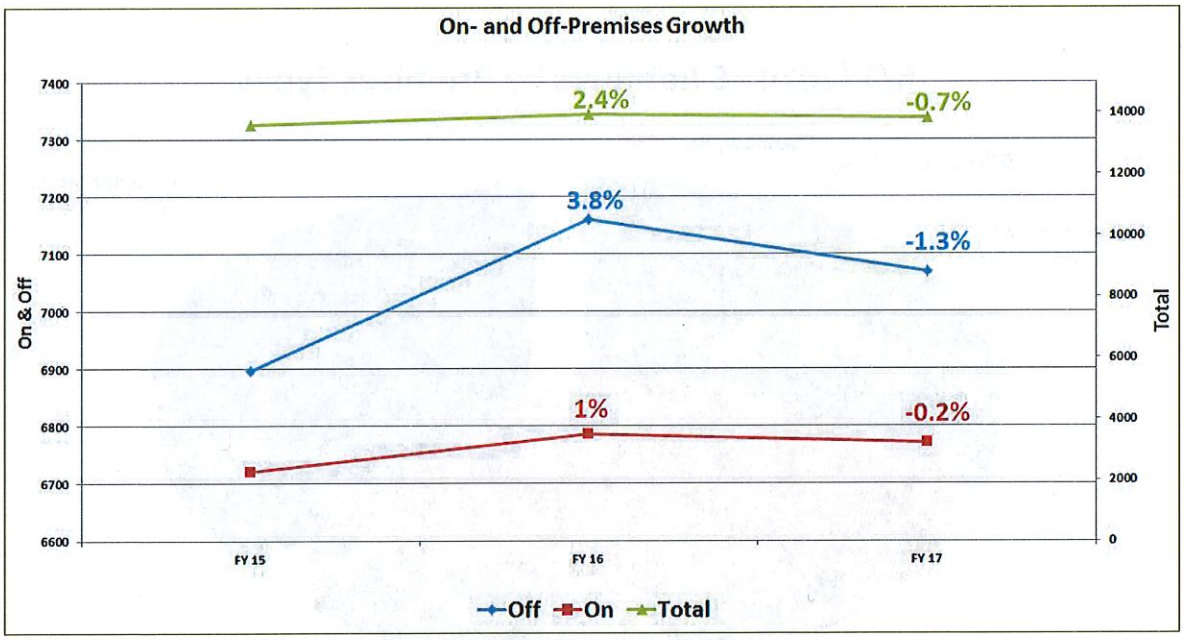
36% (508 of 1423) LE retailers 100+ mile radius
- o 33% (FY17 $96,614,646.95)
- o 33% (6,900,569 Bottles)
- o 44% of Iowa

*FY17 sales based off total bottle sales to LE retailers.

Sales do not include bottle deposit, surcharge, or split case fees.

Growth of Liquor Sales to LE Retailers

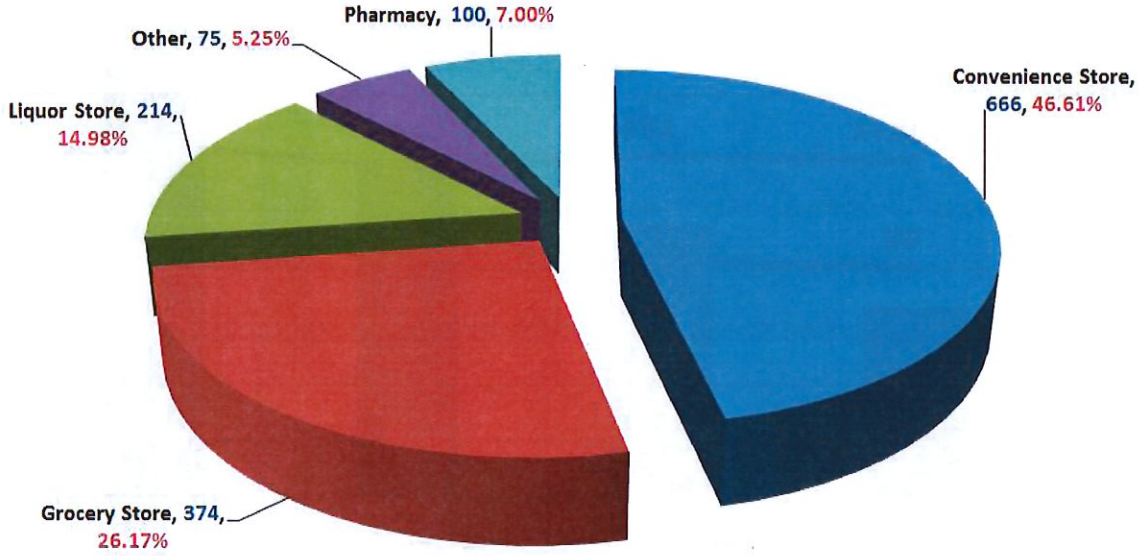




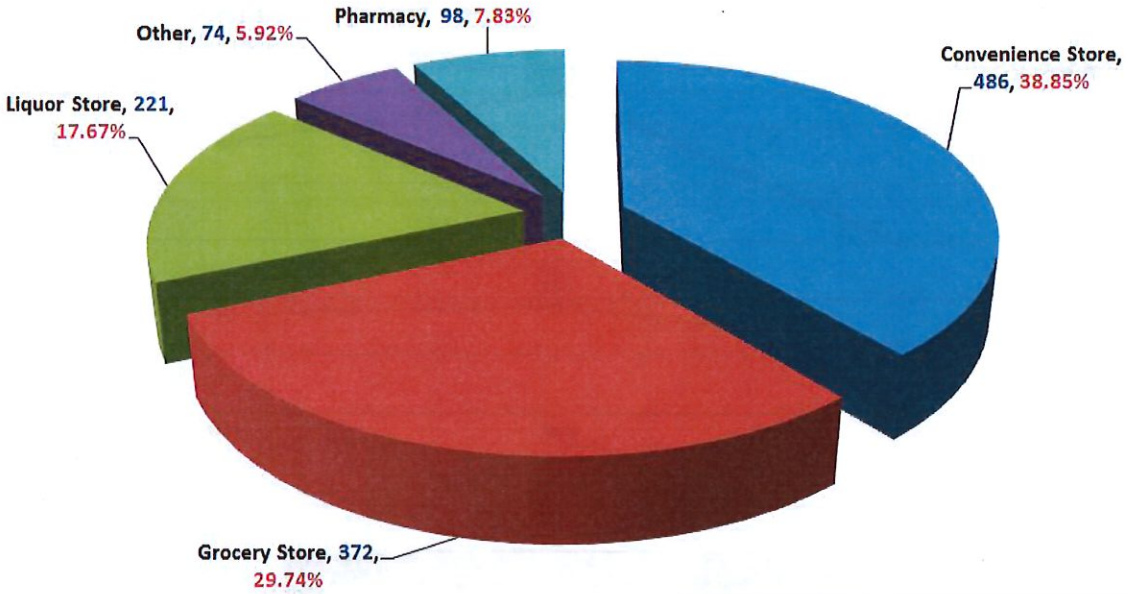
On- and Off-Premises Growth			
	Off	On	Total
FY 15	6,682	6,172	13,617
FY 16	6,897	6,720	13,945
FY 17	7,665	6,795	13,841

LE Retailers by Premises Types — FY17 vs FY14

8/1/2017 LE Retailers by Premises Types



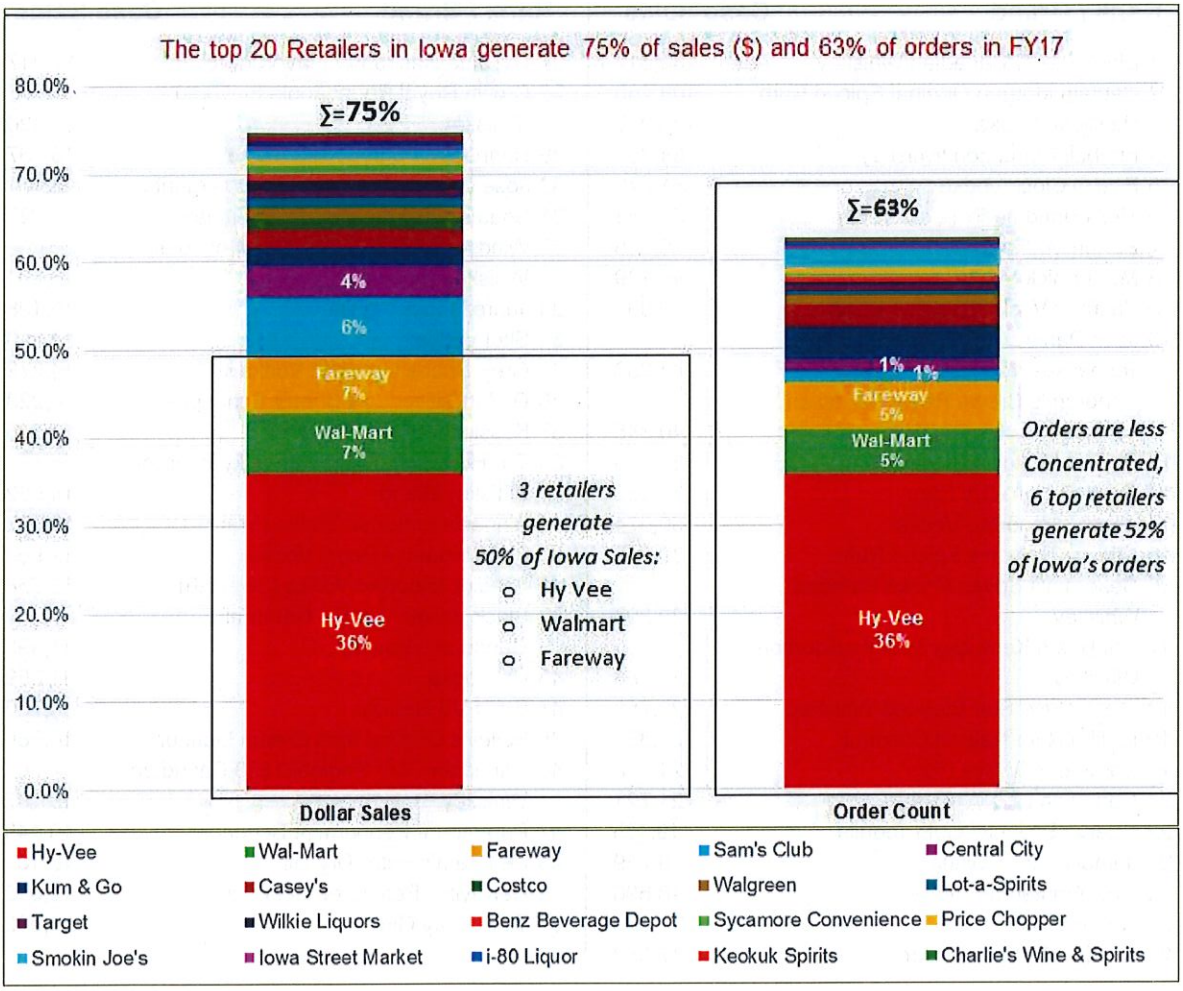
8/1/2014 LE Retailers by Premises Types



Other	
Bar/Tavern	Hotel/Motel
Casino	Redemption Center
Discount Store	Specialty Shop
Excursion Gambling Boat	

Top 20 LE Retailers

Focus On the Top 20 Retailers



50% of top 20 retailers have stores selling to on-premises.

For some of those accounts, this part of the business represents up to 70% of their revenues.

Top 50 Brands*

Rank / Brand	Case Sales
1 Black Velvet Canadian Whiskey	163,812
2 Captain Morgan Original Spiced Rum	108,160
3 Hawkeye Vodka	102,955
4 Fireball Cinnamon Whiskey	84,391
5 Five O'Clock Vodka	61,770
6 Tito's Handmade Texas Vodka	54,688
7 Barton Vodka	50,915
8 McCormick Vodka	46,139
9 Smirnoff Vodka (Glass & Plastic)	46,031
10 Jack Daniels Old #7 Black Label Tennessee Whiskey	43,263
11 Seagram's Crown Royal Canadian Whiskey	40,345
12 Phillips Vodka	33,600
13 Bacardi Light-Dry Rum	31,355
14 Absolut Imported Vodka	30,674
15 Admiral Nelson's Spiced Rum	30,049
16 Seagram's Seven Crown Blended Whiskey	29,207
17 Jim Beam Kentucky Straight Bourbon Whiskey	24,168
18 G & W Five Star Blended Whiskey	22,752
19 Malibu Rum Natural Coconut	22,363
20 Paramount White Rum	21,858
21 Canadian LTD Whiskey	21,721
22 Cuervo Especial Gold Tequila	19,115
23 Jameson Irish Whiskey	18,729
24 New Amsterdam Vodka	18,690
25 Jagermeister	17,966
26 Nikolai 80 Proof Vodka	17,943
27 UV Blue Raspberry Flavored Vodka	17,217
28 Crown Royal Regal Apple Flavored Whiskey	16,420
29 Hennessy VS Imported Brandy	16,267
30 Jose Cuervo Authentic Lime Margarita	16,171
31 Southern Comfort Whiskey Liqueur	16,025
32 Windsor Canadian Blended Canadian Whiskey	15,391
33 Juarez Gold Tequila	15,198
34 Skol Vodka	14,813
35 Grey Goose Imported Vodka	14,272
36 Dr. McGillicuddy's Cherry Schnapps	14,223
37 Kessler Blended Whiskey	14,205
38 Ten High Sour Mash Kentucky Bourbon Whiskey Blend	14,052
39 Pinnacle Imported Vodka (France)	13,087
40 Fleischmann's Royal Vodka	12,963
41 Svedka Imported Vodka (Swedish)	12,958
42 Black Velvet Toasted Caramel Canadian Whiskey	11,998
43 UV Vodka	11,559
44 E & J VS Brandy	10,750
45 Bailey's Original Irish Cream Liqueur	10,288
46 Canadian Club Original 1858 Canadian Whiskey	10,187
47 Paramount Peppermint Schnapps	10,149
48 Seagram's Extra Dry Gin	10,109
49 DeKuyper Peachtree Schnapps	10,015
50 Tanqueray Gin	9,915

Total 9 Liter Cases FY17	**2,316,764**
9 Liter Cases Top 50	**1,480,890**
% all Cases	**64%**
Plus or Minus % FY17 vs FY16	**4.40%**

Total 9 Liter Cases FY16	**2,219,162**
Plus or Minus % FY16 vs FY15	**2.31%**

Total 9 Liter Cases FY15	**2,169,018**

*Data from the National Alcoholic Beverage Control Association's "Case Sales Report of Alcoholic Beverages," based on 9-liter cases.

Total Gallons Sold per County

		FISCAL YEAR GALLONS				LE Retailers Selling Liquor			
RANK	COUNTY	FY16	FY17	+ / -	% + / -	FY16	FY17	+ / -	% + / -
1	Polk	1,163,397	1,234,761	71,364	6%	201	210	9	4%
2	Linn	456,398	484,547	28,149	6%	100	105	5	5%
3	Scott	361,815	376,231	14,416	4%	70	76	6	9%
4	Johnson	299,178	314,737	15,559	5%	57	56	(1)	-2%
5	Black Hawk	288,995	291,609	2,614	1%	69	68	(1)	-1%
6	Woodbury	182,623	183,521	898	0%	39	41	2	5%
7	Pottawattamie	178,406	188,941	10,535	6%	51	55	4	8%
8	Dubuque	164,487	170,128	5,641	3%	42	47	5	12%
9	Story	164,301	171,148	6,847	4%	41	41	0	0%
10	Cerro Gordo	118,850	120,386	1,536	1%	21	19	(2)	-10%
11	Dickinson	78,264	79,664	1,400	2%	13	14	1	8%
12	Webster	73,039	73,622	583	1%	22	20	(2)	-9%
13	Clinton	68,039	69,935	1,896	3%	17	19	2	12%
14	Lee	67,348	64,254	(3,094)	-5%	17	16	(1)	-6%
15	Des Moines	67,068	64,530	(2,538)	-4%	19	21	2	11%
16	Muscatine	59,050	59,085	35	0%	22	22	0	0%
17	Marshall	58,037	61,168	3,131	5%	16	22	6	38%
18	Dallas	53,983	60,259	6,276	12%	19	22	3	16%
19	Wapello	48,274	51,292	3,018	6%	13	14	1	8%
20	Warren	47,201	51,076	3,875	8%	19	19	0	0%
21	Carroll	46,478	48,149	1,671	4%	11	12	1	9%
22	Bremer	43,395	45,658	2,263	5%	10	11	1	10%
23	Marion	39,681	40,437	756	2%	13	14	1	8%
24	Jasper	34,445	35,548	1,103	3%	15	15	0	0%
25	Buena Vista	33,668	36,718	3,050	9%	14	15	1	7%
26	Clay	32,271	32,347	76	0%	8	9	1	13%
27	Kossuth	32,251	31,901	(350)	-1%	6	7	1	17%
28	Plymouth	29,956	34,077	4,121	14%	8	9	1	13%
29	Sioux	29,537	34,247	4,710	16%	9	12	3	33%
30	Boone	29,526	32,741	3,215	11%	12	12	0	0%
31	Washington	29,091	32,065	2,974	10%	8	8	0	0%
32	Fayette	27,734	28,447	713	3%	10	11	1	10%
33	Hardin	27,495	28,151	656	2%	13	14	1	8%
34	O'Brien	27,036	27,860	824	3%	10	13	3	30%
35	Winneshiek	26,252	27,084	832	3%	5	6	1	20%
36	Poweshiek	26,069	27,210	1,141	4%	12	13	1	8%
37	Crawford	24,926	26,884	1,958	8%	5	5	0	0%
38	Jackson	24,499	24,578	79	0%	7	8	1	14%
39	Mahaska	24,480	24,128	(352)	-1%	7	7	0	0%
40	Floyd	24,219	24,979	760	3%	6	7	1	17%

(continued on page 20)

Total Gallons Sold per County (continued from page 19)

		FISCAL YEAR GALLONS				LE Retailers Selling Liquor			
RANK	COUNTY	FY16	FY17	+ / -	% + / -	FY16	FY17	+ / -	% + / -
41	Page	23,893	25,613	1,720	7%	9	8	(1)	-11%
42	Cass	23,536	24,463	927	4%	9	9	0	0%
43	Jones	21,983	25,705	3,722	17%	5	6	1	20%
44	Buchanan	21,846	20,987	(859)	-4%	10	10	0	0%
45	Henry	20,467	22,116	1,649	8%	5	6	1	20%
46	Union	19,248	19,720	472	2%	6	6	0	0%
47	Hamilton	18,154	18,772	618	3%	8	12	4	50%
48	Allamakee	17,481	19,255	1,774	10%	6	7	1	17%
49	Greene	16,938	16,577	(361)	-2%	7	6	(1)	-14%
50	Benton	16,872	19,314	2,442	14%	7	10	3	43%
51	Appanoose	16,455	17,643	1,188	7%	8	7	(1)	-13%
52	Shelby	16,413	18,091	1,678	10%	5	8	3	60%
53	Winnebago	16,131	16,961	830	5%	7	8	1	14%
54	Howard	15,993	15,688	(305)	-2%	5	5	0	0%
55	Palo Alto	15,861	16,463	602	4%	8	8	0	0%
56	Jefferson	15,750	17,380	1,630	10%	4	4	0	0%
57	Madison	15,723	17,194	1,471	9%	8	9	1	13%
58	Cherokee	15,572	15,515	(57)	0%	6	7	1	17%
59	Lyon	15,427	14,539	(888)	-6%	9	11	2	22%
60	Wright	15,265	15,668	403	3%	10	13	3	30%
61	Tama	15,108	14,631	(477)	-3%	6	10	4	67%
62	Humboldt	14,201	15,387	1,186	8%	4	5	1	25%
63	Iowa	13,568	14,577	1,009	7%	6	9	3	50%
64	Emmet	13,155	15,389	2,234	17%	4	4	0	0%
65	Montgomery	12,840	13,083	243	2%	5	6	1	20%
66	Clarke	12,304	12,375	71	1%	6	6	0	0%
67	Sac	12,238	12,580	342	3%	8	9	1	13%
68	Clayton	11,939	12,117	178	1%	11	12	1	9%
69	Cedar	11,292	11,366	74	1%	9	9	0	0%
70	Franklin	11,279	10,968	(311)	-3%	6	7	1	17%
71	Ida	11,180	12,388	1,208	11%	4	4	0	0%
72	Guthrie	10,561	10,701	140	1%	7	7	0	0%
73	Monona	10,308	10,489	181	2%	4	5	1	25%
74	Mills	9,872	9,926	54	1%	7	7	0	0%
75	Delaware	9,605	11,635	2,030	21%	4	4	0	0%
76	Mitchell	9,343	9,704	361	4%	4	5	1	25%
77	Chickasaw	8,437	8,348	(89)	-1%	5	5	0	0%
78	Lucas	8,272	8,947	675	8%	3	3	0	0%
79	Pocahontas	8,113	7,646	(467)	-6%	5	5	0	0%
80	Calhoun	7,848	7,635	(213)	-3%	6	7	1	17%

(continued on page 21)

Total Gallons Sold per County (continued from page 20)

		FISCAL YEAR GALLONS				LE Retailers Selling Liquor			
RANK	COUNTY	FY16	FY17	+ / -	% + / -	FY16	FY17	+ / -	% + / -
81	Harrison	7,777	9,459	1,682	22%	6	8	2	33%
82	Grundy	7,575	8,100	525	7%	8	8	0	0%
83	Hancock	7,528	8,101	573	8%	4	4	0	0%
84	Butler	6,980	7,270	290	4%	7	8	1	14%
85	Monroe	6,326	7,209	883	14%	3	3	0	0%
86	Worth	5,751	5,583	(168)	-3%	3	6	3	100%
87	Osceola	5,242	5,370	128	2%	2	2	0	0%
88	Adair	4,981	4,292	(689)	-14%	5	5	0	0%
89	Louisa	4,262	4,558	296	7%	4	4	0	0%
90	Audubon	4,021	3,273	(748)	-19%	4	3	(1)	-25%
91	Keokuk	3,675	3,656	(19)	-1%	3	5	2	67%
92	Van Buren	3,629	3,643	14	0%	3	3	0	0%
93	Decatur	3,491	3,160	(331)	-9%	5	5	0	0%
94	Ringgold	3,258	3,198	(60)	-2%	3	3	0	0%
95	Taylor	2,478	2,313	(165)	-7%	2	2	0	0%
96	Wayne	2,225	2,517	292	13%	3	4	1	33%
97	Davis	2,141	2,206	65	3%	1	1	0	0%
98	Adams	1,915	1,632	(283)	-15%	1	1	0	0%
99	Fremont	677	1,019	342	51%	2	2	0	0%
TOTAL		**5,276,165**	**5,508,218**	**232,053**	**4.40%**	**1,382**	**1,481**	**99**	**7.16%**

Bureau of Regulatory Compliance

Bureau Mission

The mission of the Bureau of Regulatory Compliance (Bureau) is to be effective and efficient in the licensing, education, and regulation of alcohol and tobacco in Iowa. The mission focus is on ensuring a level playing field and protecting the health, safety, and welfare of Iowans.

Bureau Performance Summary

The Bureau continues to be effective and efficient in the licensing, education, and regulation of alcohol and tobacco in the state of Iowa. The Bureau is comprised of six units (Licensing, Compliance, Administrative Actions, Education and Outreach, Tobacco, and Administrative Support), with each unit playing a vital role in executing the public policy mission of protecting the health, safety, and welfare of the citizens of Iowa. (Iowa Code section 123.1). The Bureau is working aggressively to regulate and provide education on alcohol and tobacco within the state. The Bureau is building upon an existing foundation to develop additional capabilities in licensing, education, investigation, auditing, and inspection. This is being done through training of personnel and improving existing technology, with the goal of conducting more complex licensing and regulatory work in the future.

During Fiscal Year 2017, the Licensing Unit determined eligibility and processed 16,020 alcohol licenses and responded to approximately 30 – 180 licensing questions per day. The Education and Outreach Unit answered approximately 100 educational inquiries per month. Additionally, 21,614 people were trained and certified through the online alcohol compliance training program (I-PACT) and 12,796 people completed the online tobacco retailer training program (I-PLEDGE). The Bureau has increased its efforts in educating alcohol licensees during special events, such as RAGBRAI. The Bureau educated over 400 licensees along the 2017 RAGBRAI route and was recognized for these educational efforts with a best practices award from a national publication. The Alcohol Compliance Unit opened 146 investigations on alcohol or Smokefree Air Act complaints, which resulted in 80 administrative actions. Additionally, the Alcohol Compliance Unit conducted 356 alcohol establishment inspections, and the Tobacco Compliance Unit conducted 2,633 tobacco compliance checks. The Tobacco Compliance Unit also managed a program that ensured an additional 3,523 tobacco compliance checks were performed in partnership with local police across the state.

Also during Fiscal Year 2017, the Bureau collected $15,664,468 in alcohol licensing fees, of which $3,715,754 was paid to local cities and counties. The Bureau also collected $32,500 as a result of administrative actions. These numbers are particularly significant in light of the fact that it only cost $2,715,552 to fund the operations of the entire Bureau. The Bureau's performance demonstrates that State of Iowa money spent translates to State of Iowa money earned.

The Bureau will continue to set high standards and strive to accomplish its mission. The Bureau will continue to develop its capabilities to help ensure we are effective and efficient in the licensing, education, and regulation of Alcohol and Tobacco in Iowa.

— Joshua Happe
Regulatory Compliance Bureau Chief

Tax & Licensing Statistics

TAXES COLLECTED

(Includes penalties and adjusted for fiscal year collection and refunds)

(year ended 6-30-17)

	FY17	FY16	+ or (-) % FY17 vs FY16
BEER TAX*	$13,904,082.51	$14,231,743.00	-2.30%
NATIVE BEER TAX*	$116,935.78	$108,887.00	7.39%
WINE TAX*	$8,078,043.88	$7,648,753.00	5.61%
NATIVE WINE TAX	$310,192.84	$320,516.00	-3.22%
TOTAL TAXES COLLECTED	**$22,409,255.01**	**$22,309,899.00**	**0.45%**

LICENSE REVENUE

(year ended 6-30-17)

	FY17	FY16	+ or (-) % FY17 vs FY16
LIQUOR AND WINE PERMITS	$14,325,776	$14,257,743	0.48%
BEER PERMITS	$1,188,882	$1,179,560	0.79%
SPECIAL LICENSES	$7,885	$9,895	-20.31%
COMPLIANCE LICENSES**	$141,925	$161,162	-11.94%
TOTAL LICENSE REVENUE	**$15,664,469**	**$15,608,360**	**0.36%**

*For gallons reported, see page 12

**Refers to certificates of compliance for brewers, distillers, and vintners (Page 25)

Licenses & Permits Paid

RETAIL

License		FY17	FY16	+ OR (-) % FY17 vs FY16
BB	Commercial | Beer On / Off Premises	1,048	1,090	-3.85%
BC	Retail Store | Beer Off Premises	2,729	2,801	-2.57%
LA	Private Club | Liquor / Wine / Beer On Premises	135	146	-7.53%
LB	Hotel / Motel | Liquor / Wine / Beer On Premises - Beer Off Premises	127	132	-3.79%
LC	Commercial | Liquor / Wine / Beer On Premises - Beer Off Premises	4,501	4,477	0.54%
LD	Common Carrier | Liquor / Wine / Beer On Premises	23	25	-8.00%
LE	Commercial | Liquor Off Premises	1,351	1,362	-0.81%
BW	Special | Beer / Wine On Premises - Beer Off Premises	796	778	2.31%
WB	Retail Store | Wine Off Premises	1,784	1,823	-2.14%
WBN	Retail Store | Native Wine Off Premises	1,205	1,175	2.55%
WCN	Commercial | Native Wine On / Off Premises	142	136	4.41%
	RETAIL TOTAL	**13,841**	**13,945**	**-0.75%**

(continued on page 25)

Licenses Suspended

In Fiscal Year 2017, 59 licenses were suspended by the Division. The most common reasons leading to suspension include serving alcohol to minors, bootlegging, or failure to maintain dram shop insurance.

Licenses & Permits Paid (continued from page 24)

License	WHOLESALER / MANUFACTURER / IMPORTER	FY17	FY16	+ OR (-) % FY17 vs FY16
BA	Beer Wholesaler	39	43	-9.30%
BAA	High Alcohol Content Beer Wholesaler	35	34	2.94%
WA	Wine Wholesaler	34	31	9.68%
	WHOLESALERS SUBTOTAL	**108**	**108**	**0.00%**
BAN	Native Beer Manufacturer / Distributor	47	46	2.17%
BAAN	High Alcohol Content Native Beer	41	40	2.50%
BB Brew Pub	Commercial | Beer On- and Off-Premises	34	41	-17.07%
LC Brew Pub	Commercial | Liquor / Wine / Beer	25	20	25.00%
WAN	Native Wine Manufacturer / Distributor	98	115	-14.78%
MD	Micro-Distillery	11	13	-15.38%
CM	Liquor Manufacturers Permit	19	21	-9.52%
	MANUFACTURERS SUBTOTAL	**275**	**296**	**-7.09%**
CB	Brewer's Certificate of Compliance	156	181	-13.81%
CD	Distiller's Certificate of Compliance	179	175	2.29%
CV	Vintner's Certificate of Compliance	546	636	-14.15%
SP	Broker's Permit	25	32	-21.88%
CP	Charity Auction Permit	69	75	-8.00%
DS	Direct Shipper's Permit	821	838	-2.03%
	IMPORTER AND SPECIAL SUBTOTAL	**1,796**	**1,937**	**-7.28%**
	WHOLESALER / MANUFACTURER / IMPORTER TOTAL	**2,179**	**2,341**	**-6.92%**
	GRAND TOTAL	**16,020**	**16,286**	**-1.63%**

Profit & Loss Statement For the period ended June 30, 2017

	FY16	FY17	FY17 vs FY16 % Change	FY17 vs FY16 Amount Change
Liquor Sales Revenue	**288,908,790**	**305,619,126**	**5.78%**	**16,710,336**
Cost of Sales				
Bailment	191,821,836	**203,464,785**	6.07%	11,642,949
Less: Bailment Fees	(2,092,003)	**(2,193,527)**	4.85%	(101,524)
Less: Special Handling Fees	(324,638)	**(187,505)**	-42.24%	137,133
Less: Defective Products	(69,312)	**(17,847)**	-74.25%	51,465
Total Cost of Sales	**189,335,883**	**201,065,906**	**6.20%**	**11,730,023**
Gross Profit	**99,572,907**	**104,553,221**	**5.00%**	**4,980,314**
Gross Profit %	**34.5%**	**34.2%**	**-0.74%**	**-0.25%**
Operating Expenses				
Freight Expenses	2,625,272	**2,628,852**	0.14%	3,580
Warehouse Expenses	1,850,231	**2,387,334**	29.03%	537,103
Other Expenses Related To Distribution	468,688	**40,000**	-91.47%	(428,688)
Total Operating Expenses	**4,944,191**	**5,056,186**	**2.27%**	**111,995**
General and Administrative Expenses				
Warehouse Administration	638,630	**585,438**	-8.33%	(53,192)
Product Administration	471,049	**416,060**	-11.67%	(54,989)
Accounting	459,861	**512,250**	11.39%	52,389
Information Technology	2,241,770	**2,900,776**	29.40%	659,006
Buildings and Grounds	451,766	**433,717**	-4.00%	(18,049)
General and Administrative Expense Total	**4,263,076**	**4,848,241**	**13.73%**	**585,165**
Income from Operations	**90,365,640**	**94,648,794**	**4.74%**	**4,283,154**
Other Revenues				
Split Case Fee	1,493,939	**1,553,309**	3.97%	59,370
Bottle Deposit/Surcharge	2,597,867	**2,834,706**	9.12%	236,839
Recycling	23,409	**24,611**	5.13%	1,202
Fuel and Lease Reimbursement	29,296	**10,758**	-63.28%	(18,538)
Lease Revenue	81,617	**79,950**	-2.04%	(1,667)
Total Other Revenues	**4,226,128**	**4,503,333**	**6.56%**	**277,205**
Other Expenses				
Bottle Deposit Fee	563,914	**629,882**	11.70%	65,968
Recycle Surcharge Fee	1,266,757	**1,408,415**	11.18%	141,658
Liquor Refunds	(2,105)	**1,267**	-160.19%	3,372
Substance Abuse Transfer	20,328,191	**21,502,070**	5.77%	1,173,879
Total Other Expense	**22,156,757**	**23,541,634**	**6.25%**	**1,384,877**
Net Profit	**72,435,011**	**75,610,493**	**4.38%**	**3,175,482**
Return on Sales	**25.1%**	**24.7%**	**-1.32%**	**-0.33%**

Net Income Statement

For the period ended June 30, 2017

	FY16	FY17	FY17 vs FY16 % Change	FY17 vs FY16 Amount Change
REVENUES				
Operating Revenues				
Liquor Sales	288,908,790	305,619,126	5.78%	16,710,336
Split Case Revenue	1,493,939	1,553,309	3.97%	59,370
Bottle Deposit/Surcharge	2,597,867	2,834,706	9.12%	236,839
Recycling Revenue	26,009	24,611	-5.38%	(1,398)
Fuel and Lease Reimbursement	3,266	10,758	229.39%	7,492
Total Operating Revenues	**293,029,871**	**310,042,510**	**5.81%**	**17,012,639**
Non-Operating Revenues				
Lease Revenue	81,617	79,950	-2.04%	(1,667)
License Fees	15,608,360	15,664,468	0.36%	56,108
Wine Tax	7,648,753	8,078,043	5.61%	429,290
Fines/Penalties	66,352	40,540	-38.90%	(25,812)
Misc. Funding Sources	357,125	475,352	33.11%	118,227
State Appropriations	1,220,391	1,201,153	-0.20%	(19,238)
Inter Department Transfers	940,067	1,904,688	102.61%	964,621
Prior Year Liquor Control Fund Carry forward	1,302,775	-	-100.00%	(1,302,775)
Total Non-Operating Revenues	**27,225,440**	**27,444,194**	**0.80%**	**218,754**
Total Revenues	**320,255,311**	**337,486,704**	**5.38%**	**17,231,393**
EXPENSES				
Operating Expenses				
Purchase of Spirits [1]	189,335,883	201,065,906	6.20%	11,730,023
Freight Expenses [2]	2,625,272	2,628,852	0.14%	3,580
Warehouse Expenses [3]	1,850,231	2,387,334	29.03%	537,103
Other Expenses Related To Distribution [4]	468,688	(37,513)	-108.00%	(506,201)
Warehouse Administration [5]	638,630	585,438	-8.33%	(53,192)
Product Administration [5]	471,049	416,060	-11.67%	(54,989)
Accounting [5]	459,861	512,250	11.39%	52,389
Information Technology [5]	2,241,770	2,900,776	29.40%	659,006
Buildings and Grounds [5]	451,766	433,717	-4.00%	(18,049)
Bottle Deposit Fee	563,914	629,882	11.70%	65,968
Recycle Surcharge Fee	1,266,757	1,408,415	11.18%	141,658
Liquor Refunds	(2,105)	1,267	-160.19%	3,372
Substance Abuse Transfer	20,328,191	21,502,070	5.77%	1,173,879
Liquor Profits Transfer	91,460,077	93,067,415	1.76%	1,607,338
Total Operating Expenses	**312,159,984**	**327,501,869**	**4.91%**	**15,341,885**
Non-Operating Expenses				
Sunday Sales Transfer	944,257	927,378	-1.79%	(16,879)
Payments to City and Counties	3,712,761	3,715,754	0.08%	2,993
Non-Operating Expenditures [6]	2,572,382	3,843,118	49.40%	1,270,736
Inter-Department Transfers	487,000	1,470,000	201.85%	983,000
Non-Operating Expenses Total	**7,716,400**	**9,956,250**	**29.03%**	**2,239,850**
Total Expenses	**319,876,384**	**337,458,119**	**5.50%**	**17,581,735**
Net Income	**378,927**	**28,585**	**-92.46%**	**(350,342)**

Statement of Cash Flow For the period ended June 30, 2017

	FY 16	FY 17
CASH IN		
Liquor Sales	282,876,600	298,926,978
Wine Tax	6,873,529	7,310,855
License Fees	15,317,454	15,468,875
Split Case Fee	1,400,694	1,516,608
Bottle Deposit Fee	2,539,180	2,769,202
Other - Miscellaneous Income	712	1,583,205
Other - Fees, NSF	5,307	5,659
Other Miscellaneous Income	37,340	34,345
Lottery Lease	61,630	59,963
Other Sales / Service - Recycling	20,569	21,970
TOTAL CASH IN	**309,133,015**	**327,697,657**
CASH OUT		
Cities - Liquor Sales Dist	3,144,406	3,150,808
Counties - Liquor Sales Dist	208,111	217,312
Transfer to Liq Gen Fund (0001)	415,000	1,250,000
Sunday Sales	944,257	927,379
Substance Abuse	17,974,928	19,227,997
General Fund Transfer	82,700,000	85,700,000
Personal Expenses	4,298,636	4,517,437
Liquor Purchases	180,248,897	193,634,697
Bottle Deposit / Surcharge	1,680,588	1,833,454
Capitals	468,688	(37,514)
Miscellaneous Trust Fund Expenses	4,111,007	4,582,197
TOTAL CASH OUT	**296,194,518**	**315,003,767**
TOTAL CHANGE IN CASH	**12,938,497**	**12,693,891**

Balance Sheet For the period ending on June 30, 2017

	FY16	FY17	% Change
CURRENT ASSETS			
Cash	17,773,522	12,693,882	-28.6%
Accounts Receivable			
Liquor	6,032,191	6,692,148	10.9%
Split Case Fees	34,449	36,702	6.5%
Recycle Fee / Surcharge	58,687	65,505	11.6%
Wine Tax	775,225	767,189	-1.0%
Licenses	290,906	195,594	-32.8%
Fines and Penalties	34,028	180	-99.5%
Refunds and Reimbursements	5,115	2,642	-48.3%
Other Agency Billings	186,337	19,988	-89.3%
Inventory			
Liquor	195,840	47,584	-75.7%
Gasoline / Fuel	27,498	14,317	-47.9%
TOTAL CURRENT ASSETS	**25,413,798**	**20,535,730**	-19.2%
PROPERTY, PLANT & EQUIPMENT			
Machinery, Equipment and Vehicles	1,910,342	1,910,342	0.0%
Less: Accumulated Depreciation	(421,735)	(208,919)	-50.5%
Buildings and Improvements	4,714,042	4,232,598	-10.2%
Capitals in Process	2,001,056	3,215,612	60.7%
Land	210,000	210,000	0.0%
TOTAL ASSETS	**33,827,503**	**29,895,362**	-11.6%
LIABILITIES			
Current Liabilities			
Wages and Benefits	211,425	235,171	11.2%
Liquor Purchases	9,086,986	9,060,951	-0.3%
Bottle Deposit Fee	58,687	63,302	7.9%
Recycle Surcharge Fee	103,706	141,542	36.5%
Substance Abuse Obligation	2,353,265	2,274,073	-3.4%
General Fund Obligation	8,760,077	7,587,415	-13.4%
License Fees to Cities/Counties	360,244	347,626	-3.5%
License Refunds	648	5,203	703.0%
Misc. Obligations	316,863	764,387	141.2%
TOTAL LIABILITIES	**21,251,901**	**20,479,670**	-3.6%
TOTAL NET ASSETS	**12,575,602**	**9,415,692**	-25.1%
TOTAL LIABILITIES & NET ASSETS	**33,827,503**	**29,895,362**	-11.6%

Financial Statements

The following summary of the Division's financial performance provides a brief overview of financial activities for Fiscal Year 2017. The financial data is extracted from the State of Iowa accounting system.

Except as noted, all financial information presented reflects financial transactions for the reported fiscal year, including the State of Iowa's hold open period (July 1, 2017 – August 31, 2017). While the Division's operations are audited, the following pages are audited internally only.

Revenue Earned ..... Page 8
Funding Distribution ..... Page 9
Annual Liquor Sales ..... Page 10
Profit & Loss Statement ..... Page 26
Net Income Statement ..... Page 27
Statement of Cash Flow ..... Page 28
Balance Sheet ..... Page 29
Financial Highlights ..... Page 31
Notes to Financial Statements ..... Page 31

OVERVIEW OF FINANCIAL STATEMENTS

The annual report is a series of proprietary financial statements. The Statement of Net Assets provides information about the Division's assets and liabilities as of June 30, 2017, in comparison to the Division's financial position as of June 30, 2016. The Profit and Loss Statement reflects the Division's financial performance with respect to wholesale operations.

The Net Income Statement outlines a Fiscal Year 2017 and Fiscal Year 2016 comparison of the Division's operations and performance relating to Iowa Code chapter 123, including distribution. The Statement of Cash Flows represents cash flow for fiscal years 2017 and 2016 to the Liquor Control Trust Fund. Also presented in this report are Notes to Financial Statements that provide additional information to facilitate a better understanding of the data within each statement.

Financial Highlights

FINANCIAL ANALYSIS

Revenue Analysis

- Gross liquor sales in Fiscal Year 2017 increased by 5.78 percent compared to Fiscal Year 2016.
- The overall revenue for Fiscal Year 2017 generated $347.6 million, which represents a 5.2 percent increase over Fiscal Year 2016.
- The Division transferred $133.5 million to the State of Iowa, cities and counties.
- Total non-operating revenues increased by 6.56 percent in Fiscal Year 2017 compared to Fiscal Year 2016.

Expense Analysis

- Total expenses increased by 5.5 percent in Fiscal Year 2017 over Fiscal Year 2016.
- The Division exceeded by 1.3 percent its Revenue Estimating Conference obligation of $114 million.
- Total funds transferred to the State of Iowa General Fund were $106.9 million.
- The Division in Fiscal Year 2016 incurred one-time technology expenses:
  - Information technology: $1,516,064.

NOTES TO FINANCIAL STATEMENTS

1. Cost of goods sold is the total cost to procure liquor. Per Iowa Code section 123.22, the Division utilizes a bailment inventory system. The Division charges a $1.00 bailment fee per case sold to liquor suppliers for warehousing liquor. The bailment fee is deducted from payments to vendors. Bailment fees and special handling fees are not actual revenues received; rather they are a reduction in the purchase cost of liquor. The amount reported reflects the Division's liquor purchases minus the applicable amount of bailment fees and special handling fees.

2. Freight costs are comprised of the direct expense associated with delivering spirits to class "E" licensees throughout the State of Iowa. Major expenditures included in the freight category are wages and benefits of delivery drivers, fuel expense, and leasing of vehicles.

3. Warehouse costs are comprised of the direct expense associated with warehousing and order fulfillment of spirits. Major expenditures included in the warehouse category are wages and benefits of warehouse employees, shipping supplies such as shrink wrap and corrugated cartons, equipment, and maintenance on equipment.

4. Other expenses related to distribution are the indirect costs associated with warehousing and distribution of spirits. Major expenditures in this segment are large software purchases and capital improvements.

5. General and administrative expenditures are the combined total of each supporting unit's cost which is directly involved with the distribution of spirits. Salaries and wages reported are for warehouse management, product management, accounting, IT and human resource functions. Utilities, software, IT infrastructure and development, office equipment and supplies are included in this category.

6. Non-operating expenses are the Division's costs that are not associated with the physical distribution of spirits. This category includes salaries and costs of the administrative segment, licensing, compliance, as well as the portion of accounting, information technology, and maintenance not allocated to the operational segment supporting spirits distribution.

ALCOHOLIC
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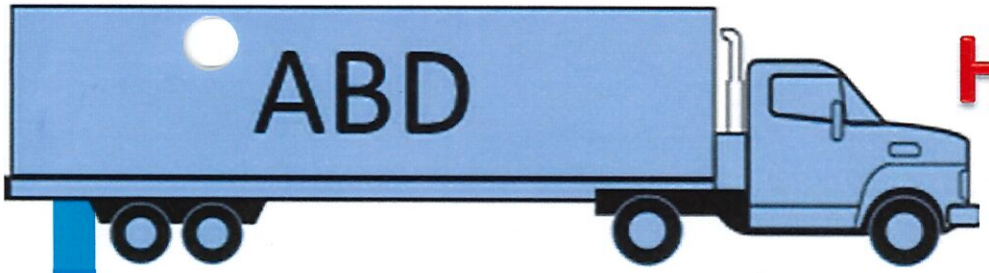
DIVISION
State of Iowa

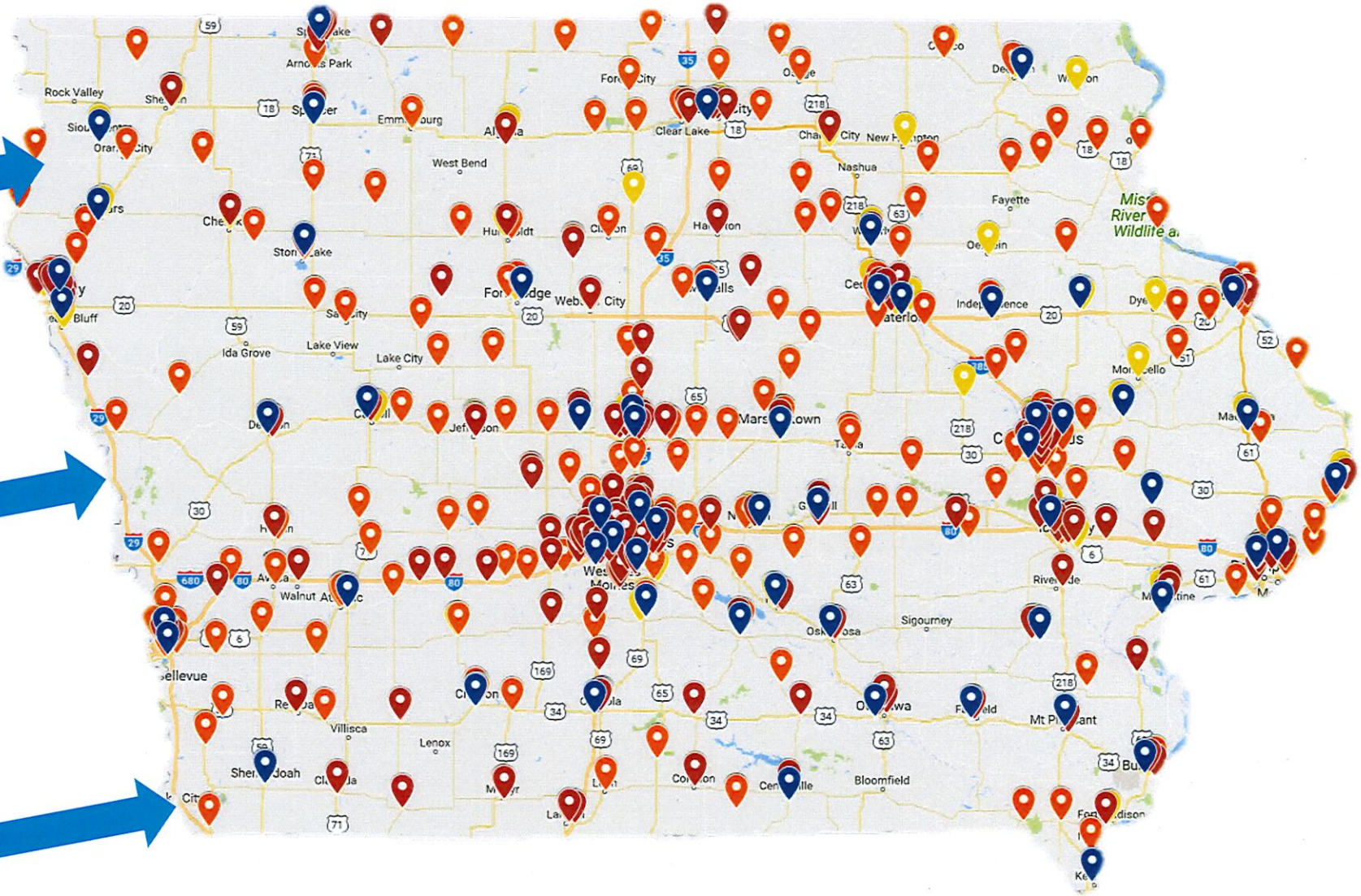
1918 SE Hulsizer Road
Ankeny, Iowa 50021-3941

https://abd.iowa.gov



Hy-Vee, Fareway, Caseys, Kum & Go, Walmart

682 Locations



ALCOHOLIC
BEVERAGES
DIVISION
State of Iowa

Kim Reynolds *Governor of Iowa*
Adam Gregg *Lieutenant Governor*

Stephen Larson *Administrator*

Iowa Liquor Wholesale Model
Discussion Questions

1. What is one successful aspect of Iowa's liquor wholesale model?
2. What is the biggest issue with Iowa's liquor wholesale model?
3. What should Iowa's liquor wholesale model seek to accomplish?
4. Does the Division's brand selection meet the needs of your business? Should more brands be offered?
5. What changes should be made to the Division's special order program?
6. What changes should be made to the Division's highly-allocated products program?
7. Should there be a quota on the number of class "E" licenses that can be issued?
8. Who provides spirits for your business? Does that provider meet your business needs?
9. What would you change about the Iowa liquor wholesale model to improve your access to spirits products?
10. Do you understand Iowa's pricing model?

ALCOHOLIC
BEVERAGES
DIVISION
State of Iowa

Commission Meeting
Upcoming Meeting Dates

December 19, 2017
1:00 – 4:00 p.m.
State Capitol (Room 103), Des Moines

January 16, 2018
1:00 – 4:00 p.m.
Iowa Alcoholic Beverages Division (Boardroom), Ankeny

February 7, 2018
Public Forum on the Iowa Liquor Wholesale Model
(Location TBD)

March 28, 2018
Public Forum on the Iowa Liquor Wholesale Model
(Location TBD)

Future meeting location announcements will be made via Basecamp. To be added to Basecamp, please contact Tyler Ackerson (Ackerson@iowaabd.com).