

# AGENDA

## IOWA ALCOHOLIC BEVERAGES COMMISSION MEETING

Boardroom

Iowa Alcoholic Beverages Division

1918 SE Hulsizer Road

Ankeny, Iowa 50021

April 26, 2017 – 1:00 PM

Dial in Number: 1.866.685.1580

Conference Code Number: 0009991572

**Call to Order** ..... **Chairperson Wilson**

- I. Introductions/Opening Remarks
- II. Approval of Agenda – **ACTION ITEM**
- III. Approval of January 25, 2017, Minutes – **ACTION ITEM**

**Administrator’s Report** ..... **Administrator Larson**

- IV. Alcohol Reform Update
  - a. Next Steps
- V. 2017 Legislative Update
  - a. HF607
  - b. FY18 and FY19 Budgets
- VI. Licensing and Regulation Update
  - a. BasicGov
  - b. Compliance
- VII. Fulfillment of Spirits RFP Update
- VIII. Financial Management Update
- IX. Attorney General’s Report

**Public Comment**... ..... **Chairperson Wilson**

**Old Business**..... **Chairperson Wilson**

**New Business** ..... **Chairperson Wilson**

**Next Meeting Date** ..... **Chairperson Wilson**

- Date In June To Be Determined

**Adjournment**..... **Chairperson Wilson**

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.

# *IOWA ALCOHOLIC BEVERAGES COMMISSION*

## *MINUTES*

Iowa Alcoholic Beverages Division  
1918 SE Hulsizer Road, Ankeny, IA  
January 25, 2017 – 1:00 p.m.  
Dial In Number: 1.866.685.1580  
Conference Code Number: 0009991572

### Commission Members Present

Jay Wilson: Chair  
Gary Nystrom: Vice Chair  
Rachel Eubank: Secretary  
Tami Doll: Member (via phone)  
John Pauli: Member (via phone)

### Division Staff Present

Stephen Larson: Administrator  
Tyler Ackerson: Assistant to the Administrator  
Robert Bailey: Public Information Officer  
Leisa Bertram: Accountant 2  
Jodi Christensen: Purchasing Agent 3  
Karen Freund: Deputy Administrator of Regulatory Affairs  
Josh Happe: Public Service Manager 2  
Todd Halbur: Comptroller  
Jake Holmes: Education and Outreach Program Planner  
Pam Koehn-Miller: Secretary  
Lolani Lekkas: Compliance Officer 1  
John Lundquist: Assistant Attorney General  
Eric Ridenour: Public Service Supervisor  
Anthony Robben: Analyst  
Heather Schaffer: Compliance Officer 2  
Stephanie Strauss: Executive Officer  
Herb Sutton: Public Service Supervisor

### Guests Present

Nathan Cooper: Iowa Wholesale Beer Distributors Association  
Scott Posey: Johnson-Stephens

### Guests Present via Phone

Angela Davis: Johnson Brothers

## **CALL TO ORDER**

Chairperson Jay Wilson called the meeting to order at 1:02 p.m. and roll was taken. There was a quorum.

## **APPROVAL OF AGENDA**

**MOTION: A motion was made by Commissioner Nystrom and seconded by Commissioner Doll to approve the agenda for the January 25, 2017, Commission meeting.**

**Motion approved.**

## **APPROVAL OF MINUTES**

**MOTION: A motion was made by Commissioner Doll and seconded by Commissioner Pauli to approve the minutes for the November 17, 2016 and December 6, 2016 meetings.**

**Motion approved.**

Chairperson Wilson recognized Administrator Stephen Larson for the Administrator's Report.

## **ADMINISTRATOR'S REPORT**

Administrator Larson recognized Comptroller Todd Halbur for a financial management report. Mr. Halbur reported that Year-to-Date through December FY17, the Division had \$151,428,173 in total liquor sales, which was a 6.04 percent growth in sales over December FY16. The average monthly order volume for FY17 was 4,944 compared to 4,112 in FY16, a 20.23 percent increase. Reversion to the General Fund increased 2.86 percent. Mr. Halbur cautioned that the increase in reversion could diminish as the Division enters the more moderate part of the fiscal year. Mr. Halbur reported that total revenue in the Liquor Control Trust Fund is 3.15 percent over revenue projections, while expenses are at 47.9 percent of the budget.

Administrator Larson presented a draft timeline for the issuance of an RFP for a possible public/private partnership in the distribution of spirits. The Division and its partners began the process of forming an RFP on December 1, 2016. An expected completion date for the RFP is April 2017. The Department of Administrative Services will be working with Johnson-Stephens Consulting and the Attorney General's Office to create the RFP. The Division will not be the issuing agent.

Administrator Larson presented the Annual Growth of Liquor Sales, Distribution Outlets, and SKU's for FY13 through FY16. Administrator Larson identified significant increases, which he attributed, in part, to FY11 when convenience stores were given the opportunity to sell spirits across the state.

Administrator Larson presented a brief overview of the working group he and Debi Durham, director of the Iowa Economic Development Authority, co-chaired. A comprehensive review of Iowa Code chapter 123 was conducted. The objective of the working group was to bring all stakeholders to the table to openly discuss ways to modernize Iowa's alcohol laws while maintaining focus on public safety and public health. The primary objectives for these recommendations are to transform Iowa's alcohol laws so that these laws are more easily understood by industry members, are adaptive to a rapidly evolving industry, and to reduce bureaucratic barriers. Maintaining Iowa's current 3-tier system has been an on-going focus. The recommendations will be presented to the Governor and Lt. Governor on February 1, 2017.

**PUBLIC COMMENT**

None

**OLD BUSINESS**

None

**NEW BUSINESS**

None

**NEXT MEETING DATE**

**Wednesday, April 5, 2017 at 1:00 p.m.**

**ADJOURNMENT**

**MOTION: A motion was made by Commissioner Nystrom and seconded by Commissioner Eubank to adjourn the meeting.**

**Motion approved.**

The meeting adjourned at 2:45 p.m.

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Commissioner Eubank, Secretary

## AGENDA

April 26, 2017

- I. Updating Iowa's Licensing Laws
  - a. Licensing Type – On and Off Premise
    - i. Process
    - ii. Qualifications / Eligibility
    - iii. Consolidation / Reduction of License Types
    - iv. Administrative Appeals
    - v. Serving Training
    - vi. Financial Liability
- II. Review and Update Manufacturing and Retail Privileges
  - a. Equity across all 3 tiers
  - b. Tax and Reporting Reform
- III. Tied House Review
  - a. Define it / Understand the Components/Concepts
    - i. Why
- IV. Senate File 516
  - a. Legislative Study
- V. RFP – Distribution of Spirits
  - a. Timeline Review

## Comprehensive Review of Licensing – Next Steps

The Alcoholic Beverages Division, in partnership with local law enforcement, local authorities, community leaders, public health, alcohol prevention advocates, and industry experts, will undergo a further review of:

- The laws and rules pertaining to eligibility to hold an alcohol license or permit,
- The balance of power at the state and local level to approve or deny alcohol licenses and permits,
- Financial liability requirements, which include dram shop insurance requirements,
- Compliance training requirements, including initiatives such as the Place of Last Drink initiative and evaluating the appropriate age of those allowed to sell and serve alcoholic beverages,
- Limitations on business interests, particularly with regard to ownership issues,
- Civil administrative penalties,
- Fee structures for licenses, and
- The administrative appeal process.

This will enable a fair and functioning regulatory framework for those who operate within the alcoholic beverages industry while maintaining our core focus of protecting the health, safety, and welfare of our citizens.

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Terry E. Branstad *Governor of Iowa*  
Kim Reynolds *Lieutenant Governor*  
Stephen Larson *Administrator*

## SENATE FILE 516

### Section 28. ALCOHOLIC BEVERAGE CONTROL – STUDY.

1. It is the intent of the general assembly that the three-tiered system of regulating the alcohol beverage industry is critical to maintaining a fair and competitive marketplace. The study required by this section does not preclude the alcoholic beverages division from applying regulatory discretion that aligns with the performance of the powers and duties granted to the administrator in chapter 123.

2. The alcoholic beverages division of the department of commerce, **in conjunction with other stakeholders the division deems necessary**, shall conduct a study concerning enforcement issues related to alcoholic beverage control, including consideration of the manner of properly balancing appropriate regulation of the manufacturing, distribution, and sale of alcoholic liquor, wine, and beer in this state with emerging trends in the industry.

3. In conducting the study, the division shall consider any other relevant issues the division identifies for study, issues relating to the three-tiered system and section 123.45, as it impacts the ability of manufacturers, wholesalers, and retailers to meet changing marketplace conditions and business opportunities.

4. **By July 1, 2018, the division shall submit a final report to the general assembly.** The report shall provide the results of the study including any findings and recommendations.

5. **During the time period of the study and consideration of the issue by the general assembly during the 2019 legislative session, if an applicant has a conflict with section 123.45, subsection 1, paragraphs “c” or “d”, the administrator may elect to defer on a final determination regarding the eligibility and issue a temporary license or permit with conditions, if applicable.** In making a determination of whether to defer on a final determination, the administrator shall balance regulatory principles and practices that ensure a fair and competitive marketplace with the protections of the public interests as provided in chapter 123.

6. This section is repealed July 1, 2019.

House File 607 - Enrolled

House File 607

AN ACT

RELATING TO ALCOHOLIC BEVERAGE CONTROL AND MATTERS UNDER  
THE PURVIEW OF THE ALCOHOLIC BEVERAGES DIVISION OF THE  
DEPARTMENT OF COMMERCE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

ALCOHOLIC BEVERAGE CONTROL

Section 1. Section 123.3, subsection 25, Code 2017, is amended to read as follows:

25. *"Licensed premises" or "premises"* means all rooms, enclosures, contiguous areas, or places susceptible of precise description satisfactory to the administrator where alcoholic beverages, wine, or beer is sold or consumed under authority of a liquor control license, wine permit, or beer permit. A single licensed premises may consist of multiple rooms, enclosures, areas, or places if they are wholly within the confines of a single building or contiguous grounds, or areas or places susceptible of precise description satisfactory to the administrator.

Sec. 2. Section 123.22, Code 2017, is amended to read as follows:

**123.22 State monopoly.**

1. The division has the exclusive right of importation into the state of all forms of alcoholic liquor, except as otherwise provided in [this chapter](#), and a person shall not import alcoholic liquor, except that an individual of legal age

may import and have in the individual's possession an amount of alcoholic liquor not exceeding one liter or, in the case of alcoholic liquor personally obtained outside the United States, four liters for personal consumption only in a private home or other private accommodation. A distillery shall not sell alcoholic liquor within the state to any person but only to the division, except as otherwise provided in [this chapter](#). This section vests in the division exclusive control within the state as purchaser of all alcoholic liquor sold by distilleries within the state or imported, except beer and wine, and except as otherwise provided in [this chapter](#). The division shall receive alcoholic liquor on a bailment system for resale by the division in the manner set forth in [this chapter](#). The division shall act as the sole wholesaler of alcoholic liquor to class "E" liquor control licensees.

2. No person, acting individually or through another acting for the person shall directly or indirectly, or upon any pretense, or by any device, manufacture, sell, exchange, barter, dispense, give in consideration of the purchase of any property or of any services or in evasion of [this chapter](#), or keep for sale, or have possession of any intoxicating liquor, except as provided in [this chapter](#); or own, keep, or be in any way concerned, engaged, or employed in owning or keeping, any intoxicating liquor with intent to violate any provision of this chapter, or authorize or permit the same to be done; or manufacture, own, sell, or have possession of any manufactured or compounded article, mixture or substance, not in a liquid form, and containing alcohol which may be converted into a beverage by a process of pressing or straining the alcohol therefrom, or any instrument intended for use and capable of being used in the manufacture of intoxicating liquor; or own or have possession of any material used exclusively in the manufacture of intoxicating liquor; or use or have possession of any material with intent to use it in the manufacture of intoxicating liquors; however, alcohol may be manufactured for industrial and nonbeverage purposes by persons who have qualified for that purpose as provided by the laws of the United States and the laws of this state. Such alcohol, so manufactured, may be denatured, transported, used, possessed,

sold, and bartered and dispensed, subject to the limitations, prohibitions and restrictions imposed by the laws of the United States and this state. Any person may manufacture, sell, or transport ingredients and devices other than alcohol for the making of homemade wine or beer.

Sec. 3. Section 123.23, subsection 2, Code 2017, is amended to read as follows:

2. At the time of applying for a certificate of compliance, each applicant shall submit to the division electronically, or in a manner prescribed by the administrator, the name and address of its authorized agent for service of process which shall remain effective until changed for another, and a list of names and addresses of all representatives, employees, or attorneys whom the applicant has appointed in the state of Iowa to represent it for any purpose. The listing shall be amended ~~from time to time~~ by the certificate holder as necessary to keep the listing current with the division.

Sec. 4. Section 123.28, Code 2017, is amended to read as follows:

**123.28 Restrictions on transportation.**

1. It is lawful to transport, carry, or convey alcoholic liquors from the place of purchase by the division to a state warehouse or depot established by the division or from one such place to another and, when so permitted by [this chapter](#), it is lawful for the division, a common carrier, or other person to transport, carry, or convey alcoholic liquor sold from a state warehouse, depot, or point of purchase by the state to any place to which the liquor may be lawfully delivered under this chapter.

2. The division shall deliver alcoholic liquor purchased by class "E" liquor control licensees. Class "E" liquor control licensees may deliver alcoholic liquor purchased by class "A", "B", or "C" liquor control licensees, and class "A", "B", or "C" liquor control licensees may transport alcoholic liquor purchased from class "E" liquor control licensees.

3. A common carrier or other person shall not break or open or allow to be broken or opened a container or package containing alcoholic liquor or use or drink or allow to be used or drunk any alcoholic liquor while it is being transported or

conveyed, ~~but this.~~

4. This section does not prohibit a private person from transporting individual bottles or containers of alcoholic liquor exempted pursuant to [section 123.22](#) and individual bottles or containers bearing the identifying mark prescribed in [section 123.26](#) which have been opened previous to the commencement of the transportation.

5. This section does not affect the right of a special permit or liquor control license holder to purchase, possess, or transport alcoholic liquors subject to [this chapter](#).

Sec. 5. Section 123.30, subsection 1, paragraph c, Code 2017, is amended to read as follows:

c. As a further condition for the issuance of a class "E" liquor control license, the applicant shall post a bond in a sum of not less than five thousand nor more than fifteen thousand dollars as determined on a sliding scale established by the division; however, a bond shall not be required if all purchases of alcoholic liquor from the division by the licensee are made ~~by cash payment or~~ by means that ensure that the division will receive full payment in advance of delivery of the alcoholic liquor.

Sec. 6. Section 123.31, subsections 6 and 7, Code 2017, are amended by striking the subsections.

Sec. 7. Section 123.32, subsection 6, paragraph b, Code 2017, is amended to read as follows:

b. Upon receipt of an application having been approved by the local authority, the division shall make an investigation as the administrator deems necessary to determine that the applicant complies with all requirements for holding a license or permit, and may require the applicant to appear to be examined under oath to demonstrate that the applicant complies with all of the requirements to hold a license or permit. If the administrator requires the applicant to appear and to testify under oath, a record shall be made of all testimony or evidence and the record shall become a part of the application. The administrator may appoint a member of the division or may request an administrative law judge of the department of inspections and appeals to receive the testimony under oath and evidence, and to issue a proposed decision to approve

or disapprove the application for a license or permit. The administrator may affirm, reverse, or modify the proposed decision to approve or disapprove the application for the license or permit. If the application is approved by the administrator, the license or permit shall be issued. If the application is disapproved by the administrator, the applicant ~~and the appropriate local authority~~ shall be so notified by certified mail and the appropriate local authority shall be notified electronically, or in a manner prescribed by the administrator.

Sec. 8. Section 123.33, Code 2017, is amended to read as follows:

**123.33 Records.**

Every holder of a ~~liquor control license shall keep a daily record, in printed or electronic format, of the gross receipts of the holder's business~~ or permit under this chapter shall maintain records, in printed and electronic format, which include income statements, balance sheets, purchase and sales invoices, purchase and sales ledgers, and any other records as the administrator may require. The records required and the premises of the licensee or permittee shall be accessible and open to inspection pursuant to [section 123.30, subsection 1](#), during normal business hours of the licensee or permittee.

Sec. 9. Section 123.34, subsection 1, Code 2017, is amended to read as follows:

1. Liquor control licenses, wine permits, and beer permits, unless sooner suspended or revoked, expire one year from date of issuance. The administrator shall give sixty days' written notice of the expiration to each licensee or permittee. However, the administrator may issue six-month or eight-month seasonal licenses, class "B" wine permits, or class "B" beer permits for a proportionate part of the license or permit fee or may issue fourteen-day liquor control licenses, native wine permits, or beer permits as provided in [subsection 2](#). No refund shall be made for seasonal licenses or permits or for fourteen-day liquor control licenses, native wine permits, or beer permits. No seasonal license or permit shall be renewed except. However, after a period of two months the applicant may apply for a new seasonal license or permit for the same

location.

Sec. 10. Section 123.49, subsection 2, paragraph b, Code 2017, is amended to read as follows:

b. Sell or dispense any alcoholic beverage ~~or beer~~ on the premises covered by the license or permit, or permit its consumption thereon between the hours of 2:00 a.m. and 6:00 a.m. on a weekday, and between the hours of 2:00 a.m. on Sunday and 6:00 a.m. on the following Monday, however, a holder of a liquor control license or retail wine or beer permit granted the privilege of selling alcoholic liquor, wine, or beer on Sunday may sell or dispense alcoholic liquor, wine, or beer between the hours of 8:00 a.m. on Sunday and 2:00 a.m. on the following Monday.

Sec. 11. Section 123.49, subsection 2, paragraph k, Code 2017, is amended by striking the paragraph.

Sec. 12. Section 123.51, subsection 1, Code 2017, is amended to read as follows:

1. No signs or other matter advertising any brand of alcoholic liquor, beer, or wine shall be erected or placed upon the outside of any premises occupied by a licensee or permittee authorized to sell alcoholic liquor, beer, or wine at retail. ~~This subsection does not prohibit the use of signs~~ However, signs or other advertising matter may be erected or placed inside the premises, inside a fence or similar enclosure which wholly or partially surrounds the licensed premises, or inside a window facing outward from the premises.

Sec. 13. Section 123.175, Code 2017, is amended by striking the section and inserting in lieu thereof the following:

**123.175 Class "A" or retail wine permit application and issuance.**

1. A person applying for a class "A" or retail wine permit shall submit an application electronically, or in a manner prescribed by the administrator, which shall set forth under oath the following:

a. The name and place of residence of the applicant.

b. The names and addresses of all persons or, in the case of a corporation, the officers, directors, and persons owning or controlling ten percent or more of the capital stock thereof, having a financial interest, by way of loan, ownership, or

otherwise, in the business.

*c.* The location of the premises where the applicant intends to operate.

*d.* The name of the owner of the premises and if the owner of the premises is not the applicant, whether the applicant is the actual lessee of the premises.

*e.* When required by the administrator, and in such form and containing such information as the administrator may require, a description of the premises where the applicant intends to use the permit, to include a sketch or drawing of the premises and, if applicable, the number of square feet of interior floor space which comprises the retail sales area of the premises.

*f.* Whether any person specified in paragraph "b" has ever been convicted of any offense against the laws of the United States, or any state or territory thereof, or any political subdivision of any such state or territory.

*g.* Any other information as required by the administrator.

2. The administrator shall issue a class "A" or retail wine permit to any applicant who establishes all of the following:

*a.* That the applicant has submitted a completed application as required by subsection 1.

*b.* That the applicant is a person of good moral character as provided in section 123.3, subsection 34.

*c.* That the applicant is a citizen of the state of Iowa or, if a corporation, that the applicant is authorized to do business in the state.

*d.* That the premises where the applicant intends to use the permit conforms to all applicable laws, health regulations, and fire regulations, and constitutes a safe and proper place or building.

*e.* That the applicant gives consent to a person, pursuant to section 123.30, subsection 1, to enter upon the premises without a warrant during the business hours of the applicant to inspect for violations of the provisions of this chapter or ordinances and regulations that local authorities may adopt.

*f.* That the applicant has submitted, in the case of a class "A" wine permit, a bond in the amount of five thousand dollars in a manner prescribed by the administrator with good and sufficient sureties to be approved by the division conditioned

upon compliance with this chapter.

Sec. 14. Section 123.177, Code 2017, is amended by adding the following new subsection:

NEW SUBSECTION. 3. A class "A" wine permit holder may sell wine to a person holding both a class "B" beer permit and a class "A" beer permit pursuant to section 123.131, subsection 4.

Sec. 15. Section 123.178B, subsection 4, Code 2017, is amended to read as follows:

4. A person holding a class "C" native wine permit and a class "A" wine permit whose primary purpose is manufacturing native wine may purchase beer from a wholesaler holding a class "A" beer permit for sale at retail for consumption on or off the premises covered by the class "C" native wine permit.

Sec. 16. Section 123.180, subsection 2, Code 2017, is amended to read as follows:

2. At the time of applying for a vintner's certificate of compliance, each applicant shall file with the division a list of all class "A" wine permittees with whom it intends to do business. The listing of class "A" wine permittees as filed with the division ~~may~~ shall be amended ~~from time to time~~ by the holder of the certificate of compliance as necessary to keep the listing current with the division.

Sec. 17. Section 123.183, subsection 2, paragraph a, Code 2017, is amended to read as follows:

a. Revenue collected from the wine gallonage tax on wine manufactured for sale and sold at wholesale in this state, and on wine subject to direct shipment as provided in section 123.187 by a wine manufacturer licensed or permitted pursuant to laws regulating alcoholic beverages in this state, shall be deposited in the wine gallonage tax fund as created in this section.

Sec. 18. Section 123.187, subsection 2, paragraph c, Code 2017, is amended to read as follows:

c. An application submitted pursuant to paragraph "a" shall also be accompanied by a bond in the amount of five thousand dollars in the form prescribed and furnished by the division with good and sufficient sureties to be approved by the division conditioned upon compliance with [this chapter](#).

However, a wine manufacturer that has submitted a bond pursuant to [section 123.175, subsection 3 2, paragraph "f"](#), shall not be required to provide a bond as provided in this paragraph.

DIVISION II

BEER PERMITS

Sec. 19. Section 123.30, subsection 3, paragraph e, subparagraph (1), Code 2017, is amended to read as follows:

(1) A class "E" liquor control license may be issued and shall authorize the holder to purchase alcoholic liquor from the division only and high alcoholic content beer from a class ~~"AA"~~ "A" beer permittee only and to sell the alcoholic liquor and high alcoholic content beer to patrons for consumption off the licensed premises and to other liquor control licensees. A holder of a class "E" liquor control license may hold other retail liquor control licenses or retail wine or beer permits, but the premises licensed under a class "E" liquor control license shall be separate from other licensed premises, though the separate premises may have a common entrance. However, the holder of a class "E" liquor control license may also hold a class "B" wine or class "C" beer permit or both for the premises licensed under a class "E" liquor control license.

Sec. 20. Section 123.124, Code 2017, is amended by striking the section and inserting in lieu thereof the following:

**123.124 Beer permits — classes.**

Permits for the manufacture and sale, or sale, of beer shall be divided into four classes, known as class "A", special class "A", class "B", or class "C" beer permits. A holder of a class "A" or special class "A" beer permit shall have the authority as provided in section 123.130. A holder of a class "B" beer permit shall have the authority as provided in section 123.131, and a holder of a class "C" beer permit shall have the authority as provided in section 123.132.

Sec. 21. Section 123.125, Code 2017, is amended to read as follows:

**123.125 Issuance of beer permits.**

The administrator shall issue class "A", special class "A", ~~class "AA", special class "AA",~~ class "B", and class "C" beer permits and may suspend or revoke permits for cause as provided in [this chapter](#).

Sec. 22. Section 123.127, Code 2017, is amended by striking the section and inserting in lieu thereof the following:

**123.127 Class "A" and special class "A" beer permit application and issuance.**

1. A person applying for a class "A" or special class "A" beer permit shall submit an application electronically, or in a manner prescribed by the administrator, which shall set forth under oath the following:

*a.* The name and place of residence of the applicant.

*b.* The names and addresses of all persons or, in the case of a corporation, the officers, directors, and persons owning or controlling ten percent or more of the capital stock thereof, having a financial interest, by way of loan, ownership, or otherwise, in the business.

*c.* The location of the premises where the applicant intends to operate.

*d.* The name of the owner of the premises and if the owner of the premises is not the applicant, whether the applicant is the actual lessee of the premises.

*e.* When required by the administrator, and in such form and containing such information as the administrator may require, a description of the premises where the applicant intends to use the permit, to include a sketch or drawing of the premises and, if applicable, the number of square feet of interior floor space which comprises the retail sales area of the premises.

*f.* Whether any person specified in paragraph "b" has ever been convicted of any offense against the laws of the United States, or any state or territory thereof, or any political subdivision of any such state or territory.

*g.* Any other information as required by the administrator.

2. The administrator shall issue a class "A" or special class "A" beer permit to any applicant who establishes all of the following:

*a.* That the applicant has submitted a completed application as required by subsection 1.

*b.* That the applicant is a person of good moral character as provided in section 123.3, subsection 34.

*c.* That the applicant is a citizen of the state of Iowa or, if a corporation, that the applicant is authorized to do

business in the state.

d. That the premises where the applicant intends to use the permit conforms to all applicable laws, health regulations, and fire regulations, and constitutes a safe and proper place or building.

e. That the applicant gives consent to a person, pursuant to section 123.30, subsection 1, to enter upon the premises without a warrant during the business hours of the applicant to inspect for violations of the provisions of this chapter or ordinances and regulations that local authorities may adopt.

f. That the applicant has submitted a bond in the amount of ten thousand dollars in a manner prescribed by the administrator with good and sufficient sureties to be approved by the division conditioned upon compliance with this chapter.

g. If the person is applying for a special class "A" beer permit, that the applicant holds or has applied for a class "C" liquor control license or class "B" beer permit.

Sec. 23. Section 123.128, subsection 1, paragraph a, Code 2017, is amended to read as follows:

a. All the information required of an applicant by section 123.127, subsection 1, ~~paragraph "a"~~.

Sec. 24. Section 123.128, subsection 2, Code 2017, is amended to read as follows:

2. ~~Fulfills the requirements of section 123.127, subsection 2, paragraph paragraphs~~ fulfills the requirements of section 123.127, subsection 2, paragraphs "b", "c", and "d".

Sec. 25. Section 123.129, subsection 2, paragraphs a and b, Code 2017, are amended to read as follows:

a. Submits an application electronically, or in a manner prescribed by the administrator, which shall state under oath all the information required of an applicant by section 123.127, subsection 1, ~~paragraph "a"~~.

b. ~~Establishes that the person is of good moral character as defined by this chapter~~ Fulfills the requirements of section 123.127, subsection 2, paragraphs "b", "c", and "d".

Sec. 26. Section 123.129, subsection 2, paragraph d, Code 2017, is amended by striking the paragraph.

Sec. 27. Section 123.130, Code 2017, is amended to read as follows:

**123.130 Authority under class "A", ~~class "AA", and special~~**

~~class "A", and special class "AA" beer permits.~~

1. Any person holding a class "A" ~~or class "AA"~~ beer permit issued by the division shall be authorized to manufacture and sell, or sell at wholesale, beer for consumption off the premises, such sales within the state to be made only to persons holding subsisting class "A", "B", or "C" beer permits, both a class "C" native wine permit and a class "A" wine permit pursuant to section 123.178B, subsection 4, or liquor control licenses issued in accordance with the provisions of this chapter. A class "A", ~~class "AA", or special class "A", or special class "AA"~~ beer permit does not grant authority to manufacture wine as defined in [section 123.3, subsection 47](#).

2. All class "A" ~~and class "AA"~~ premises shall be located within the state. All beer received by the holder of a class "A" ~~or class "AA"~~ beer permit from the holder of a certificate of compliance before being resold must first come to rest on the licensed premises of the permit holder, must be inventoried, and is subject to the barrel tax when resold as provided in [section 123.136](#). A class "A" ~~or class "AA"~~ beer permittee shall not store beer overnight except on premises licensed under a class "A" ~~or class "AA"~~ beer permit.

3. All special class "A" ~~and special class "AA"~~ premises shall be located within the state. A person who holds a special class "A" ~~or special class "AA"~~ beer permit for the same location at which the person holds a class "C" liquor control license or class "B" beer permit may manufacture and sell beer to be consumed on the premises, may sell at retail at the manufacturing premises for consumption off the premises beer that is transferred at the time of sale to another container subject to the requirements of section 123.131, subsection 2, may sell beer to a class "A" ~~or class "AA"~~ beer permittee for resale purposes, and may sell beer to distributors outside of the state that are authorized by the laws of that jurisdiction to sell beer at wholesale.

Sec. 28. Section 123.131, Code 2017, is amended to read as follows:

**123.131 Authority under class "B" beer permit.**

1. Subject to the provisions of [this chapter](#), any person holding a class "B" beer permit shall be authorized to sell

beer for consumption on or off the premises. Sales of beer for consumption off the premises made pursuant to this section shall be made in original containers except as provided in subsection 2. However, unless otherwise provided in this chapter, no sale of beer shall be made for consumption on the premises unless the place where such service is made is equipped with tables and seats sufficient to accommodate not less than twenty-five persons at one time.

2. Subject to the rules of the division, sales of beer for consumption off the premises made pursuant to this section may be made in a container other than the original container only if all of the following requirements are met:

a. The beer is transferred from the original container to the container to be sold on the licensed premises at the time of sale.

b. The person transferring the beer from the original container to the container to be sold shall be eighteen years of age or more.

c. The container to be sold shall be no larger than seventy-two ounces.

d. The container to be sold shall be securely sealed by a method authorized by the division that is designed so that if the sealed container is reopened or the seal tampered with, it is visibly apparent that the seal on the container of beer has been tampered with or the sealed container has otherwise been reopened.

3. A container of beer other than the original container that is sold and sealed in compliance with the requirements of subsection 2 and the rules of the division shall not be deemed an open container subject to the requirements of sections 321.284 and 321.284A if the sealed container is unopened and the seal has not been tampered with, and the contents of the container have not been partially removed.

4. A person holding a class "B" beer permit and a class "A" beer permit whose primary purpose is manufacturing beer may purchase wine from a wholesaler holding a class "A" wine permit for sale at retail for consumption on the premises covered by the class "B" beer permit.

Sec. 29. Section 123.134, subsection 1, Code 2017, is

amended to read as follows:

1. The annual permit fee for a class "A" or special class "A" beer permit is ~~two~~ seven hundred fifty dollars.

Sec. 30. Section 123.134, subsection 2, Code 2017, is amended by striking the subsection.

Sec. 31. Section 123.135, Code 2017, is amended to read as follows:

**123.135 Certificate of compliance — civil penalty.**

1. A manufacturer, brewer, bottler, importer, or vendor of beer, or any agent thereof, desiring to ship or sell beer, or have beer brought into this state for resale by a class "A" ~~or class "AA"~~ beer permittee, shall first make application for and be issued a brewer's certificate of compliance by the administrator for that purpose. The certificate of compliance expires at the end of one year from the date of issuance and shall be renewed for a like period upon application to the administrator unless otherwise revoked for cause. Each application for a certificate of compliance or renewal of a certificate shall be submitted electronically, or in a manner prescribed by the administrator, and shall be accompanied by a fee of five hundred dollars payable to the division. Each holder of a certificate of compliance shall furnish the information in a manner the administrator requires.

2. At the time of applying for a certificate of compliance, each applicant shall file with the division a list of all class "A" ~~and class "AA"~~ beer permittees with whom it intends to do business and shall designate the geographic area in which its products are to be distributed by such permittee. The listing of class "A" ~~and class "AA"~~ beer permittees and geographic area as filed with the division ~~may~~ shall be amended ~~from time to time~~ by the holder of a certificate of compliance as necessary to keep the listing current with the division.

3. All class "A" ~~and class "AA"~~ beer permit holders shall sell only those brands of beer which are manufactured, brewed, bottled, shipped, or imported by a person holding a current certificate of compliance. Any employee or agent working for or representing the holder of a certificate of compliance within this state shall submit electronically, or in a manner prescribed by the administrator, the employee's or agent's name

and address with the division.

4. It shall be unlawful for any holder of a certificate of compliance or the holder's agent, or any class "A" ~~or class "AA"~~ beer permit holder or the beer permit holder's agent, to grant to any retail beer permit holder, directly or indirectly, any rebates, free goods, or quantity discounts on beer which are not uniformly offered to all retail permittees.

5. Notwithstanding any other penalties provided by this chapter, any holder of a certificate of compliance or any class "A" ~~or class "AA"~~ beer permit holder who violates [this chapter](#) or the rules adopted pursuant to [this chapter](#) is subject to a civil penalty not to exceed one thousand dollars or suspension of the holder's certificate or permit for a period not to exceed one year, or both such civil penalty and suspension. Civil penalties imposed under [this section](#) shall be collected and retained by the division.

Sec. 32. Section 123.136, subsection 1, Code 2017, is amended to read as follows:

1. In addition to the annual permit fee to be paid by all class "A" ~~and class "AA"~~ beer permittees under [this chapter](#) there shall be levied and collected from the permittees on all beer manufactured for sale or sold in this state at wholesale and on all beer imported into this state for sale at wholesale and sold in this state at wholesale, and from special class "A" ~~and special class "AA"~~ beer permittees on all beer manufactured for consumption on the premises and on all beer sold at retail at the manufacturing premises for consumption off the premises pursuant to section 123.130, subsection 3, a tax of five and eighty-nine hundredths dollars for every barrel containing thirty-one gallons, and at a like rate for any other quantity or for the fractional part of a barrel. However, no tax shall be levied or collected on beer shipped outside this state by a class "A" ~~or class "AA"~~ beer permittee or sold by one class "A" ~~or class "AA"~~ beer permittee to another class "A" ~~or class "AA"~~ beer permittee.

Sec. 33. Section 123.137, subsection 1, Code 2017, is amended to read as follows:

1. A person holding a class "A", ~~class "AA", or special class "A", or special class "AA"~~ beer permit shall, on or

before the tenth day of each calendar month commencing on the tenth day of the calendar month following the month in which the person is issued a beer permit, make a report under oath to the division electronically, or in a manner prescribed by the administrator, showing the exact number of barrels of beer, or fractional parts of barrels, sold by the beer permit holder during the preceding calendar month. The report shall also state information the administrator requires, and beer permit holders shall at the time of filing a report pay to the division the amount of tax due at the rate fixed in section 123.136.

Sec. 34. Section 123.138, subsection 1, Code 2017, is amended to read as follows:

1. Each class "A", ~~class "AA", or~~ special class "A", ~~or special class "AA"~~ beer permittee shall keep proper records showing the amount of beer sold by the permittee, and these records shall be at all times open to inspection by the administrator and to other persons pursuant to section 123.30, subsection 1. Each class "B" beer permittee, class "C" beer permittee, or retail liquor control licensee shall keep proper records showing each purchase of beer made by the permittee or licensee, and the date and the amount of each purchase and the name of the person from whom each purchase was made, which records shall be open to inspection pursuant to section 123.30, subsection 1, during normal business hours of the permittee or licensee.

Sec. 35. Section 123.139, Code 2017, is amended to read as follows:

**123.139 Separate locations — class "A", ~~class "AA", or special class "A", or special class "AA"~~ beer permit.**

A class "A", ~~class "AA", or~~ special class "A", ~~or special class "AA"~~ beer permittee having more than one place of business is required to have a separate beer permit for each separate place of business maintained by the permittee where beer is stored, warehoused, or sold.

Sec. 36. Section 123.142, Code 2017, is amended to read as follows:

**123.142 Unlawful sale and importation.**

1. It is unlawful for the holder of a class "B" or class

"C" beer permit issued under [this chapter](#) to sell beer, except beer brewed on the premises covered by a special class "A" ~~or special class "AA"~~ beer permit or beer purchased from a person holding a class "A" ~~or class "AA"~~ beer permit issued in accordance with [this chapter](#), and on which the tax provided in section 123.136 has been paid. However, [this section](#) does not apply to class "D" liquor control licensees as provided in this chapter.

2. It shall be unlawful for any person not holding a class "A" ~~or class "AA"~~ beer permit to import beer into this state for the purpose of sale or resale.

Sec. 37. Section 123.143, subsection 3, Code 2017, is amended to read as follows:

3. Barrel tax revenues collected on beer manufactured in this state from a class "A" ~~or class "AA"~~ beer permittee which owns and operates a brewery located in Iowa shall be credited to the barrel tax fund hereby created in the office of the treasurer of state. Moneys deposited in the barrel tax fund shall not revert to the general fund of the state without a specific appropriation by the general assembly. Moneys in the barrel tax fund are appropriated to the economic development authority for purposes of [section 15E.117](#).

Sec. 38. Section 123.144, subsection 1, Code 2017, is amended to read as follows:

1. No person shall bottle beer within the state of Iowa, except class "A", and special class "A", ~~class "AA", and special class "AA"~~ beer permittees who have complete equipment for bottling beer and who have received the approval of the local board of health as to sanitation. It shall be the duty of local boards of health to inspect the premises and equipment of class "A", and special class "A", ~~class "AA", and special class "AA"~~ beer permittees who desire to bottle beer.

### DIVISION III

#### NATIVE DISTILLED SPIRITS

Sec. 39. Section 123.3, subsections 28 and 29, Code 2017, are amended to read as follows:

28. ~~"Micro-distilled "~~"Native distilled spirits" means ~~distilled~~ spirits fermented, distilled, or, for a period of two years, barrel matured on the licensed premises of the

~~micro-distillery~~ native distillery where fermented, distilled, or matured. ~~"Micro-distilled spirits"~~ "Native distilled spirits" also includes blended or mixed spirits comprised solely of spirits fermented, distilled, or, for a period of two years, barrel matured at a ~~micro-distillery~~ native distillery.

29. ~~"Micro-distillery"~~ "Native distillery" means a business with an ~~operational~~ operating still which, ~~combining all production facilities of the business,~~ produces and manufactures ~~less than fifty thousand proof gallons of~~ native distilled spirits on an annual basis.

Sec. 40. Section 123.30, subsection 3, paragraph c, Code 2017, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) A class "C" native distilled spirits liquor control license may be issued to a native distillery but shall be issued in the name of the individuals who actually own the business and shall only be issued to a native distillery which, combining all production facilities of the business, produces and manufactures not more than one hundred thousand proof gallons of distilled spirits on an annual basis. The license shall authorize the holder to sell native distilled spirits manufactured on the premises of the native distillery to patrons by the individual drink for consumption on the premises. All native distilled spirits sold by a native distillery for on-premises consumption shall be purchased from a class "E" liquor control licensee.

Sec. 41. Section 123.32, subsection 1, Code 2017, is amended to read as follows:

1. *Filing of application.* An application for a class "A", class "B", class "C", or class "E" liquor control license, for a class "A" ~~micro-distilled~~ native distilled spirits ~~permit license,~~ for a retail beer permit as provided in sections 123.128 and 123.129, or for a class "B", class "B" native, or class "C" native retail wine permit as provided in section 123.178, 123.178A, or 123.178B, accompanied by the necessary fee and bond, if required, shall be filed with the appropriate city council if the premises for which the license or permit is sought are located within the corporate limits of a city, or with the board of supervisors if the premises for which the license or permit is sought are located outside the corporate

limits of a city. An application for a class "D" liquor control license and for a class "A" beer or class "A" wine permit, accompanied by the necessary fee and bond, if required, shall be submitted to the division electronically, or in a manner prescribed by the administrator, which shall proceed in the same manner as in the case of an application approved by local authorities.

Sec. 42. Section 123.36, Code 2017, is amended by adding the following new subsection:

NEW SUBSECTION. 3A. Class "C" native distilled spirits liquor control license, the sum of two hundred fifty dollars.

Sec. 43. Section 123.36, subsection 5, Code 2017, is amended to read as follows:

5. Any club, hotel, motel, native distillery, or commercial establishment holding a liquor control license, subject to section 123.49, subsection 2, paragraph "b", may apply for and receive permission to sell and dispense alcoholic liquor and wine to patrons on Sunday for consumption on the premises only, and beer for consumption on or off the premises between the hours of 8:00 a.m. on Sunday and 2:00 a.m. on the following Monday. A class "D" liquor control licensee may apply for and receive permission to sell and dispense alcoholic beverages to patrons for consumption on the premises only between the hours of 8:00 a.m. on Sunday and 2:00 a.m. on the following Monday. For the privilege of selling beer, wine, and alcoholic liquor on the premises on Sunday the liquor control license fee of the applicant shall be increased by twenty percent of the regular fee prescribed for the license pursuant to [this section](#), and the privilege shall be noted on the liquor control license.

Sec. 44. NEW SECTION. 123.43 **Class "A" native distilled spirits license — application and issuance — fees.**

1. A person applying for a class "A" native distilled spirits license shall submit an application electronically, or in a manner prescribed by the administrator, which shall set forth under oath the following:

a. The name and place of residence of the applicant.

b. The names and addresses of all persons or, in the case of a corporation, the officers, directors, and persons owning or controlling ten percent or more of the capital stock thereof,

having a financial interest, by way of loan, ownership, or otherwise, in the business.

*c.* The location of the premises where the applicant intends to operate.

*d.* The name of the owner of the premises and if the owner of the premises is not the applicant, whether the applicant is the actual lessee of the premises.

*e.* When required by the administrator, and in such form and containing such information as the administrator may require, a description of the premises where the applicant intends to use the license, to include a sketch or drawing of the premises and, if applicable, the number of square feet of interior floor space which comprises the retail sales area of the premises.

*f.* Whether any person specified in paragraph "b" has ever been convicted of any offense against the laws of the United States, or any state or territory thereof, or any political subdivision of any such state or territory.

*g.* Any other information as required by the administrator.

2. Except as otherwise provided in this chapter, the administrator shall issue a class "A" native distilled spirits license to any applicant who establishes all of the following:

*a.* That the applicant has submitted a completed application as required by subsection 1.

*b.* That the applicant is a person of good moral character as provided in section 123.3, subsection 34.

*c.* That the applicant is a citizen of the state of Iowa or, if a corporation, that the applicant is authorized to do business in the state.

*d.* That the applicant is a bona fide manufacturer of alcoholic liquors, and that the applicant will faithfully observe and comply with all laws, rules, and regulations governing the manufacture and sale of alcoholic liquor.

*e.* That the premises where the applicant intends to use the license conforms to all applicable laws, health regulations, and fire regulations, and constitutes a safe and proper place or building.

*f.* That the applicant gives consent to a person, pursuant to section 123.30, subsection 1, to enter upon the premises without a warrant during the business hours of the applicant

to inspect for violations of the provisions of this chapter or ordinances and regulations that local authorities may adopt.

3. A class "A" native distilled spirits license for a native distillery shall be issued and renewed annually upon payment of a fee of five hundred dollars.

4. A violation of the requirements of this chapter shall subject the licensee to the general penalties provided in this chapter and shall constitute grounds for imposition of a civil penalty or suspension or revocation of the license after notice and opportunity for a hearing pursuant to section 123.39 and chapter 17A.

Sec. 45. Section 123.43A, Code 2017, is amended to read as follows:

**123.43A ~~Micro-distilled spirits — permit~~ Native distilleries.**

1. Subject to rules of the division, a ~~micro-distillery~~ native distillery holding a class "A" ~~micro-distilled native distilled~~ spirits permit pursuant to ~~this section~~ license issued pursuant to section 123.43 may sell or offer for sale ~~micro-distilled native distilled~~ spirits. As provided in this section, sales of native distilled spirits manufactured on the premises may be made at retail for off-premises consumption when sold on the premises of the ~~micro-distillery~~ native distillery that manufactures ~~micro-distilled native distilled~~ spirits. All sales intended for resale in this state shall be made through the state's wholesale distribution system.

2. A ~~micro-distillery~~ native distillery shall not sell more than one and one-half liters per person per day, of ~~micro-distilled native distilled~~ spirits on the premises of the ~~micro-distillery~~ native distillery. However, a native distillery which, combining all production facilities of the business, produces and manufactures not more than one hundred thousand proof gallons of native distilled spirits on an annual basis, may sell not more than nine liters per person per day, of native distilled spirits. In addition, a ~~micro-distillery~~ native distillery shall not directly ship ~~micro-distilled native distilled~~ spirits for sale at retail. The ~~micro-distillery~~ native distillery shall maintain records of individual purchases of ~~micro-distilled native distilled~~ spirits.

spirits at the ~~micro-distillery~~ native distillery for three years.

3. A ~~micro-distillery~~ native distillery shall not sell ~~micro-distilled~~ native distilled spirits other than as permitted in [this chapter](#) and shall not allow ~~micro-distilled~~ native distilled spirits sold for consumption off the premises to be consumed upon the premises of the ~~micro-distillery~~ native distillery. However, ~~as a part of a micro-distillery tour,~~ ~~micro-distilled~~ native distilled spirits may be tasted pursuant to the rules of the division on the premises where fermented, distilled, or matured, when no charge is made for the tasting.

4. A class "A" ~~micro-distilled~~ spirits permit for a ~~micro-distillery~~ shall be issued and renewed annually upon payment of a fee of five hundred dollars.

5. The sale of ~~micro-distilled~~ native distilled spirits to the division for wholesale disposition and sale by the division shall be subject to the requirements of [this chapter](#) regarding such disposition and sale.

6. ~~5.~~ The division shall issue no more than three permits under [this section](#) class "A" native distilled spirits licenses to a person. In addition, a ~~micro-distillery~~ native distillery issued a permit under [this section](#) class "A" native distilled spirits license shall file with the division, on or before the fifteenth day of each calendar month, all documents filed by the ~~micro-distillery~~ native distillery with the alcohol and tobacco tax and trade bureau of the United States department of the treasury, including all production, storage, and processing reports.

7. ~~Micro-distilled~~ spirits purchased at a ~~micro-distillery~~ shall not be consumed on any property owned, operated, or controlled by a ~~micro-distillery~~.

6. Notwithstanding any provision of this chapter to the contrary or the fact that a person is the holder of a class "A" native distilled spirits license, a native distillery which, combining all production facilities of the business, produces and manufactures not more than one hundred thousand proof gallons of native distilled spirits on an annual basis may sell those native distilled spirits manufactured on the premises of the native distillery for consumption on the

premises by applying for a class "C" native distilled spirits liquor control license as provided in section 123.30. A native distillery may be granted not more than one class "C" native distilled spirits liquor control license. All native distilled spirits sold by a native distillery for on-premises consumption shall be purchased from a class "E" liquor control licensee. A manufacturer of native distilled spirits may be issued a class "C" native distilled spirits liquor control license regardless of whether the manufacturer is also a manufacturer of native wine pursuant to a class "A" wine permit. A native distillery engaged in the business of manufacturing beer shall not be issued a class "C" native distilled spirits liquor control license.

7. A native distillery may sell the native distilled spirits it manufactures to customers outside the state.

Sec. 46. Section 123.56, subsection 5, Code 2017, is amended to read as follows:

5. Notwithstanding any other provision of [this chapter](#), a person engaged in the business of manufacturing native wine may sell native wine at retail for consumption on the premises of the manufacturing facility by applying for a class "C" native wine permit as provided in [section 123.178B](#). A manufacturer of native wine may be granted not more than one class "C" native wine permit. A manufacturer of native wine may be issued a class "C" native wine permit regardless of whether the manufacturer is also a manufacturer of native distilled spirits pursuant to a class "A" native distilled spirits license.

Sec. 47. Section 123.173A, subsections 4 and 7, Code 2017, are amended to read as follows:

4. The authorized nonprofit entity conducting the charity beer, spirits, and wine auction shall obtain the beer, spirits, and wine to be auctioned at the charity beer, spirits, and wine auction from an Iowa retail beer permittee, an Iowa retail liquor control licensee, or an Iowa retail wine permittee, or may receive donations of beer, spirits, or wine to be auctioned at the charity beer, spirits, and wine auction from persons who purchased the donated beer, spirits, or wine from an Iowa retail beer permittee, an Iowa retail liquor control licensee, an Iowa ~~micro-distilled~~ class "A" native distilled spirits

permittee licensee, or an Iowa retail wine permittee and who present a receipt documenting the purchase at the time the beer, spirits, or wine is donated. The authorized nonprofit entity conducting the charity beer, spirits, and wine auction shall retain a copy of the receipt for a period of one year from the date of the charity beer, spirits, and wine auction.

7. A liquor control licensee, beer permittee, ~~micro-distilled~~ class "A" native distilled spirits ~~permittee licensee~~, or wine permittee shall not purchase beer, spirits, or wine at a charity beer, spirits, and wine auction. The charity beer, spirits, and wine auction may be conducted on a premises for which a class "B" liquor control license or class "C" liquor control license has been issued, provided that the liquor control licensee does not participate in the charity beer, spirits, and wine auction, supply beer, spirits, or wine to be auctioned at the charity beer, spirits, and wine auction, or receive any of the proceeds of the charity beer, spirits, and wine auction.

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LINDA UPMEYER  
Speaker of the House

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JACK WHITVER  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 607, Eighty-seventh General Assembly.

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CARMINE BOAL  
Chief Clerk of the House

Approved \_\_\_\_\_, 2017

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TERRY E. BRANSTAD  
Governor



Terry E. Branstad *Governor of Iowa*  
Kim Reynolds *Lieutenant Governor*  
Stephen Larson *Administrator*

**DATE:** April 26, 2017

**TO:** Iowa Alcoholic Beverages Commission

**FR:** Tyler Ackerson, Alcoholic Beverages Division

**RE:** HF607 – Alcoholic Beverages Division Bill

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This bill concerns alcoholic beverage control and matters under the purview of the Alcoholic Beverages Division of the Department of Commerce. The bill is presented in three divisions and makes technical and policy changes to Iowa's alcohol laws. This memo explains the rationale for the law changes in each division. Next, it provides an overview of the changes in each division, and follows with a section by section review.

Additionally, Appendix A of the memo details the projected fiscal impact of licensing changes found in the bill. Overall, a small group of licensees/permittees will see a slight annual permit fee increase, some licensees will no longer be required to obtain a separate permit, and some licensees will choose to obtain a newly-created license. The end result is an estimated \$20,175 in new licensing revenue for the state.

#### **DIVISION I – ALCOHOLIC BEVERAGE CONTROL**

This part of the bill was originally submitted as a department bill. It makes technical changes to Iowa Code chapter 123 to eliminate language that is unclear or redundant, establishes wording that more accurately reflects the Division's practices, and creates uniform language regarding the contents of applications for liquor control licenses, wine permits, and beer permits. These changes will make the law easier to understand and enforce and streamline the Division's business processes.

#### **DIVISION II – BEER PERMITS**

This part of the bill combines the Alcoholic Beverages Division's technical changes to the contents of applications for beer permits with the recommendations of Administrator Stephen Larson and Director Debi Durham to streamline licensing for Iowa beer manufacturers and wholesalers. The bill consolidates beer permits, annual permit fees, and bond requirements for beer manufacturers and wholesalers by eliminating class "AA" and special class "AA" beer permits.

As also recommended by Administrator Larson and Director Durham, DIVISION II of the bill makes two policy changes related to the sale of beer in the marketplace. The first authorizes brewpubs to sell the beer they make for consumption off the premises in a growler that is filled and sealed at the time of sale to a customer without passing through the wholesale tier. (Beer that is bottled, canned, or kegged ahead of sale is still required to pass through the wholesale tier.) The second provides that brewpubs are responsible for reporting and remitting the barrel tax for beer sold in a growler.

Finally, this part of the bill changes the law to allow an Iowa beer manufacturer with a taproom (a brewery) to also sell wine by the glass to customers for consumption on the premises. In 2009, the legislature passed reciprocal language that allowed native wineries to sell beer, in addition to wine, for consumption on the premises. The Division originally offered this recommendation as part of its department bill. The change is viewed as non-controversial because it does not pose a threat to the three-tier distribution system or create a new exception to the tied house provision in §123.45. Rather, this change equalizes the limited on-premises retail privileges of Iowa wine and beer manufacturers.

### **DIVISION III – NATIVE DISTILLED SPIRITS**

This part of the bill makes substantive policy changes related to micro-distilleries and micro-distilled spirits. The bill changes the terminology for Iowa distilled spirits producers and their products from “micro” to “native”.

The bill creates a two-tiered structure of retail privileges for native distillers based upon annual production. Those native distilleries producing more than 100,000 proof gallons of native distilled spirits annually are allowed to sell up to 1.5 liters per person per day for off-premises consumption. Those native distilleries producing not more than 100,000 proof gallons annually are allowed to sell up to 9 liters of native distilled spirits per person per day for off-premises consumption. Also, a native distiller producing not more than 100,000 proof gallons annually who is not also engaged in the manufacturing of beer may apply for a new class “C” native distilled spirits liquor control license allowing for the retail sale for on-premises consumption of only those native distilled spirits manufactured by the native distillery. All native distilleries, regardless of size, are allowed to provide complimentary tastes of their native distilled spirits to consumers at the native distillery.

To summarize, the changes in this bill will make it easier and more efficient for Iowans to conduct business with state government, make Iowa’s alcohol laws clearer and easier to both understand and enforce, maintain the three-tier distribution system, and result in public policy that creates opportunities for improved commerce, all the while ensuring that the health and safety of Iowans is protected.

**OVERVIEW: DIVISION I – ALCOHOLIC BEVERAGE CONTROL**

- Amend the definition of “licensed premises” or “premises” to allow greater flexibility to retailers and local authorities when they are adding outdoor service areas to licensed premises.
- Restructure unnumbered Code sections and make technical changes throughout the chapter to improve readability.
- Remove language pertaining to “cash payment” as a method of payment for liquor purchases because it is no longer accepted by the Division.
- Eliminate application content requirements that are no longer needed by the Division.
- Allow the Division to provide notification to local authorities in a more efficient, cost-effective manner.
- Clarify the types of business records that licensees and permittees are required to maintain.
- Clarify how seasonal licenses and permits are issued.
- Explain how signs and branded advertising materials may be used on a licensed premises.
- Restructure the application contents for wine permits into a logical sequence, create consistent language for beer and wine permits, and add language that is currently incorporated by reference, which will assist the reader. Also, makes conforming changes as necessary.

**DIVISION I SECTION BY SECTION:**

SECTION 1: Amends the definition of “licensed premises” or “premises” found in §123.3(25) to allow a non-contiguous space to be added to a licensed premises, subject to the approval of the Administrator. An example of a non-contiguous space would be an outdoor seating area that is separated from the licensed premises by a public sidewalk.

SECTION 2: Amends §123.22, which pertains to the state monopoly, by restructuring the unnumbered paragraph into four subsections to assist the reader. It also amends newly numbered subsection 4 to allow individuals to make, sell, or transport devices and ingredients used to make homemade beer.

SECTION 3: Amends §123.23(2) as it pertains to the information provided by an applicant for a Distiller’s Certificate of Compliance. The amendment removes the ambiguous phrase “from time to time” from the sentence that requires the certificate holder to update the information as necessary to keep it current with the Division.

SECTION 4: Amends §123.28, which pertains to restrictions on transportation, by restructuring the unnumbered paragraph into five subsections to assist the reader.

SECTION 5: Amends §123.30(1)(c) by removing ‘*cash payment*’ as a type of payment for purchases from the Division that would exempt an applicant for class “E” liquor license from posting a bond as a condition of licensure. The Division does not accept cash payments for liquor purchases.

SECTION 6: Strikes §123.31(6) which requires an applicant for a liquor control license to disclose possession of a federal gambling stamp during the licensing process. This is not needed because the Racing and Gaming Commission regulates gambling, not the Division.

This section also strikes §123.31(7), eliminating the requirement of an applicant to provide a statement of proof that security employees have been properly trained and certified, if it is required by the local licensing authority. The Division does not require proof of security training as a condition of obtaining a license or permit. Therefore, local authorities are responsible for validating security employee training/certification in compliance with their local ordinances.

SECTION 7: Amends §123.32(6)(b) by striking language that requires the Division to use certified mail to notify the local authority when an application for a license or permit has been denied. New language is inserted that authorizes the Division to use electronic notification and other means to provide notice to the local authority. This change streamlines the notification process for the Division and delivers a minimal cost saving to the state.

SECTION 8: Amends §123.33 to identify the types of business records that licensees and permittees are required to maintain and make available as needed for inspection purposes.

SECTION 9: Amends §123.34 to correctly address the treatment of six month or eight month seasonal licenses or permits. This type of license or permit expires at the end of a six-month or eight-month

season and cannot be renewed. Rather, a person with this type of business may apply for a new permit at the same location after a period of two months.

SECTION 10: Amends §123.49(2)(b) by eliminating the word “beer” in the first sentence because it is redundant. The term “alcoholic beverage” includes liquor, wine, and beer. This paragraph is further amended to clarify that the stated legal hours of sale also apply to businesses with retail wine permits.

SECTION 11: Amends by striking §123.49(2)(k), which pertains to legal hours of sale for businesses with wine permits. The legal hours of sale for all licenses and permits are now addressed in paragraph “b” due to the change in Section 10.

SECTION 12: Amends §123.51(2) to clarify for the reader how signs and branded advertising matter may be used on a licensed premises. The use of signs is also addressed in Division rule 185-16.13(3).

SECTION 13: The Division is in the process of updating its current e-licensing system and seeks to create uniform language regarding the contents of applications for wine permits and beer permits. This section amends §123.175 regarding application contents for wine permits by striking the section and restructuring it into a more logical sequence.

New §123.175(1)(b) and §123.175(1)(f) incorporate language from liquor license application contents that explains that all owners with ten percent or more interest in the business must be listed on the application and disclose any criminal convictions to ensure they meet the test of good moral character as the law requires in §123.3(34). Neither of these requirements are new; incorporating the language here will assist the applicant.

SECTION 14: Amends §123.177 by adding a new subsection allowing a class “A” wine permit holder (a native winery or wine wholesaler) to sell wine to the holder of both a class “A” and class “B” beer permit (a brewery). The authority for a brewery to sell wine in its taproom is addressed in Section 28.

SECTION 15: Amends §123.178B(4) to clarify the manner in which a native wine manufacturer may sell beer for consumption on or off the premises covered by its class “C” native wine permit. This is not a new privilege.

SECTION 16: Amends §123.180(2) to provide that the holder of a vintner’s certificate of compliance shall update the information it files with the Division as necessary to keep the listing current.

SECTION 17: Amends §123.183(2)(a) to clarify that the gallonage tax on wine is collected when the wine is sold at wholesale.

SECTION 18: Amends §123.187(2)(c) to conform with amended language regarding the application contents for wine permits in Section 13 of the bill.

## **OVERVIEW: DIVISION II – BEER PERMITS**

- Consolidate beer manufacturing/wholesaling permits into two classes (class “A” for manufacturers and wholesalers; special class “A” for brewpubs). Combine the permits, fees, and bond requirements for beer and high alcohol content beer. Make conforming changes as necessary.
- Restructure the application contents for beer permits into a logical sequence, create consistent language for beer and wine permits, and add language that is currently incorporated by reference, which will assist the reader. Also, make conforming changes as necessary.
- Allow a retailer who makes beer (brewpub) to sell its beer to a customer in a growler for off premises consumption and bypass the wholesale tier. Under current law a brewpub is required to sell its beer to a wholesaler and repurchase it before it can fill a growler for a customer to take home. A brewpub is still required to sell beer that is pre-packaged in cans, bottles, kegs to a wholesaler for distribution.
- Require brewpubs to collect and report barrel tax on beer sold in growlers.
- Establish that a growler that is sealed by a class “B” beer permit holder or a class “C” liquor control license holder in compliance with the requirements of the Division shall not be deemed an open container, as long as the container is unopened and the contents have not been partially removed.
- Allow an Iowa brewery to purchase wine from a class “A” wine permittee (a native winery or wine wholesaler) for resale at retail by the glass in a taproom covered by a class “B” beer permit. This creates equal treatment: Iowa wine manufacturers may sell beer at retail on a premises covered by a class “C” native wine permit.

***DIVISION II SECTION BY SECTION:***

SECTION 19: Amends §123.30 to conform with the consolidation of beer permits for beer manufacturers and wholesalers.

SECTION 20: Amends by striking §123.124 and inserting new language that consolidates beer permits for beer manufacturers and wholesalers by eliminating the class “AA” and special class “AA” beer permits. The new language refers the reader to the corresponding Code section that describes the authority for each beer permit class.

SECTION 21: Amends §123.125 to conform with the consolidation of beer permits for beer manufacturers and wholesalers.

SECTION 22: The Division is in the process of updating its current e-licensing system and seeks to create uniform language regarding the contents of applications for wine permits and beer permits. This section amends §123.127 regarding application contents for beer permits by striking the section and restructuring it into a more logical sequence.

New §123.127(1)(b) and §123.127(1)(f) incorporate language from liquor license application contents that explains that all owners with ten percent or more interest in the business must be listed on the application and disclose any criminal convictions to ensure they meet the test of good moral character as the law requires in §123.3(34) Neither of these requirements are new; incorporating the language here will assist the applicant.

The bond requirement in §123.127(2)(f) is increased from \$5,000 to \$10,000. A majority of beer manufacturers/wholesalers currently post two \$5,000 bonds as a result of holding both “A” and “AA” permits. However, a small portion of permit holders holding only an “A” or “AA” permit will see an increase in the bond requirement.

SECTION 23: Amends §123.128(1)(a) to conform with new language that relates to application contents for beer permits.

SECTION 24: Amends §123.128(2) to conform with new language that relates to application contents for beer permits.

SECTION 25: Amends §123.129(1) “a” and “b” to conform with new language that relates to application contents for beer permits.

SECTION 26: Amends by striking §123.129(2)(d) to conform with new language that relates to application contents for beer permits.

SECTION 27: Amends §123.130, which pertains to the authority under a class “A” beer or a special class “A” beer permit, to conform with the consolidation of beer permits for beer manufacturers and wholesalers.

Amends §123.130(3) to allow a brewpub to sell the beer it makes at retail in a growler to customers for consumption off the premises without the beer needing to first be sold to a wholesaler. Any beer manufactured by the brewpub and intended to be sold in cans, bottles, kegs, etc. will still be required to be sold to a wholesaler. This change is made at the recommendation of Administrator Larson and Director Durham.

SECTION 28: Amends §123.131 to establish sealing requirements for beer that is sold at retail in a growler for consumption off the premises. Establishes that a growler that is sealed by a class “B” beer permit holder or a class “C” liquor control license holder in compliance with the requirements of the Division shall not be deemed an open container, as long as the container is unopened and the contents have not been partially removed. These requirements already exist for class “C” beer permit holders (grocery stores, convenience stores).

New §123.131(4) allows a beer manufacturer who also holds a class “B” beer permit (a brewery) to sell wine by the glass for consumption on the premises. In 2009, the legislature passed reciprocal language that allows native wineries to sell beer at retail on the premises covered by a class “C” native wine permit. This change is made at the recommendation of the Division and is viewed as non-controversial.

SECTION 29: Amends §123.134(1) to conform with the consolidation of beer permits for beer manufacturers and wholesalers by increasing the annual fee for a class “A” beer and a special class “A” beer permit from \$250 to \$750. A majority of beer manufacturers/wholesalers currently hold both “A” and “AA” permits and pay \$750 annually. However, a small portion of permit holders holding only an “A” or “AA” permit will see an increase in their annual permit fee.

SECTION 30: Amends by striking §123.134(2), which pertains to the fee for class “AA” beer and special class “AA” beer permits. This fee has been rolled into the annual fee for class “A” beer and special class “A” beer permits via the change in Section 29.

SECTION 31: Amends §123.135(2) to provide that the holder of a brewer’s certificate of compliance shall update the information it files with the Division as necessary to keep the listing current. Also, makes conforming changes as required related to the elimination of the class “AA” beer permit.

SECTION 32: Amends §123.136(1) to require a special class “A” permit holder (a brewpub) to report and remit barrel tax on beer that is sold in growlers for consumption off the licensed premises. This tax is currently collected by beer wholesalers, but with the change in Section 27 of the bill, brewpubs will be responsible for paying the tax. Also, makes conforming changes as required related to the elimination of the class “AA” and special class “AA” beer permits.

SECTION 33: Makes conforming changes to §123.137(1) related to the elimination of the class “AA” and special class “AA” beer permits.

SECTION 34: Makes conforming changes to §123.138(1) related to the elimination of the class “AA” and special class “AA” beer permits.

SECTION 35: Makes conforming changes to §123.139 related to the elimination of the class “AA” and special class “AA” beer permits.

SECTION 36: Makes conforming changes to §123.142 related to the elimination of the class “AA” and special class “AA” beer permits..

SECTION 37: Makes conforming changes to §123.143(3) related to the elimination of the class “AA” beer permit.

SECTION 38: Makes conforming changes to §123.144(1) related to the elimination of the class “AA” and special class “AA” beer permits.

### **OVERVIEW: DIVISION III – NATIVE DISTILLED SPIRITS**

- Rename the terminology used to describe Iowa distilled spirits producers and their products from “micro” to “native”.
- Maintain that native distilled spirits shall be distilled, fermented, or barrel matured for a period of two years on the licensed premises of a native distillery, ensuring that the retail privileges apply only to Iowa value-added products. Equal treatment: A wine manufacturer is required to “*process in Iowa the fruit...by fermentation into wine*” to be afforded the privileges of a native winery. (see §123.56(8)). Equal treatment: “*...a person engaged in the manufacturing of beer may sell beer at retail for consumption on or off the premises of the manufacturing facility...*”. (see §123.45(2)).
- Create a two-tier structure for retail privileges for native distilleries based upon annual production:
  - Native distilleries producing not more than 100,000 gallons annually may:
    - Sell up to 9 liters per person per day those native distilled spirits manufactured by the native distillery for off-premises consumption; and
    - If the native distiller is not also a manufacturer of beer, apply for a new class “C” native distilled spirits liquor control license allowing for the sale of those native distilled spirits manufactured by the native distillery for on-premises consumption at the native distillery.
  - Native distilleries producing more than 100,000 gallons annually may:
    - Sell up to 1.5 liters per person per day of those native distilled spirits manufactured by the native distillery for off-premises consumption.
- Allow all native distilleries, regardless of size, to provide complimentary tastes of those native distilled spirits manufactured by the native distillery to consumers visiting the native distillery.
- Allow a native distillery to sell native distilled spirits to customers outside of the state without obtaining a separate manufacturer’s license. Equal treatment: Iowa wine and beer manufacturers are not required to obtain an additional permit in order to sell at wholesale outside of Iowa.
- Allow a person holding a class “A” wine permit and operating as a native winery who also holds a class “A” native distilled spirits license to also obtain both a class “C” native wine permit allowing for by-the-glass sales of native wine and a class “C” native distilled spirits liquor control license.

***DIVISION III SECTION BY SECTION:***

SECTION 39: Amends §123.3(28) by replacing the term “micro-distilled spirits” with “native distilled spirits”. Amends §123.3(29) by replacing the term “micro-distillery” with “native distillery”, by replacing the word “operational” with “operating”, and by eliminating the annual 50,000 proof gallon production cap.

SECTION 40: Amends §123.30(3)(c) to establish a new class “C” native distilled spirits liquor control license. The new license authorizes a native distillery that produces not more than 100,000 gallons annually to sell native distilled spirits manufactured on the premises to customers by the glass for consumption on the premises. All native distilled spirits intended to be sold for on-premises consumption must be purchased from a class “E” licensee.

SECTION 41: Amends §123.32(1) to change the class “A” micro-distilled spirits permit to a class “A” native distilled spirits license.

SECTION 42: Creates new §123.36(3A), which establishes a \$250 fee for the new class “C” native distilled spirits liquor control license.

SECTION 43: Amends §123.36(5) to make the Sunday sales fee applicable to native distilleries holding the new class “C” native distilled spirits liquor control license that wish to sell on Sundays.

SECTION 44: Creates new §123.43, which establishes the application and issuance criteria and fee for a class “A” native distilled spirits license. The criteria are similar to the criteria for other licenses/permits.

SECTION 45: Amends §123.43A(1) to make conforming changes related to the change from “micro” to “native”. Also, clarifies that native distilled spirits manufactured on the premises may be sold for off-premises consumption, and clarifies that sales intended for resale in the state must go through the Division.

Amends §123.43A(2) to allow a native distillery producing not more than 100,000 gallons annually to sell up to 9 liters per person per day of native distilled spirits for off-premises consumption, and allow native distilleries producing more than 100,000 gallons annually to sell 1.5 liters per person per day of native distilled spirits for off-premises consumption. Also, makes conforming changes related to the change from “micro” to “native”.

Amends §123.43A(3) to make conforming changes related to the change from “micro” to “native”, and to clarify that native distilled spirits sold for off-premises consumption are not allowed to be consumed on the premises of the native distillery. Additionally, strikes the requirement that a tour of the native distillery be given prior to a consumer being given a complimentary taste of native distilled spirits.

Amends §123.43A(4) by striking the current language related to the fee for a class “A” micro-distilled spirits permit. The fee for the renamed class “A” native distilled spirits license is now found in §123.43(3). The new subsection 4 language is amended to make a conforming change related to the change from “micro” to “native”.

New §123.43A(5) is amended to establish a deadline for all reports submitted to the federal Alcohol and Tobacco Tax and Trade Bureau to also be submitted to the Division. Also, makes conforming changes related to the change from “micro” to “native”.

Creates new §123.43A(6), which allows a native distiller that produces not more than 100,000 proof gallons annually and is not also a manufacturer of beer to apply for the new class “C” native distilled spirits liquor control license. A native distiller that is also a manufacturer of native wine is eligible to apply for a class “C” native distilled spirits liquor control license. A native distillery may only be issued one class “C” native distilled spirits liquor control license. All native distilled spirits intended to be sold for on-premises consumption must be purchased from a class “E” licensee.

Strikes current §123.43A(7) because the language is incorporated into §123.43A(3). New subsection 7 allows a native distillery to sell its native distilled spirits to customers outside of the state without obtaining a separate manufacturer’s license, as required under current law.

SECTION 46: Amends §123.56(5) to allow a manufacturer of native wine who is also a manufacturer of native distilled spirits to obtain a class “C” native wine permit, allowing for the sale of native wine for on-premises consumption at a native winery.

SECTION 47: Amends §123.173A(4) and §123.173A(7) to make conforming changes related to the change from “micro” to “native”.

**APPENDIX A: FISCAL IMPACT OF LICENSING CHANGES IN HF607 (AS OF APRIL 18, 2017)**

Increase in brewery/brew pub/beer wholesaler permit fees	\$17,750
New class "C" native distilled spirits liquor control license (with Sunday sales)	\$4,875
Non-renewal of manufacturer's license	(\$2,450)
<b>Total New Revenue to the State</b>	<b>\$20,175</b>

Out of a total of 48 class "A" beer permit holders operating as breweries, 11 do not also hold a class "AA" beer permit. These 11 permit holders will see an annual permit fee increase of \$500. This will result in an additional \$5,500 in licensing revenue to the state.

Out of a total of 40 class "AA" beer permit holders operating as breweries, 3 do not also hold a class "A" beer permit. These 3 permit holders will see an annual permit fee increase of \$250. This will result in an additional \$750 in licensing revenue to the state.

Out of a total of 38 special class "A" beer permit holders operating as brew pubs, 14 do not also hold a special class "AA" beer permit. These 14 permit holders will see an annual permit fee increase of \$500. This will result in an additional \$7,000 in licensing revenue to the state.

Out of a total of 25 special class "AA" beer permit holders operating as brew pubs, one does not also hold a special class "A" beer permit. This permit holder will see an annual permit fee increase of \$250. This will result in an additional \$250 in licensing revenue to the state.

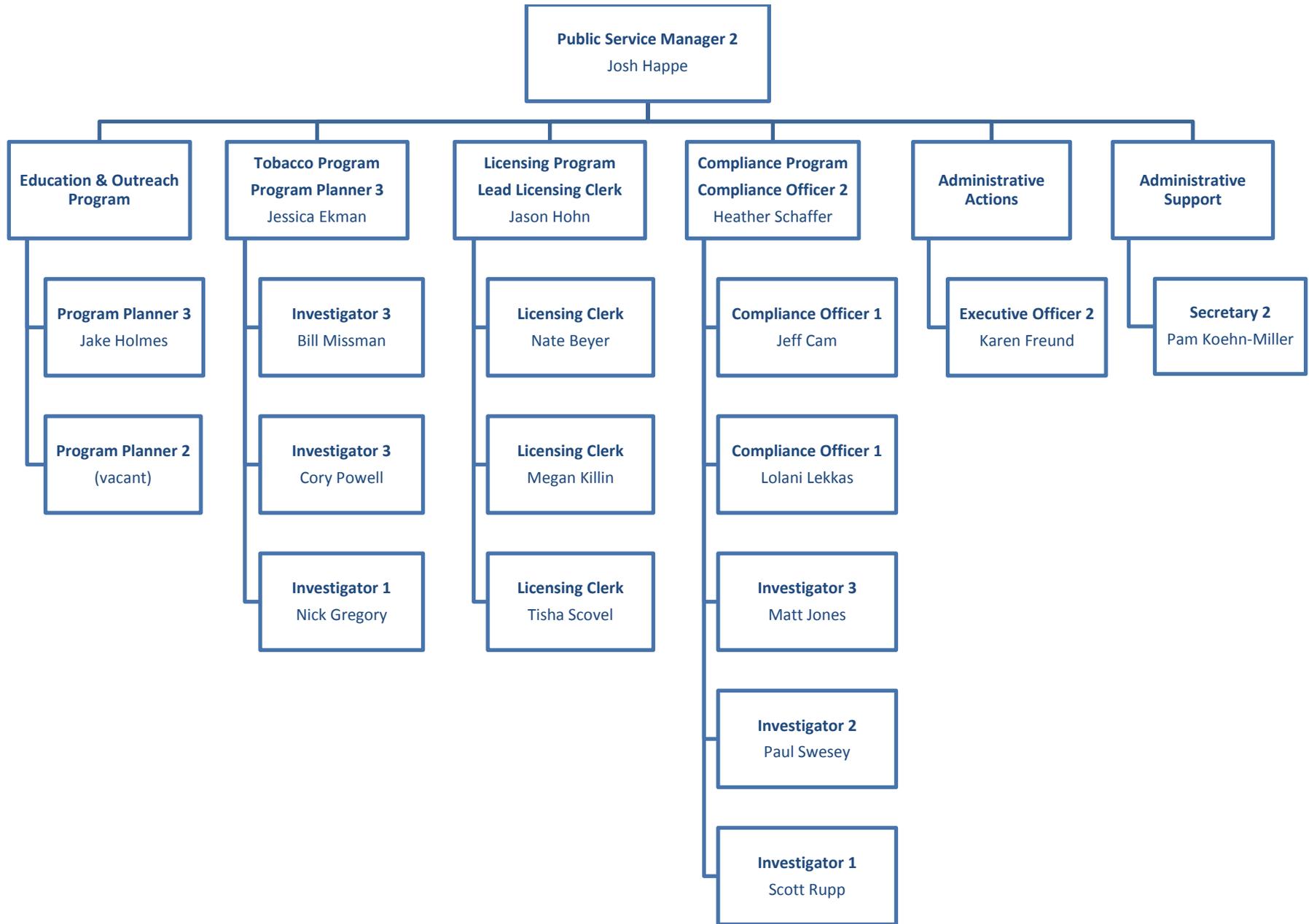
Out of a total of 42 class "A" beer permit holders operating as beer wholesalers, 8 do not also hold a class "AA" beer permit. These 8 permit holders will see an annual permit fee increase of \$500. This will result in an additional \$4,000 in licensing revenue to the state.

Out of a total of 35 class "AA" beer permit holders operating as beer wholesalers, one does not also hold a class "A" beer permit. This permit holder will see an annual permit fee increase of \$250. This will result in an additional \$250 in licensing revenue to the state.

Thirteen micro-distilleries will be eligible to apply for the new class "C" native distilled spirits liquor control license allowing for on-premises sales of native distilled spirits. The annual permit fee for a class "C" native distilled spirits liquor control license will be \$250, and the Division collects a 30 percent surcharge on the base license fee for all class "C" liquor control licenses. Assuming all 13 micro-distilleries obtain the new license, it will result in an additional \$4,225 in licensing revenue to the state. If all 13 also wish to sell on Sundays, this would generate an additional \$650 in revenue, bringing total new revenue to \$4,875.

Seven micro-distilleries currently hold a separate manufacturer's license, which allows them to sell their product to customers outside of the state. This privilege has been made part of their class "A" native distilled spirits license, negating the need for an additional manufacturer's license. This will result in a decrease of \$2,450 in licensing revenue to the state.

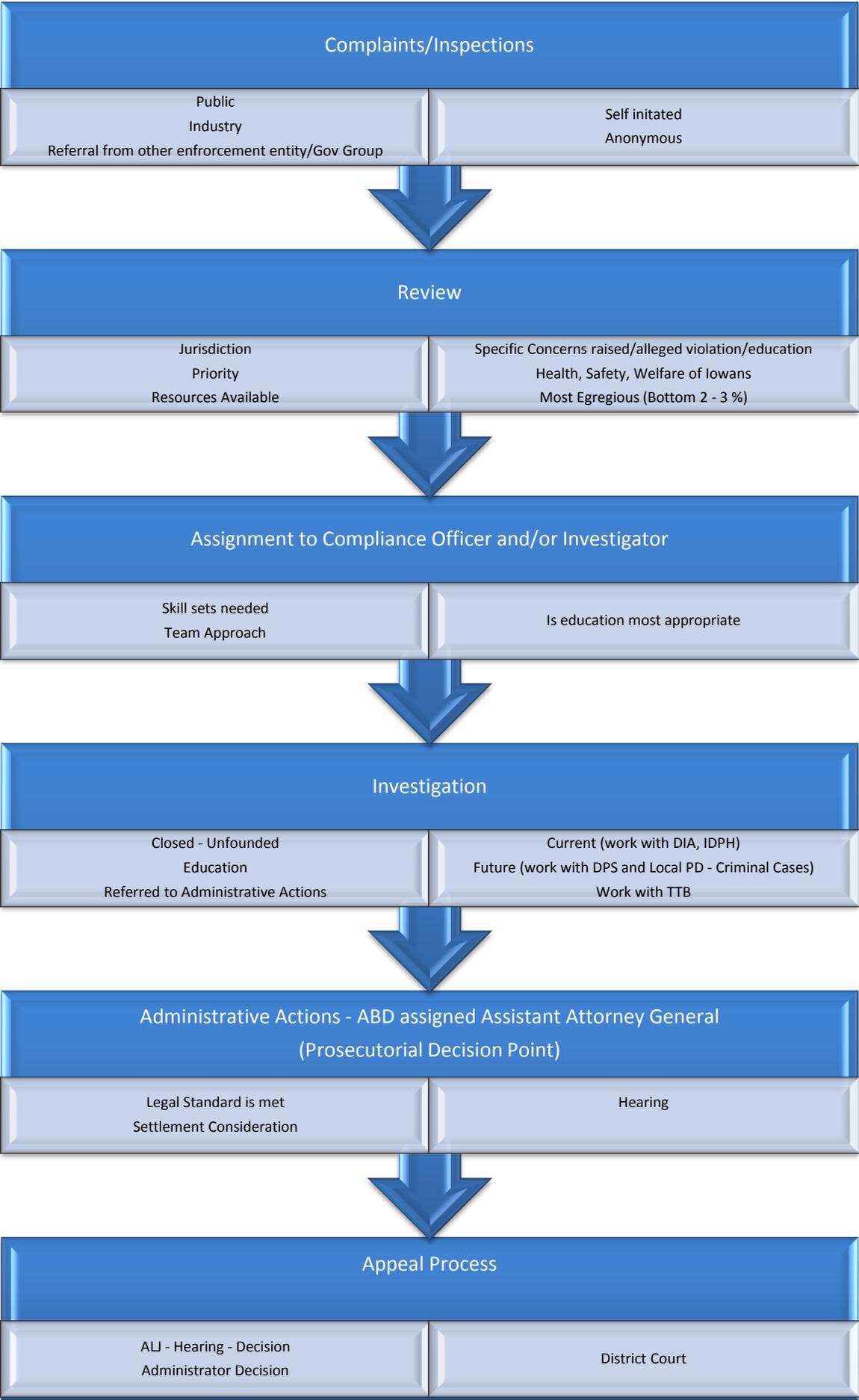
# Regulatory Compliance Program - Organizational Chart



## **Performance Standards**

There are 10 performance standards that the Regulatory Compliance Program will strive to meet.

1. Comply with all applicable statutes, regulations, and policy directions.
2. Maintain appropriate staffing levels.
3. Establish and adhere to written policies and procedures.
4. Maintain continuous and timely process flow in all program areas.
5. Maintain case file information.
6. Cooperate with other federal, state, and local agencies.
7. Recommend necessary statutory and programmatic changes.
8. Maintain current Memorandum of Understanding (MOU) with all appropriate agencies.
9. Exercise fiscal control over all program resources.
10. Maintain an annual training plan for professional staff.



# ABD Regulatory Focus for 2016 & 2017

## Site Inspections

### Class "E" Liquor Control Licensees

- New licensees
  - One year follow up
- Adjacent licenses
- Multiple locations
- With Class "C" Beer Permit Sub-license
  - Growlers

### Class "C" Liquor Licensees

- Brew Pub Sub-license

### Class "B" Beer Permittees

- Brew Pub Sub-license

### Class "C" Beer Permittees

- Growlers

### Waivers

- Vending machine
- Bathroom

### Smokefree Air Act

## Regulatory Compliance Examinations

Breweries

Micro-distilleries

Wholesalers

Wineries

## Complaint Investigations



## RFP Time Table (For Discussion Purposes)

Task	Dates	
	Start	End
<b>Forming the RFP</b>	12/01/2016	04/30/2017
<b>Finalizing the RFP</b>	05/01/2017	05/04/2017
<b>Release Date</b>	05/08/2017	05/08/2017
<b>Solicitation of Proposals</b>	05/09/2017	08/18/2017
<b>Respondent Mandatory Site Visit</b>	06/21/2017	06/21/2017
<b>Evaluation of Proposals</b>	08/19/2017	12/15/2017
<b>Intent to Award</b>	12/27/2017	01/15/2018
<b>Forming an Agreement</b>	01/16/2018	03/15/2018
<b>Implementation/Transition</b>	03/16/2018	01/01/2019



**Financial Overview YTD through March FY17**



## ABD Metrics July 1, 2016 - March 31st, 2017

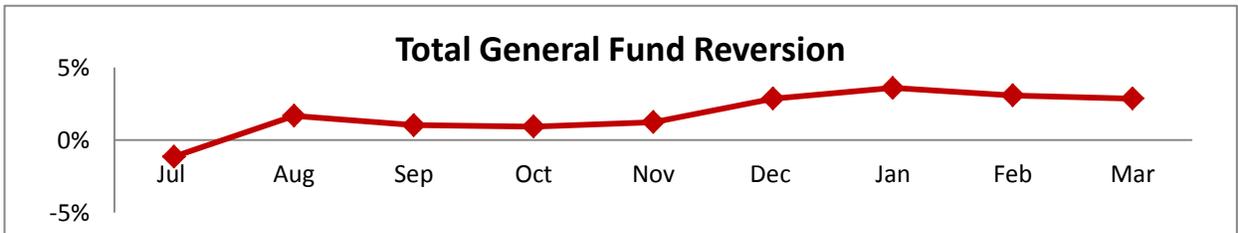
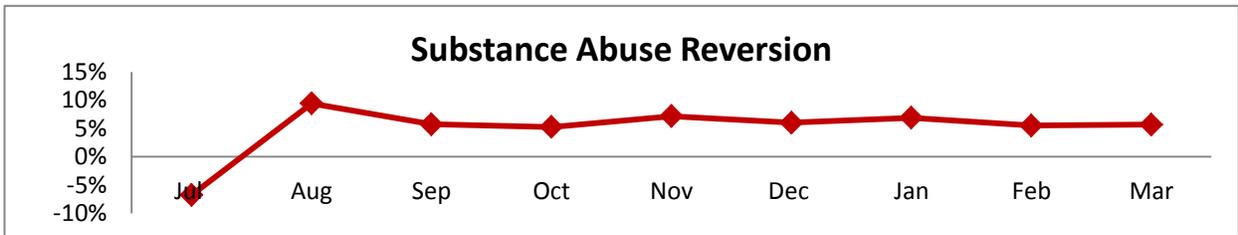
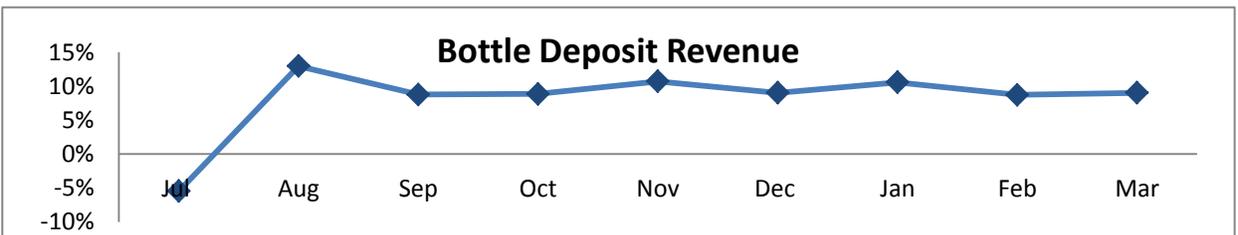
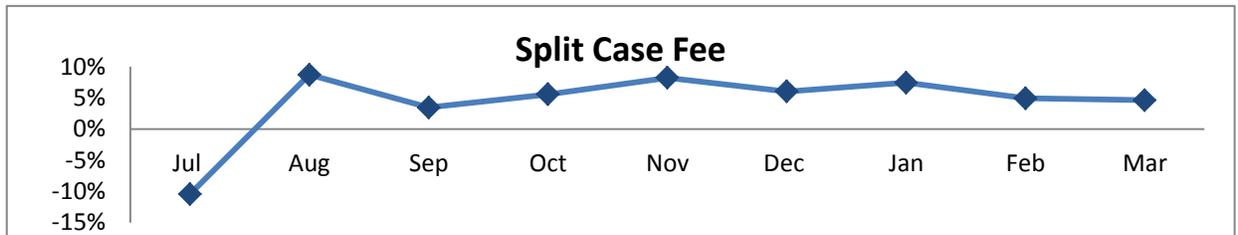
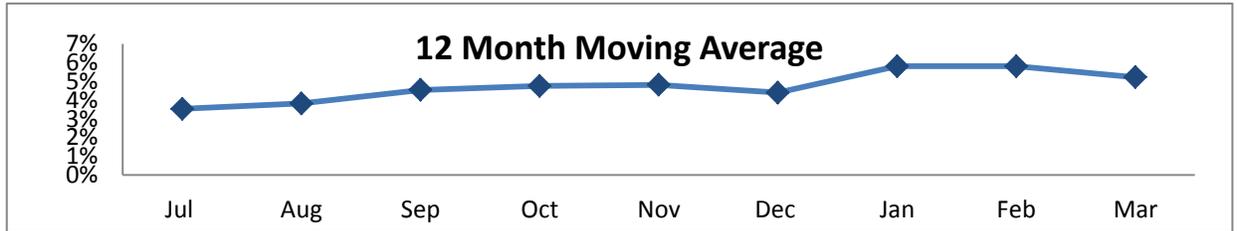
### FY 17 Current YTD Financial Analysis

Metric	FY2016	FY2017	Trend	5 Year Average	4 Year Average
Total Liquor Sales YTD	\$209,325,616.00	\$221,255,206.00	5.70%	5.50%	4.50%
12 Month Moving Average January	\$23,824,855.30	\$25,069,865.14	5.23%	5.50%	4.50%
Split Case Fee	\$1,078,578.00	\$1,128,525.00	4.63%		
Bottle Deposit Revenue	\$1,864,952.00	\$2,033,278.00	9.03%		
Substance Abuse Reversion	\$14,728,293.63	\$15,566,861.32	5.69%		
Liquor Profits Reversion	\$67,200,000	\$68,700,000	2.23%		
Total General Fund Reversion	\$81,928,294	\$84,266,861	2.85%		
Average Monthly Order Volume	4,065	4,873	19.88%		
Average Monthly Case Volume	155,781	162,954	4.60%		
Average Monthly Bottle Volume	1,805,328	1,909,639	5.78%		
Total Freight Cost per Case	\$1.39	\$1.33	-4.32%		
Driver Cost per Case	\$0.77	\$0.75	-2.60%		
Total Warehouse Operation Cost Per Case	\$0.94	\$1.16	23.40%		
Warehouse Worker Cost per Case	\$0.85	\$1.06	24.71%		

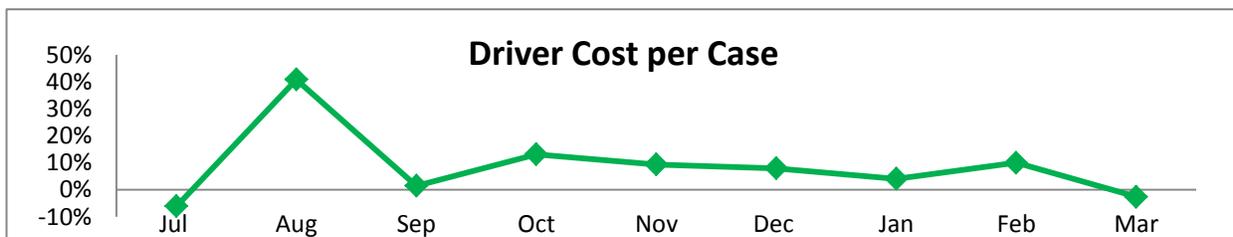
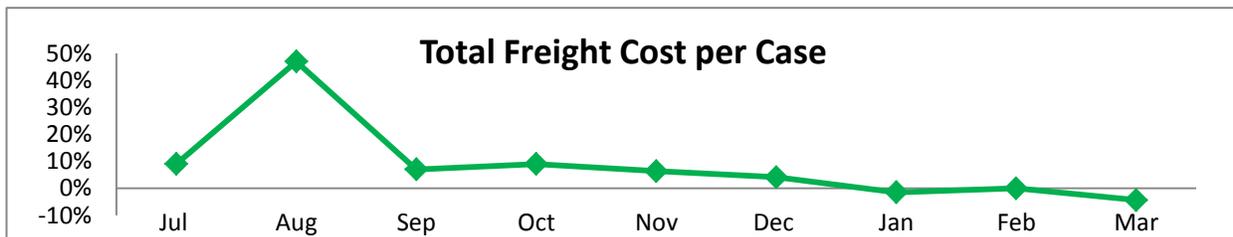
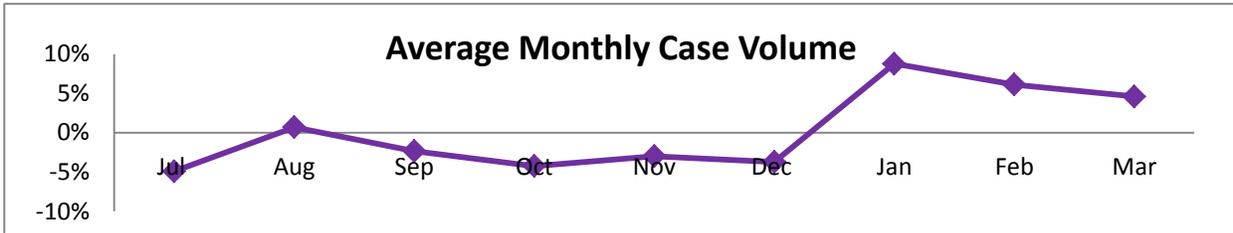
### Key Performance Indicators (KPIs) Benchmarks

Metric	ABD FY2016 Actual	ABD FY2017 Actual	Best in Class Benchmark	Median Industry Benchmark	
Distribution Cost as a % of Sales	3.39%	3.57%	2.04%	5.00%	
Distribution Cost as a % of Cost of Goods Sold	5.40%	5.60%	<1.6%	6.05%	
Distribution Cost Per Unit Shipped	\$0.440	\$0.460	\$0.30	\$1.04	

**ABD Metric Trend Line Data FY1 July 1, 2016 - March 31st, 2017**

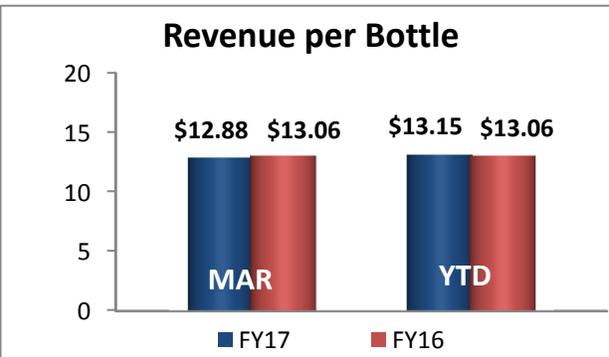
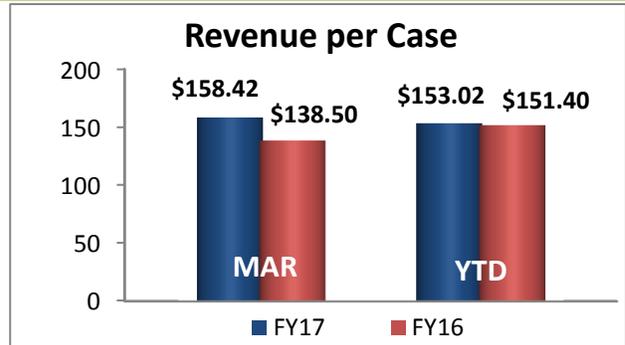
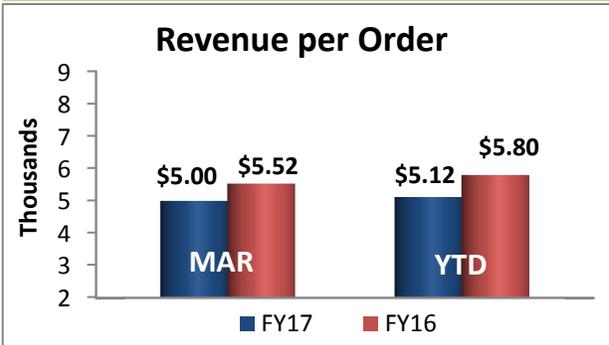


## ABD Metric Trend Line Data FY17 Continued



**FY 2017 MARCH SALES COMPARISON - YEAR OVER YEAR- CASH BASIS**

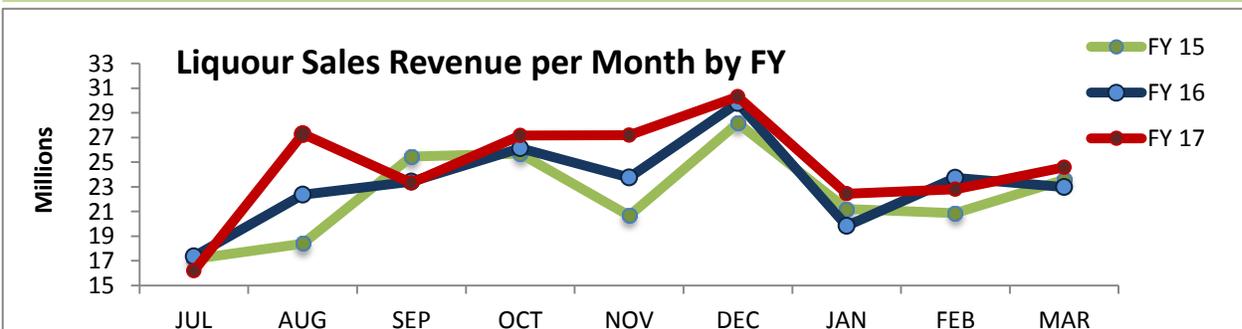
Category	FY 2017	FY 2016	% Change
Liquor Sales	24,588,551	22,973,373	7.03%
Split Case Fee	126,368	123,716	2.14%
Bottle Dep and Sur	235,196	210,851	11.55%
<b>Total Revenue</b>	<b>24,950,114</b>	<b>23,307,940</b>	<b>7.05%</b>
Orders	4,994	4,220	18.34%
Cases	157,498	168,292	-6.41%
Bottles	1,937,123	1,772,890	9.26%



JUL-MAR Average Sale Days Comparison	
Month	YOY
JUL-SEP 1st QTR	0
OCT- DEC 2nd QTR	-1
JAN	1
FEB	-1
MAR	0
<b>Total For FY through MAR</b>	<b>-1</b>

**JULY - MARCH SALES COMPARISON - YEAR TO DATE**

Category	FY 2017	FY 2016	% Change
Liquor Sales	221,255,205	209,325,616	5.70%
Split Case Fee	1,128,525	1,078,579	4.63%
Bottle Dep and Sur	2,033,275	1,864,953	9.03%
<b>Total Revenue</b>	<b>224,417,006</b>	<b>212,269,148</b>	<b>5.72%</b>
Orders	43,860	36,585	19.89%
Cases	1,466,590	1,402,028	4.60%
Bottles	17,186,751	16,247,956	5.78%

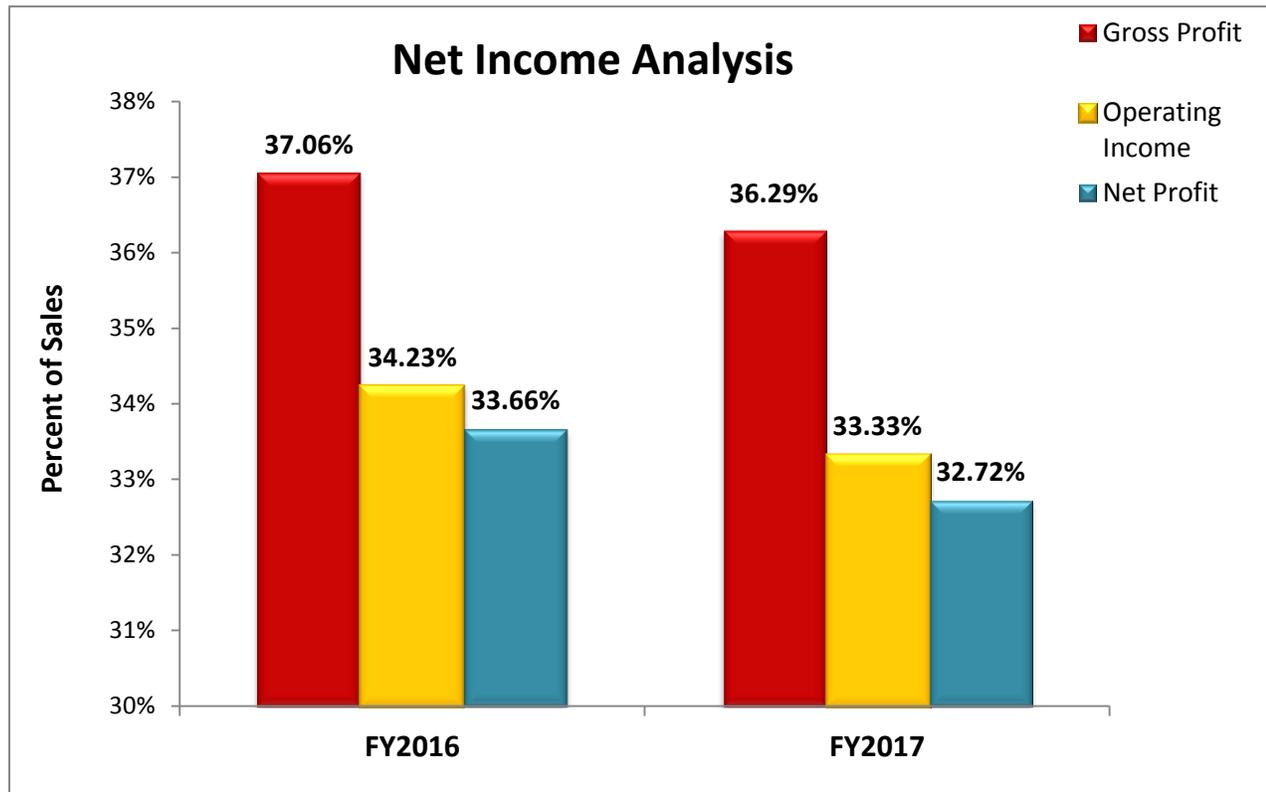


## Net Income Analysis YTD March 2017\*

\* Total amounts have been adjusted to exclude one time expenses

Category	FY2016	FY2017	% Change	Amount Change
Gross Profit	77,566,518	80,297,070	3.52%	\$ 2,730,552.00
Operating Income	71,655,587	73,736,952	2.90%	\$ 2,081,365.00
Net Profit	70,463,745	72,398,490	2.75%	\$ 1,934,745.00
Net Sales	209,325,616	221,255,206	5.70%	\$ 11,929,590.00

Percent Of Sales	FY2016	FY2017	% Change	Amount Change
Gross Profit	37.06%	36.29%	-2.06%	-0.77
Operating Income	34.23%	33.33%	-2.64%	-0.90
Net Profit	33.66%	32.72%	-2.79%	-0.94



Iowa ABD  
FY 17 Profit and Loss Statement  
Through March 31, 2017

	March FY 2016	March FY 2017	March FY17 vs. FY16 % Chg.	March FY17 vs. FY16 Amount Chg.	YTD FY 2016	YTD FY 2017	FY17 vs. FY16 % Chg.	FY17 vs. FY16 Amount Chg.
<b>Liquor Sales Revenue</b>	<b>22,973,373</b>	<b>24,588,551</b>	<b>7.03%</b>	<b>1,615,178</b>	<b>209,325,616</b>	<b>221,255,206</b>	<b>5.70%</b>	<b>11,929,590</b>
<b>Cost of Sales</b>								
Bailment	14,556,352	14,817,193	1.79%	260,841	133,501,919	142,635,113	6.84%	9,133,194
Less: Bailment Fees	(159,282)	(162,362)	1.93%	(3,080)	(1,451,708)	(1,530,739)	5.44%	(79,031)
Less: Special Handling Fees	(26,437)	(29,328)	10.94%	(2,891)	(235,567)	(131,081)	-44.36%	104,486
Less: Defective Products	(6,005)	(721)	-87.99%	5,284	(55,546)	(15,156)	-72.72%	40,390
<b>Total Cost of Sales</b>	<b>14,364,628</b>	<b>14,624,782</b>	<b>1.81%</b>	<b>260,154</b>	<b>131,759,098</b>	<b>140,958,137</b>	<b>6.98%</b>	<b>9,199,039</b>
<b>Gross Profit</b>	<b>8,608,745</b>	<b>9,963,769</b>	<b>15.74%</b>	<b>1,355,024</b>	<b>77,566,518</b>	<b>80,297,070</b>	<b>3.52%</b>	<b>2,730,552</b>
<b>Gross Profit %</b>	<b>37.5%</b>	<b>40.5%</b>	<b>8.14%</b>	<b>3.05%</b>	<b>37.1%</b>	<b>36.3%</b>	<b>-2.06%</b>	<b>-0.76%</b>
<b>Operating Expenses</b>								
Freight Expenses	265,607	165,709	-37.61%	(99,898)	1,959,846	1,953,420	-0.33%	(6,426)
Warehouse Expenses	209,581	136,258	-34.99%	(73,323)	1,315,873	1,712,532	30.14%	396,659
Other Expenses Related To Distribution	-	-	0.00%	-	-	-	#DIV/0!	-
<b>Total Operating Expenses</b>	<b>475,188</b>	<b>301,967</b>	<b>-36.45%</b>	<b>(173,221)</b>	<b>3,275,719</b>	<b>3,665,952</b>	<b>11.91%</b>	<b>390,233</b>
<b>General and Administrative Expenses</b>								
Warehouse Administration	57,117	16,754	-70.67%	(40,363)	496,201	475,364	-4.20%	(20,837)
Product Administration	57,795	25,026	-56.70%	(32,769)	341,750	314,649	-7.93%	(27,101)
Accounting	53,380	27,838	-47.85%	(25,542)	325,446	353,978	8.77%	28,532
Information Technology	102,392	257,502	151.49%	155,110	1,133,858	1,464,274	29.14%	330,416
Buildings and Grounds	46,949	21,628	-53.93%	(25,321)	337,957	285,901	-15.40%	(52,056)
<b>General and Administrative Expense Total</b>	<b>317,633</b>	<b>348,748</b>	<b>9.80%</b>	<b>31,115</b>	<b>2,635,212</b>	<b>2,894,166</b>	<b>9.83%</b>	<b>258,954</b>
<b>Income from Operations</b>	<b>7,815,924</b>	<b>9,313,054</b>	<b>19.15%</b>	<b>1,497,130</b>	<b>71,655,587</b>	<b>73,736,952</b>	<b>2.90%</b>	<b>2,081,365</b>
<b>Other Revenues</b>								
Split Case Fee	123,716	126,367	2.14%	2,651	1,078,579	1,128,525	4.63%	49,946
Bottle Deposit/Surcharge	210,851	235,196	11.55%	24,345	1,864,953	2,033,276	9.03%	168,323
Recycling	2,033	2,847	40.04%	814	15,556	15,444	-0.72%	(112)
Fuel and Lease Reimbursement	-	-	#DIV/0!	-	23,666	10,758	-54.54%	(12,908)
Lease Revenue	-	-	0.00%	-	39,976	39,976		
<b>Total Other Revenues</b>	<b>336,600</b>	<b>364,410</b>	<b>8.26%</b>	<b>27,810</b>	<b>3,022,730</b>	<b>3,227,978</b>	<b>6.79%</b>	<b>205,248</b>
<b>Other Expenses</b>								
Bottle Deposit Fee	40,487	49,997	23.49%	9,510	366,934	413,338	12.65%	46,404
Recycle Surcharge Fee	91,119	111,793	22.69%	20,674	827,584	924,224	11.68%	96,640
Liquor Refunds	-	-	100.00%	-	(2,676)	600	-122.42%	3,276
Substance Abuse Transfer	1,668,916	1,603,784	-3.90%	(65,132)	13,111,496	13,836,814	5.53%	725,318
<b>Total Other Expense</b>	<b>1,800,522</b>	<b>1,765,574</b>	<b>-1.94%</b>	<b>(34,948)</b>	<b>14,303,338</b>	<b>15,174,976</b>	<b>6.09%</b>	<b>871,638</b>
<b>Net Profit</b>	<b>6,352,002</b>	<b>7,911,890</b>	<b>24.56%</b>	<b>1,559,888</b>	<b>60,374,979</b>	<b>61,789,954</b>	<b>2.34%</b>	<b>1,414,975</b>
<b>Return on Sales</b>	<b>27.6%</b>	<b>32.2%</b>	<b>16.38%</b>	<b>4.53%</b>	<b>28.8%</b>	<b>27.9%</b>	<b>-3.17%</b>	<b>-0.92%</b>