

IOWA ABD

Alcoholic Beverage Division

Strategic Plan FY 2020 - 2022

The Strategic Plan online at
<https://abd.iowa.gov/>

Strategic Plan Overview

Goal 1:

Maximize revenue to the General Fund through ongoing improvements in the distribution of spirits.



Goal 2:

Provide educational opportunities for internal and external stakeholders, and refresh the regulatory program that ensures licensee compliance.



Goal 3:

Maintain a competitive and transparent environment for Iowa businesses.



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Strategic Plan FY 2020 - 2022



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Introduction

“Maintaining a responsive and effective organization requires state agencies to look at their business processes and operations strategically.”

— Stephen Larson, Administrator

Overview

In today’s alcohol marketplace, it is more important than ever for the Alcoholic Beverages Division (Division) to examine its operations to ensure that the Division efficiently manages, allocates its resources, and returns value for the investments dedicated to its mission. This requires a comprehensive organizational strategy to guide strategic decisions about our operations and policies regarding marketplace governance.

The Division has engaged in an intensive strategic planning process to devise a plan that is progressive and participatory. We reassessed our mission, vision, and values, and defined the organizational strategy to improve our performance over the next three years.

Monitoring performance aligned to our strategy requires implementation of effective performance measures. The Division plans to use a suite of performance measures and indicators to monitor and address key risks and evaluate progress toward each strategic objective that supports our program goals. These performance measures will be monitored and updated as objectives and programs evolve.

The Division’s strategic plan for fiscal years 2020-2022 outlines a roadmap for continuous improvement. The strategic management framework engages individuals from across the Division, reflecting insights, creativity, and energy of the entire organization. As we move forward with implementation, we expect continued opportunities for our various internal and external stakeholders to become involved and to assist us towards improving results and achieve our strategic goals that align with Governor Reynolds goal of “Creating a competitive business environment.”

Authorities and Responsibilities

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

The Division is comprised of three areas: Licensing and Regulatory Compliance, which oversees licensing, regulation, administrative actions, and tobacco enforcement; Financial and Asset Management, which oversees product and inventory management, accounting, information technology, safety and security, and buildings and grounds; and Spirits Distribution, which oversees warehousing and distribution functions and the fulfillment of spirits orders.

The Division's core functions of licensing, regulation and the distribution of spirits, focus on maintaining a fair and level playing field for stakeholders; protecting the health, safety and welfare of Iowans; and simultaneously generating revenue for state and local governments. The Division transferred over \$147 million to state and local authorities for Fiscal Year 2019 and for Fiscal Year 2020 transfer commitments will meet or exceed the agency's past transfer amounts.

In Fiscal Year 2019, the Division issued over 18,400 licenses and permits, and to beverage alcohol retailers, manufacturers, brokers, and wholesalers. The Division interacts with licensees and permittees in multiple ways, including providing platforms for online licensing and product ordering, conducting compliance inspections to ensure a fair and level playing field for licensees and permittees, and delivering orders to class "E" licensees.

The Iowa Alcoholic Beverages Commission

The Iowa Alcoholic Beverages Commission, created under Iowa Code section 123.5, is comprised of five members appointed by the governor and subject to confirmation by the Senate. Each member serves a five-year term, with the ability to serve a maximum of two terms. The commission acts as a public policy-making body and serves in an advisory capacity to the Division's administrator.

The Division Administrator

Iowa Code sections 123.7 and 123.9 outline the Division's administrator duties and powers. The governor, subject to confirmation by the Senate, appoints the administrator to a four-year term. The administrator holds the authority to wholesale alcoholic liquor and license, inspect, and regulate the entire alcoholic beverages industry in the state of Iowa.

Mission, Vision, and Values

Mission

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

Vision

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

Values

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

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

Assessment

Agency Structure and Services: The administrator is charged with the authority and responsibility of overseeing the Division's day-to-day functions of licensing and regulatory compliance, financial and asset management, and spirits distribution.

Opportunities: As we look to the future, the Division continues to work toward refreshing our laws, processes, and policies to find ways to align with the governor's goal of creating a 'Competitive Business Environment' that is fair and protects the general welfare of Iowans. The Division recognizes the need to continue to adapt to meet industry and consumer demands for brand diversity, blending of business models, increased convenience, and advances in technology.

Challenges: The Division is challenged with balancing its obligation to generate revenue through the distribution of spirits to over 1,670 class "E" customers with the responsibility of licensing, regulating, and educating the alcoholic beverage industry.

Population Served: In Fiscal Year 2019, the Division issued over 18,400 licenses and permits. Licensees and permittees include on- and off-premises retailers, manufacturers, brokers, and wholesalers. The Division interacts with licensees and permittees in multiple ways, including providing platforms for online licensing and product ordering, conducting compliance inspections, audits, and investigations to protect the public health, safety, and welfare and ensure a fair and level playing field for all licensees and permittees, and delivering orders to class "E" licensees.

Trends: The alcoholic beverages industry in the United States is anything but static. Mergers and acquisitions on a global scale, along with a craft industry growing at a pace never seen before, intertwine with changes in retailer demands for increased access to alcohol products, technology, and expectations of greater selection and convenience. The Division will need to continue to adapt operations to enable it to work effectively with this evolving industry and consumers.

Governor's Goals

The Division's strategic plan focuses on being efficient with the expenditure of public funds while seeking opportunities to improve services, maximizing revenues, and providing education and outreach to internal and external stakeholders. The Division will be aggressive in seeking operational and financial efficiencies that align with the Governor's strategic goals.

Governor's Strategic Goals:

- Creating a Competitive Business Environment
- Developing the Most Innovative Energy Policy in the Country
- Educating our Children for the Knowledge Economy
- Training Iowans for the Job of Tomorrow



Strategic Goal Overview

ABD established three-year strategic goals to set the long-term outcomes and direction for our programs.

Strategic Goals

GOAL 1: Maximize revenue to the General Fund through ongoing improvements in the distribution of spirits.

By creating a revenue-maximizing product portfolio and reducing distribution operating costs. Additionally, using data management analytics to monitor trends, which will improve sales and thus more revenue.

GOAL 2: Provide educational opportunities for internal and external stakeholders, and refresh the regulatory program that ensures licensee compliance.

Improve compliance through providing reference materials electronically and provide educational training to staff to enhance internal processes.

GOAL 3: Maintain a competitive and transparent environment for Iowa businesses

Collaborate with policymakers to identify what should be the drivers of change to modify Iowa's alcohol laws.



Goal 1:

Maximize revenue to the General Fund through ongoing improvements in the distribution of spirits.

Strategy 1: Structure the Division to maximize operational efficiency and to create opportunities to lower its costs.

- Measure progress by achieving lower operating costs related to freight and warehouse expenses.
- Measure progress with return on sales increasing from year to year.
- Measure progress by reducing cost per case delivered.
- Review and implement proposals from an independent study to increase distribution efficiency and scalability while reducing risk.
- Implement site improvements for increased safety, security, and increased value of the State asset.

Strategy 2: Maximize revenue generation within the Division's business model.

- Measure progress by increases in income from operations.
- Measure progress by increases in the percentage of net profit.
- Search for alternative uses of the Division's logistics capabilities.
- Create a revenue-maximizing product portfolio.
- Reduce distribution operating costs in partnership with executive branch agencies, policy makers, and industry.

Strategy 3: Utilize technology for the efficient delivery of services.

- Ensure safety, security, and continuity of Division functions by maintaining state-mandated COOP/COG.
- Pursue technological innovation with an expectation of return on investment.
- Complete implementation and integration of technology platforms across core Division functions and state executive branch agencies.
- Process improvement for electronic reporting of both beer and wine taxes.

Goal 2:

Provide educational opportunities for internal and external stakeholders, and refresh the regulatory program that ensures licensee compliance and a fair and level business environment

Strategy 1: Increase compliance with Iowa Code chapter 123 by continuing to offer training and education to law enforcement, local authorities, and licensees/permittees.

- Expand the Division's outreach strategy to make compliance training more accessible to law enforcement officials, industry and health officials.
- Refresh reference materials and make materials available electronically.
- Provide easier access for retailers to educational materials such as but not limited to I-PACT and I-PLEDGE.
- Measure progress by decreases in non-compliance from the prior year to the current year, and increases in training programs.

Strategy 2: Increase knowledge and training of Division staff.

- Review succession planning, emergency management training, and execute practice drills periodically.
- Create written processes and procedures for all agency job functions.
- Identify opportunities for professional growth and development of Division staff.
- Hire additional personnel with accounting, investigative, and regulatory compliance backgrounds.
- Measure progress by maintaining individual staff training plans

Strategy 3: Increase compliance with the law and promote a fair and level business environment by addressing complaints received by citizens, licensees, and other stakeholders.

- Effectively and efficiently educate and license alcohol establishments in partnership with local authorities.
- Ensure proper payment of tax on alcoholic beverages, which includes classifying products for tax purposes and verifying compliance through audits and investigations.
- Detect and address alcohol and tobacco violations.

Goal 3:

Maintain a competitive and transparent environment for Iowa businesses

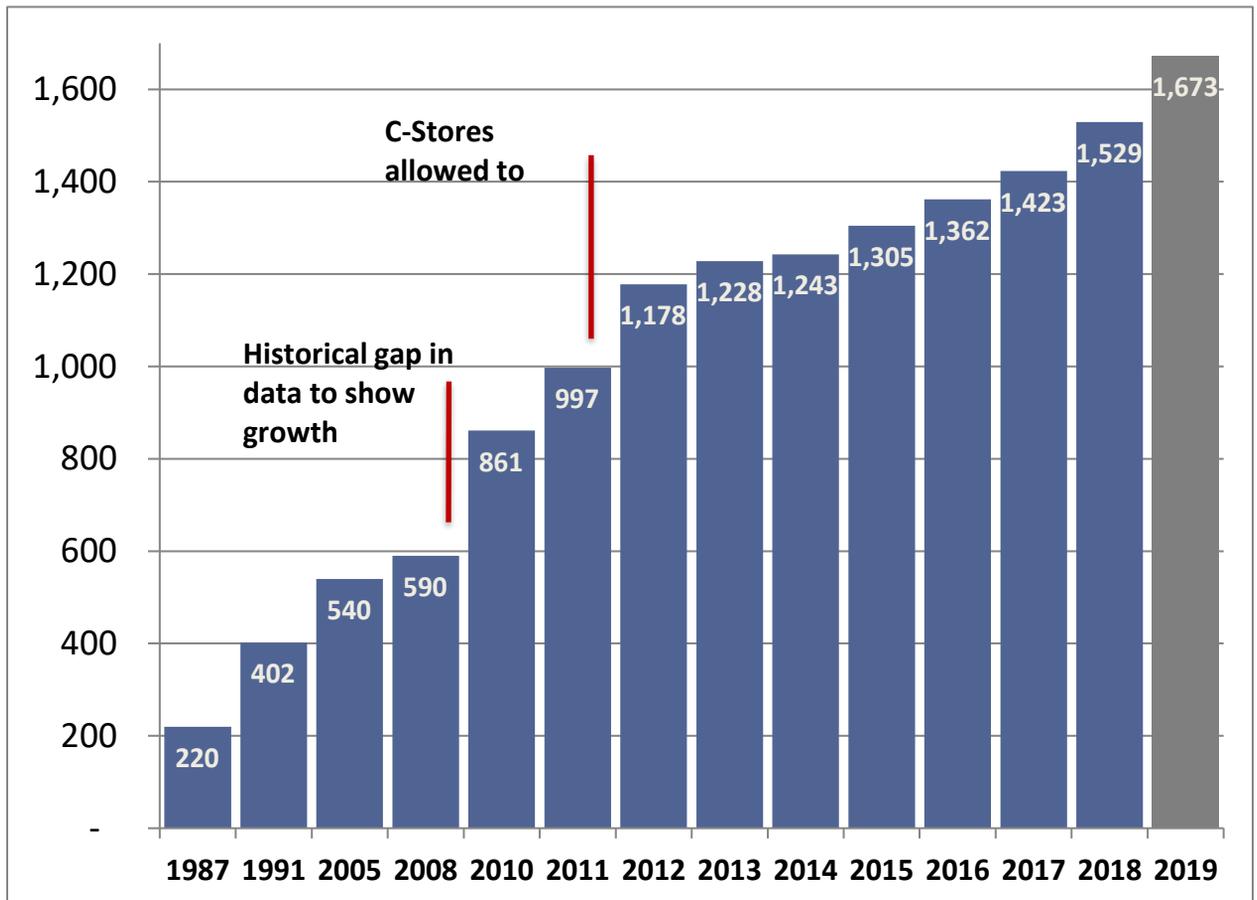
Strategy 1: Create regulatory clarity by modernizing the rules and regulations that affect the alcoholic beverages industry.

- Review and refresh the Division's rules and regulations.
- Collaborate with policymakers to identify what should be the drivers of change to modify Iowa's alcohol laws.

Strategy 2: Enhance existing partnerships and build new relationships and networks.

- Expand partnerships with other state agencies to increase alcohol and tobacco regulatory compliance and education and outreach.
- Strengthen communications and relationships with customers and industry.

Class E License Growth



In calendar year 2011 the Iowa legislature enacted legislation to allow other types of business models to acquire a license to sell liquor. Therefore, in Fiscal Year 2012, there was an increase in the number of class "E" licensees issued and the business model that took advantage were convenience stores. Since that time, the number of class "E" licensees continues to grow the Division is committed to serving our class "E" customers through the responsible and efficient distribution of alcohol.

Retail Licenses and Permits Issued

RETAIL LICENSES / PERMITS	12-Month		8-Month		6-Month		Total		
	FY18	FY19	FY18	FY19	FY18	FY19	FY18	FY19	%Change
On-Premises									
Class "B" Beer Permit (BB)	454	448	14	19	83	71	551	538	-2.4%
Class "A" Liquor License (LA)	129	127					129	127	-1.6%
Class "B" Liquor License (LB)	138	142			1		139	142	2.2%
Class "C" Liquor License (LC)	4,071	4,296	43	45	59	56	4,173	4,397	5.4%
Class "C" Native Distilled Spirits Liquor License (LCN)	5	5					5	5	0.0%
Class "D" Liquor License (LD)	22	21			1	1	23	22	-4.3%
Special Class "C" Liquor License (BW)	555	569	7	6	33	25	595	600	0.8%
Class "C" Native Wine Permit (WCN)	74	96			1		75	96	28.0%
Total	5,448	5,704	64	70	178	153	5,690	5,927	4.2%
Off-Premises									
Class "C" Beer Permit (BC)	1,684	1,658					1,684	1,658	-1.5%
Class "E" Liquor License (LE)	1,473	1,797					1,473	1,797	22.0%
Class "B" Wine Permit (WB)	27	29	1		1		29	29	0.0%
Class "B" Native Wine Permit (WBN)	309	346		1	9	1	318	348	9.4%
Total	3,493	3,830	1	1	10	1	3,504	3,832	9.4%
Special Class "A" Beer Permit (Brewpub)									
Class "B" Beer Permit (BB)	3	4					3	4	33.3%
Class "C" Liquor License (LC)	42	44					42	44	4.8%
Total	45	48					45	48	6.7%
Charity Beer, Spirits, and Wine Auction Permit (CP)	89	86					89	86	-3.4%
Total of 12 Month to 6 Month Licenses and Permits	9,075	9,668	65	71	188	154	9,328	9,893	6.1%

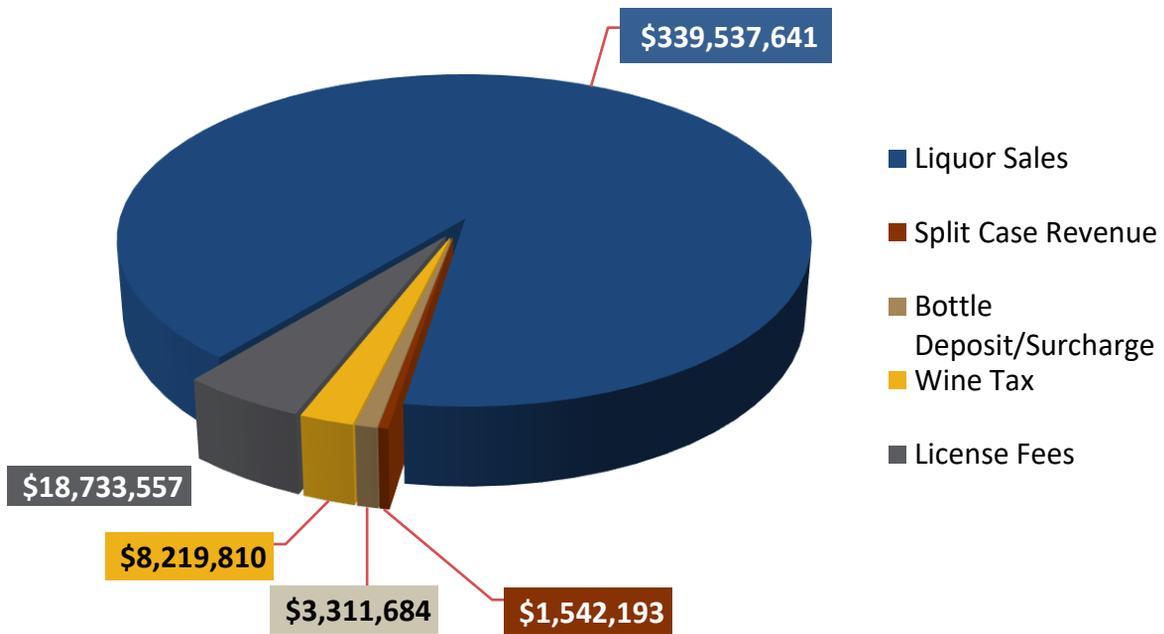
Retail Licenses and Permits Issued (continued)

RETAIL LICENSES / PERMITS	14-Day		5-Day		Sub-Permit		Total		%Change
	FY18	FY19	FY18	FY19	FY18	FY19	FY18	FY19	
On-Premises									
Class "B" Beer Permit (BB)	24	23	412	467			436	490	12.4%
Class "A" Liquor License (LA)			9	9			9	9	0.0%
Class "B" Liquor License (LB)			1				1	0	-100.0%
Class "C" Liquor License (LC)	14	15	352	399			366	414	13.1%
Class "C" Native Distilled Spirits Liquor License (LCN)									
Class "D" Liquor License (LD)									
Special Class "C" Liquor License (BW)	6	5	195	242			201	247	22.9%
Class "C" Native Wine Permit (WCN)		1	9	27	43	64	52	92	76.9%
Total	44	44	978	1,144	43	64	1,065	1,252	17.6%
Off-Premises									
Class "C" Beer Permit (BC)					1,373	1,696	1,373	1,696	23.5%
Class "E" Liquor License (LE)									
Class "B" Wine Permit (WB)					1,885	2,385	1,885	2,385	26.5%
Class "B" Native Wine Permit (WBN)	3	1	22	3	905	879	930	883	-5.1%
Total	3	1	22	3	4,163	4,960	4,188	4,964	18.5%
Total of 14 Day, 5 Day Licenses and Sub Permits	47	45	1,000	1,147	4,206	5,024	5,253	6,216	18.3%
Total of All Retail Licenses and Permits, pages 11-12							FY18	FY19	%Change
							14,581	16,109	10.5%

Non-Retail Licenses, Permits, Certificates Issued

CERTIFICATES	FY18	FY19	FY19 vs. FY18 % Change
Importer/Manufacturer			
Brewer's Certificate of Compliance (CB)	181	181	0.0%
Distiller's Certificate of Compliance (CD)	214	225	5.1%
Vintner's Certificate of Compliance (CV)	627	604	-3.7%
Total	1,022	1,010	-1.2%
Wholesaler			
Class "A" Beer Permit (BA)	40	43	7.5%
Class "A" Wine Permit (WA)	33	33	0.0%
Total	73	76	4.1%
In-State Manufacturer			
Class "A" Beer Permit (BAN)	63	66	4.8%
Class "A" Wine Permit (WAN)	112	119	6.3%
Class "A" Native Distilled Spirits (ND)	16	16	0.0%
Manufacturer's License (CM)	16	10	-37.5%
Total	207	211	1.9%
Special			
Broker's Permit (SP)	35	37	5.7%
Wine Direct Shipper Permit (DS)	942	1,007	6.9%
Wine Carrier Permit (AC) *	4	4	0.0%
* All AC's issued a one-time permit in 2010.			
Total of all Non-retail Licenses and Permits	2,283	2,345	2.7%
	FY18	FY19	% Change
Total of all Retail and Non-retail Licenses and Permits, pages 11-13	16,864	18,454	9.4%

Revenue Earned



Liquor Sales

\$339,537,641

The Division is the sole wholesaler for alcoholic liquor sold in Iowa and delivers product to over 1,673 off-premises retail locations across the state. Iowa Code requires the Division to markup product by 50 percent of the manufacturer's price.

Bottle Deposit / Surcharge

\$3,311,684

The Division charges a bottle deposit and surcharge to be included in the wholesale purchase price. The charge assessed by the Division is \$0.09 per unit sold and includes the \$0.05 bottle deposit.

Split Case

\$1,542,193

A 'split case' fee is applied when liquor is sold to a retailer as a single bottle. The split case fee is \$0.50 per bottle. This fee is to offset the cost of splitting, picking, and shipping single bottles.

Wine Tax

\$8,219,810

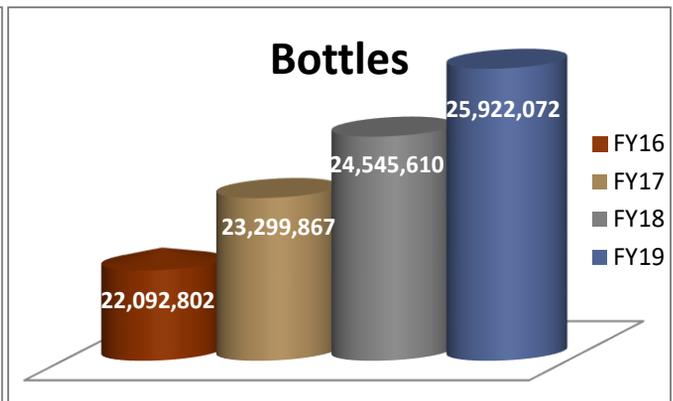
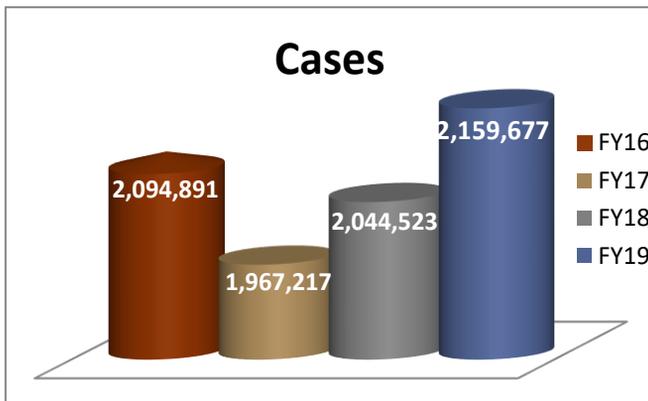
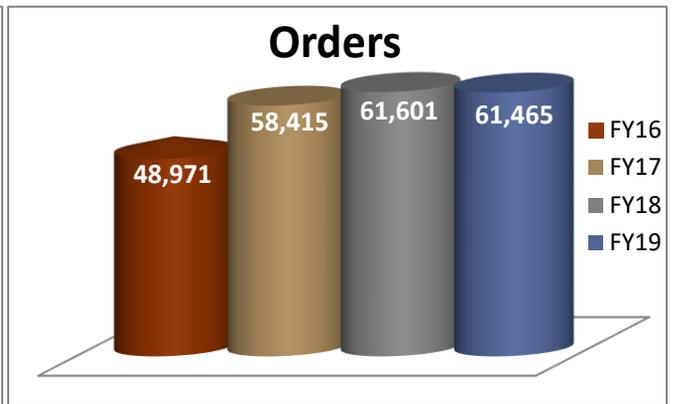
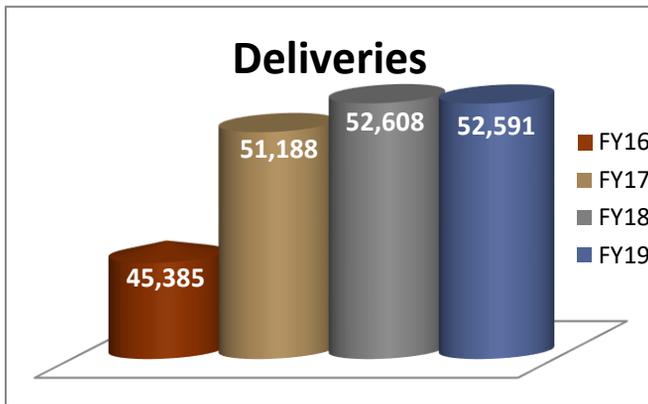
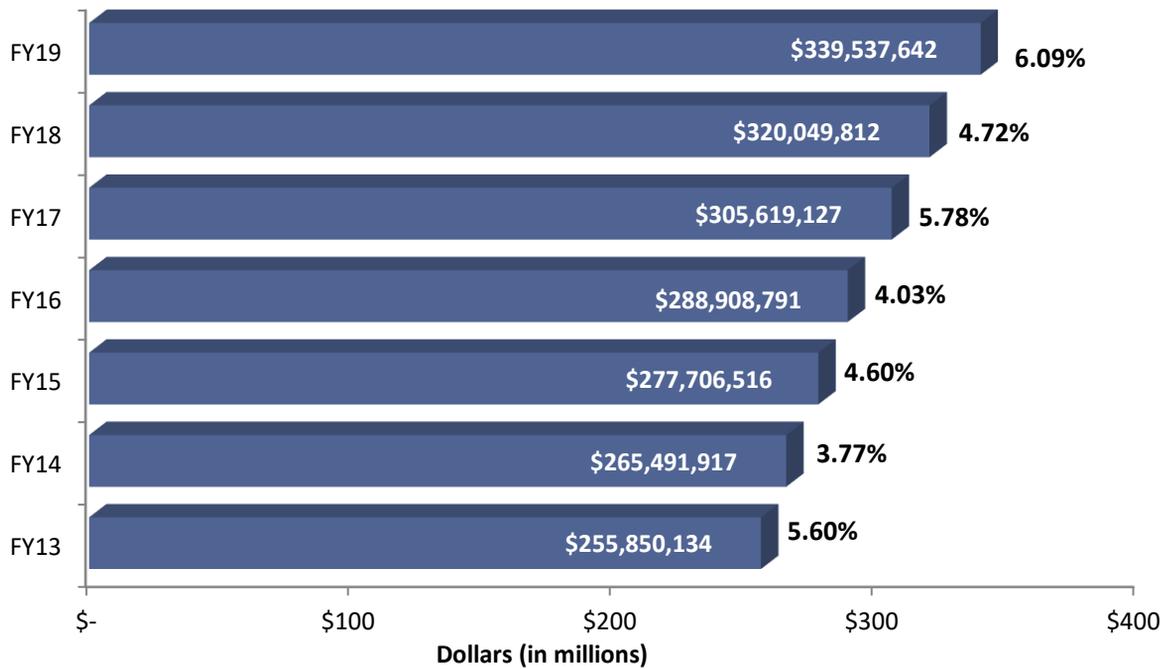
All wine sold at wholesale in the state, as well as wine directly shipped to consumers within Iowa, is assessed a tax at the rate of \$1.75 per gallon.

License Fees

\$18,733,557

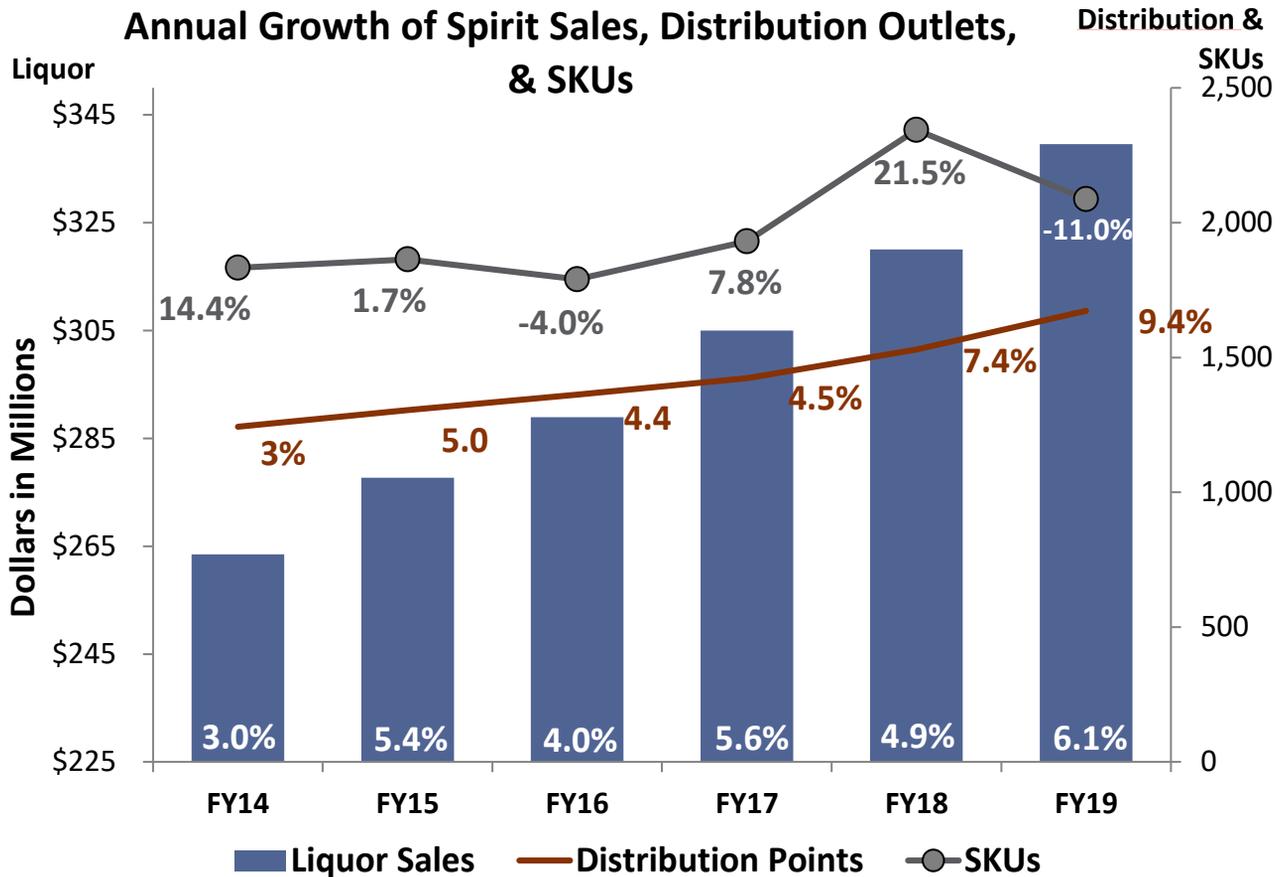
Fees collected are for the licenses, permits, and certificates required for the manufacturing, importing, and sale of liquor, beer, and wine in the state of Iowa.

Annual Liquor Sales Comparison



Annual Liquor Sales Comparison

The Division has experienced growth in many aspects of the business model, including class "E" licensees and SKUs. More class "E" licenses increase the number of distribution points delivered to on a weekly basis. The number of SKUs refers to the diverse catalog of products offered for distribution to class "E" licensees. The following graph depicts the growth of liquor sales as well as the distribution and SKU growth over the last 5 years.



Fiscal Year	Liquor Sales	Distribution Points	SKUs
FY14	\$ 263,495,000	1,243	1,833
FY15	\$ 277,706,000	1,305	1,864
FY16	\$ 288,908,000	1,362	1,790
FY17	\$ 305,000,000	1,423	1,930
FY18	\$ 320,049,812	1,529	2,344
FY19	\$ 339,537,642	1,673	2,087

Where the Profits Go

Revenues Transferred

General Fund Reversion \$102,180,835

Payments made to the State of Iowa General Fund from liquor sales, license revenues, and other sources, the funds are appropriated by the legislature to various state departments and programs.

State Aid to Cities and Counties \$3,949,912

The amount of revenue collected from the sale of licenses remitted back to local authorities (cities and counties) who are directly involved in the approval of licenses and permits within their jurisdiction.

Iowa Department of Public Health: Substance Abuse

\$23,875,596

The Division transfers 7% of gross sales of liquor to the State General Fund for specific appropriation to the Iowa Department of Public Health for administering of substance abuse and prevention education programs.

Sunday Sales

\$920,979

The Department of Public Health receives Sunday Sales license fees, of which 50% are earmarked for grants to counties for operating substance abuse programs involving education, prevention, referral or post-treatment services.

Revenues Processed

General Fund:

Beer Tax \$13,438,680

All beer sold at wholesale in the State of Iowa is assessed a tax at the rate of \$0.19 per gallon. Beer tax is processed and deposited into the State General Fund and appropriated by the Legislature to various state departments and programs.

Iowa Economic Development Authority: \$422,666

Tax revenues collected from the native Iowa wineries (\$271,568) and native breweries (\$151,098) are directed to the Iowa Economic Development Authority's Wine and Beer Promotion Board. Funds collected are used for research and development of training programs within the native wine and beer industries.

Beer and Wine Gallons Sold

	FY19 Gallons	FY18 Gallons	Increase Decrease + / -
Beer Gallons	70,729,897	71,541,643	-1.13%
Native Beer Gallons	795,254	683,858	16.29%
Total Beer Gallons	71,525,151	72,225,501	-0.97%
Wine Gallons	4,697,034	4,666,602	0.65%
Native Wine Gallons	155,182	165,666	-6.33%
Total Wine Gallons	4,852,216	4,832,268	0.41%

Taxes Processed

(year ended 6-30-19) (Includes penalties and adjusted for fiscal year collection and refunds)

	FY19	FY18	+ or (-) % FY19 vs FY18
Beer Tax	\$13,438,680	\$13,592,912	-1.13%
Native Beer Tax	\$151,098	\$129,933	16.29%
Wine Tax	\$8,219,810	\$8,166,553	0.65%
Native Wine Tax	\$271,568	\$289,916	-6.33%
Total Taxes Processed	\$22,081,156	\$22,179,314	-0.44%

License Revenue

(year ended 6-30-19)

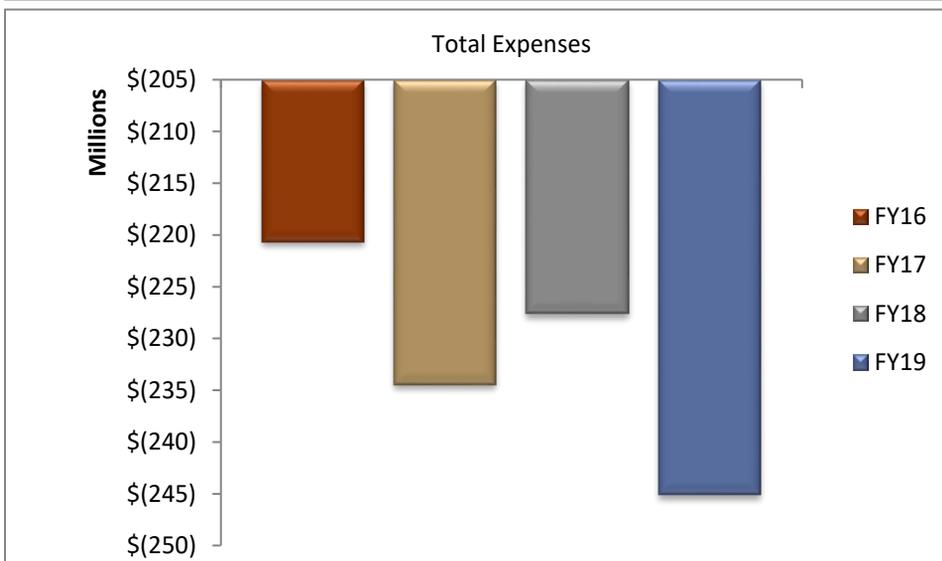
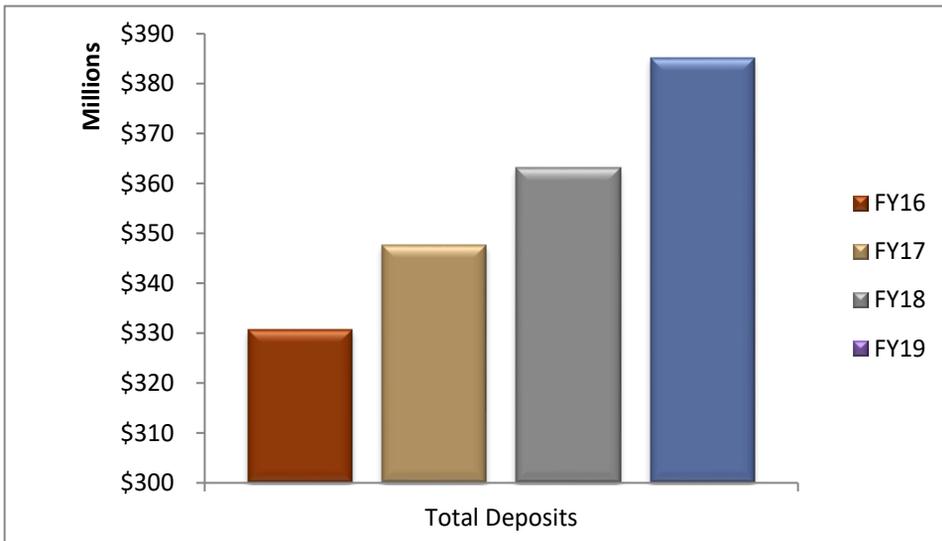
	FY19	FY18	+ or (-) % FY19 vs FY18
Liquor Permits	\$17,202,279	\$15,111,660	13.83%
Wine Permits	\$79,250	\$72,727	8.97%
Beer Permits	\$1,294,109	\$1,238,395	4.50%
Special Licenses *	\$9,505	\$9,900	-3.99%
Compliance Licenses **	\$148,414	\$181,000	-18.00%
Total License Revenue	\$18,733,557	\$16,613,682	12.76%

* Charity Auction Permit, Broker's Permit

** Vintner's Certificate of Compliance, Brewer's Certificate of Compliance, Distiller's Certificate of Compliance

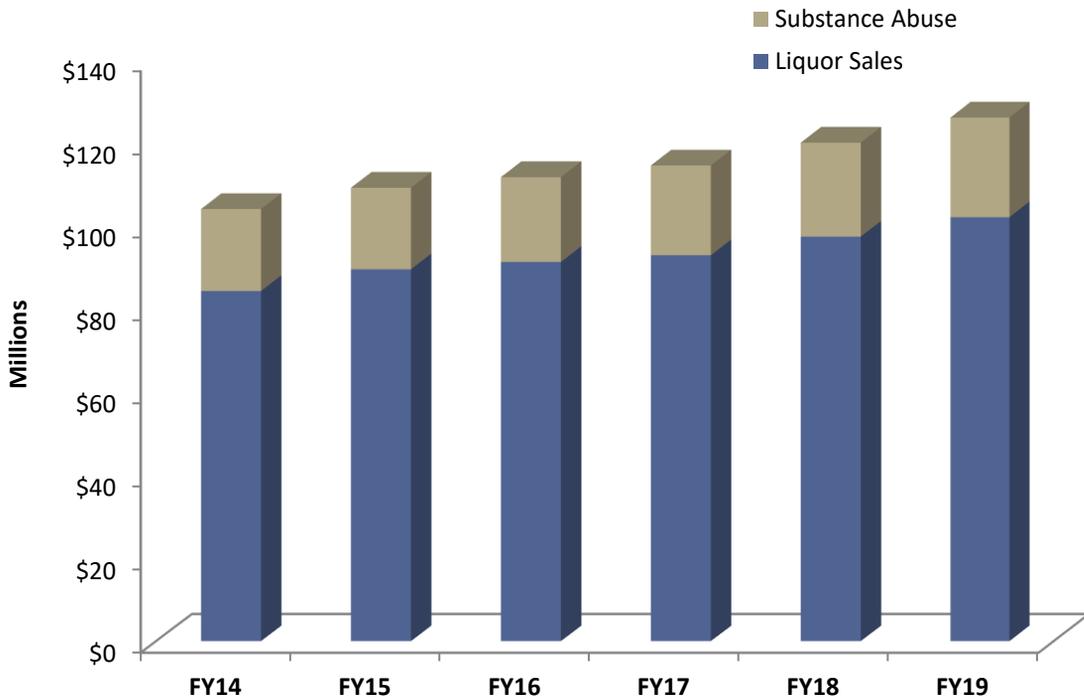
Liquor Control Trust Fund Summary

	FY2017	FY2018	FY2019
Sale of Liquor	\$ 305,619,126	\$ 320,049,812	\$ 339,537,641
Sale of Licenses	\$ 15,664,468	\$ 16,613,682	\$ 18,733,557
Beer Tax Collected	\$ 13,904,082	\$ 13,592,912	\$ 13,438,680
Wine Tax Collected	\$ 8,078,043	\$ 8,166,553	\$ 8,219,810
Miscellaneous Revenue	\$ 4,503,333	\$ 4,731,204	\$ 5,290,473
Total Deposits	\$ 347,769,052	\$ 363,154,163	\$ 385,220,161
Total Expenses	\$ (234,511,967)	\$ (227,665,459)	\$ 245,151,122)
Total Revenues	\$ 113,257,085	\$ 135,488,704	\$ 140,069,039



Reversion Analysis Summary

Each year the Division transfers as monthly reversion amount of all revenues from liquor sales, license fees, and other sources back to the State General fund. This reversion is then appropriated out to other departments and agencies throughout the state. The Division provides an estimate of this total number to be used in budgeting and is required to fulfill this estimated amount. The estimate is derived using past and current sales and reflects the overall growth of the Division as it continues to serve Iowans through the responsible regulation, sale and distribution of spirits.



Fiscal Year	Liquor Sales	Substance Abuse	Total Reversion
FY14	\$84,500,000	\$19,635,954	\$104,135,954
FY15	\$89,697,323	\$19,539,339	\$109,236,662
FY16	\$91,460,077	\$20,328,191	\$111,788,268
FY17	\$93,067,415	\$21,502,071	\$114,569,486
FY18	\$97,534,820	\$22,513,750	\$120,048,570
FY19	\$102,180,835	\$23,875,595	\$126,056,430

