IOWA ALCOHOLIC BEVERAGES COMMISSION

Minutes

Complete transcribed minutes were requested via email and produced at the request of Chairperson Celsi

February 19, 2014

Ankeny Police Department
Boardroom
411 SW Ordnance Rd, Ankeny, IA 50023
Ankeny, IA

Members Present
Claire Celsi, Chairperson
Rick Hunsaker, Vice Chair
James Clayton
Jay Wilson
Tami Doll, Secretary (Via phone)

Guests Present
Director Steve Lukan, ODCP Director
Tom Schofield, ISU Field Research Professor
Jessica Dunker, President of Iowa Restaurant Association
Jason White, Warren County EDC
Garrett Burchett, Owner of Mississippi River Distilling Co.

Staff Present
Stephen Larson
Shannon Pogones
Karen Freund
Heather Schaffer
Victor Kennedy
Stephanie Strauss
Tammy Plowman
Tim Iversen
Meghan O'Brien
Erin Bothwell
Tonya Dusold
John Lundquist
Tina Norris
Deb Bassett

Call to Order

Chair Person Celsi called the meeting to order at 12:03pm.

Meeting Agenda

Agenda for the February 19th meeting was approved unanimously.

Minutes of Previous Meeting (Available on the website.)
Minutes from the August 21, 2013 & November 20, 2013, commission minutes were approved unanimously.

Administrator Report

Administrator Larson: at this time we are going to hear a presentation from the Director of Office Control Policy Director Lukan. Is from Vienna Iowa originally he graduated from Loras College from there he was in the Navy for a number of years, recently he has a son Theodore, he was appointed by Governor Branstad back in June of 2012 and I have asked director Lukan to come and speak to the board in reference to the effort that we have been working on for the last 4-5 months. Director Lukan.

Director Lukan: Thank you very much Steve, and everybody for the opportunity to be with you. I brought one packet to hand out and there is a copy for you Steve. I do have one for Commissioner Doll if we can get it to her.

Celsi: We can mail it to her

Lukan: OK, I don't have handouts describing out office. Steve had asked me to discuss briefly how the Office of Drug Control Policy works. We are a small agency, we wear allot of hats, we do allot of policy and recommendations to the governor and legislature on drug control issues. We do allot of anti-drug taskforce funding as well, so we do have a very large interest in education and prevention in trying to help Iowans, especially young Iowans to make healthy choices. And we have been talking with Steve over the last few months we talked about the potential opportunity to work together on those groups. The big one that you have in front of you with the packet is actually from the Partnership from Drug Free Iowa which our office sits on the board for Partnership for Drug Free Iowa which is an organization that has rich history here in Iowa. It basically started with Senator Harkin and Senator Grassley got involved with Governor Branstad as well, what we have in front of you there today is what I think is a very powerful new program that I hope will let ABD find some interest in helping develop its called Media Literacy project and it's really about helping young people realize the media messages from so many tobacco companies to pharmaceutical companies, helping them analyze and break down and deconstruct what kinds of message it is to make healthy choices as they move forward. One of the big things we see today is that many young people spend as many as 50 hours per week exposed to media – electronic media, internet, cell phones, texting, video games etc. embedded in lots of that media is allot of messaging allot of marketing and this program is about trying to make them more aware of what those messages are and again realize to make healthy choices and hopefully live out a drug-free, alcohol-free, tobacco-free life. There are a couple of other things we have talked a little bit about that I think are really good to work together on. Another program we have going on right now is called ***PACT-360*** from the National Partnership for Drug Free America again is really based on young people and families about bringing communities together, about going out to the communities and getting parents involved talking with young people about making healthy choices. Allot of research has suggested teens are most engaged by the parent to take a little bit of time to explain to them the value and layout parameters of behavior the parent things they find acceptable so young people are much less likely to give in to peer pressure to try tobacco, to try drugs those types of things and we think there is allot of upsides to working on that.

Celsi: Director Lukan, what was the name of that program again?

Lukan: ***PACT – 360,*** we have actually been able to go out so far and deliver the presentation to about 10,000 people here in Iowa again we think pretty highly of it. It is really self-sustaining where parents in the community can get the training and the programming and it is based off a train the trainer model where getting guidance and outreach to people hopefully that can continue that on to other members of their community and other schools. Another thing I would like to mention too is we think very highly of another program called ***Take Five***, that we currently work with the Partnership for Drug Free Iowa on as well again it

started as families and youth a simple message that we try to get home to parents of 5th graders on what families can to do take the time to talk with young people and clarify your values again there is allot of research that suggests that in families where these conversations are engaging are much less likely to succumb to peer pressure and are less likely to experiment with drugs. So I think there is some real potential with cooperation to move forward and really welcome the conversations that Steve and I have had. I am here to take questions if anyone has any.
Claire: I actually have two questions, they don't have anything to do with alcohol but I would like to ask two questions since I have you here. Why is it that synthetic marijuana can get into stores without being approved, why is it backwards that they have to kill someone before we get them out? That is my first question, I have another one for you but I would like to hear why.

Lukan: Sure, the synthetic drug name that people know by K2 has been a very very challenging issue for the state. Really what these people have done is mimic the effects of things like cocaine and marijuana they cut them with a chemical structure that first the law does not specifically ban and it is not a banned substance so we have had play allot of catch up in that arena. One thing that I would like to share with you that has not gotten allot of press but Iowa a couple of years ago added this catchall language to the code that if you have a banned substance and if you have something similar but not specifically banned it is still considered a controlled substance in Iowa if you are trying to avert the law. And there has been allot of apprehension in the community because they like to be able to into court and say that you are in possession of a specific compound that is banned but there has been a recent court case in Black Hawk county where somebody was arrested and convicted under the catchall language, they upheld that language that was under an appeal they took the appeal to the supreme court and the supreme court declined to review it so we feel pretty good about that, I think it's a step in the right direction. It has been a really dynamic challenge the other thing I would tell you there has been some legislation to the federal level Senator Weinstein and Senator Grassley have actually been together on legislation to try to get at the problem. The very challenging problem to get at and we have to constantly keep working at it.

Celsi: Have you ever reached out to the retail community to ask them for voluntary compliance?

Lukan: I think by in large allot of retail communities has done that, looking back a few years when the problem first started to hit we really worked out with petroleum marketers convenience stores of Iowa were really proactive in getting messages out to their membership on what these things were and we had allot of local police chiefs have gone out and talked to retailers when they think they have them to educate them on the substance. Today we have a small number of bad actors committed to selling the product; they have an underground network of code words. One thing we were really encouraged by was DEA did a large nationwide sting where they hit 11 stores in Iowa which was a big message to the retail community out there that these are not things you really want to support.

Celsi: Thank you, we have gone through similar things with Four Loko and going after the specific substance that is being put out there so we sympathize but thank you for the presentation. We really appreciate it and we look forward to partnering with your agency whenever we can.

Hunsaker: I was interested in knowing how you think the Commission could partner with you what is it you need? Time, funds?

Lukan: A little bit of everything, really I think one of the most powerful things we have to offer not necessarily by we do I mean ODCP but the Media Literacy project I really personally believe has a real potential to make an impact on young people on future and it really sets the ground level there is a lot of research being done with Iowa State University with Professor Dr. Douglas Gentile who is a professor of

psychology and is very accomplished. There has been allot of time, money and research put into this effort and I think that would be a great way to partner, I think it has a real holistic approach about helping young people deconstruct that media messaging is out there to help them make healthy choices against all evils, against tobacco, prescription medications, against all kinds of things. I think that is a real key one and they are looking for some resources to help develop a curriculum model really they want to be able to turn them over to school districts and have teachers use it in the classroom, they have had allot of success too they are working through a number of 13 schools they have gotten some reports from Trans-America in Cedar Rapids, Wal-Mart I think has put some money into it. It is a great Iowa based organization the Partnership for Drug Free Iowa has a long history here. Of course Iowa State University has a component, allot of the material was modeled for so I think there are some good things happening there. For our office, we could use some assistance with staff and an employee resource to further the PACT-360 program that is one that I think really has good potential. There is PACT-360 and the Take Five program we really think highly of.

Hunsaker: Do you know how much money it would take to get this into schools, and I ask that because I am familiar with a grant based program school districts could with their community apply to use some non-infrastructure projects in the school district and I just wondered is it a $5,000, $10,000 per school district program?

Lukan: You know I don't know the per district cost, I know that it's really in phase 1 of the project that they are looking for a couple of hundred thousand dollars to push phase 1 along with curriculum development and getting the curriculum packaged to where it can be given to a school deliverable in a couple of ways, Peter Komendowski who is with the Partnership for Drug Free Iowa and Dr. Gentile will actually go out to the schools and deliver presentations or they can also give the curriculum to a teacher he/she can get schooled up on it to deliver to a classroom setting. Am I giving you enough information?
Hunsker: I think so, we are going into a planning session so I wonder if we determine during the planning session that we feel it is important and feel that the legislature should put money to is that something I assume that your office would support. I wonder if the Governor's office would take and support as well, maybe not this session possibly but for next session.

Lukan: I cannot speak for them today, I can tell you we have a good opportunity to meet with the Department of Education communications director and gave them an update of where the project is at and have had some really good discussions with the Governor's legislative liaison and talked a little bit about where the project is at. We have not gotten to the point of asking the governor's office for anything.

Hunsker: One last question – Again we are going into a planning session to try to help direct staff and design policy, is there anything that you see is a burning issue that you feel we need to pay attention to, is it underage sales? Is it nuisance bars? Is it enforcement? Where do you feel that we can do a better job?

Lukan: Personally I am open minded but I feel we need to get the prevention message into the young people's mind. There has been allot of good work done on tobacco, and prescription drugs. I really think we need to do more on a holistic approach to living healthy, a prevention method about making healthy choices whether you are confronted with bullying, prescription drugs or tobacco I think we can help build a solid foundation in a lot of young people so that good things can happen.

Clayton: I have a question on the media instruction. Is it make believe media (hypothetical example) or do they instruct with specific ads that came from Iowa?

Lukan: I think they can do some of the specific ads, there is a DVD in there that can walk you through the project and they actually show it from the other side too to show how it can affect a young person's life and why certain scripts are used.

Clayton: Is any of this specific to alcohol?

Lukan: It is not today, but it could potentially be if that is something that the curriculum modeling wanted to work with. I think they could work in that direction.
Clayton: The alcohol industry always has a very strong affinity to the media the messages that aren't necessarily broadcast thoughtfully but the subtle messages but by the time a child is 9 years old they have probably seen 25,000 beer commercials just sitting there with their parents and watching what comes on the screen and on the screen reaches out to them and moves them. The alcohol component for this agency should be an important part of it.

Pogones: Peter Komendowski from the Partnership for Drug Free Iowa did a sample presentation at the Town Hall Meeting in November from the opposite perspective flip side to parents and community members showing just how much youth are exposed to media and media messaging by showing a comparison of how many hours kids are in school vs, sleeping vs, being exposed to the internet, social media and television. In this example there was a reference to alcohol specific advertising.

Celsi: Thank you very much for the presentation. We have had a couple of guests join us since we started would the folks in the back that have arrived please identify yourselves and letting us know where you are from?

Tom Schofield - Professor doing a study at Iowa State of Iowa

Jason White – Warren County EDC

Jessica Dunker – Iowa Restaurant Association

Larson: I wanted to give the board a little background on the relationship between Director Lukan and ABD. As you all know when we began education in 2011, we began partnerships but this will be a partnership that will be commission and Director driven in partnership with the Office of Drug Control Policy in 2014 which talks about prevention and education, as we move forward the partnership will be something that is commission and director driven with Director Lukan and others that are on the council of the Office of Drug Control Policy. We have been working on this for the last 5-6 months, and finally that gets back to the pretext that we are all one big state agency apart of the executive branch breaking down the silos of government and also breaking down the silos of this agency and working together at a policy level, thank you to Director Lukan.

Lukan: Thank you

Larson: Now at this time I would like to introduce Tom Schofield. Tom came to our office in October of 2013.....

Schofield: *quite a bit of this report is inaudible. Time stamp: 21:38 – 44:45*

- Intergenerational continuity in alcohol use among Iowa families with a study that began in the 80's and has followed participants through family, income, geographic changed through current year-to-date.

- He is looking for outlet density data from 1990's to current to cross reference data gathered in the study.
- ABD can only for sure go back to year 2000 data when we went online.

Larson: At this time we are going to provide you a quick update in reference to legislation and chapter 123. I do have some handouts for you.

Strauss: It is a list of bills that are registered neutral.

Hunskaer: Are we only registered neutral? Are we not registered in favor or against anything?

Strauss: The Division didn't submit any legislation this year so we registered neutral on the bill. It means we are tracking them and that we are available to provide information when needed.

Larson: We registered neutral because under part of Governor Branstad's administration all agencies are suggested to register either for neutral based on direction from I-GOV. Unless the commission would take a vote and tell us to register a different way or not and that has been the pattern of our agency since 2011.

Celsi: I was not aware of that

Clayton: The question I have is if the commission decided to register one way or another on a particular bill what form would we specifically need to take?

Strauss: We would write a letter of condition to the Governor's office

Clayton: So if we move that we are against doing something, we send a letter to that affect, is that a resolution? Are we filtered by the Governor's office?

Larson: No, you are not filtered by anyone. We would register on behalf of the Iowa Alcoholic Beverages Commission in support for or opposing a bill.

Strauss: You have to be a registered lobbyist to register on a bill.

Lundquist: You have to be a lobbyist registered with the Governor's office an executive directs the commission on anything that supersedes – *inaudible 4-5 seconds*. As far as actually registering on a particular bill, I think that would be done by a representative with direction from the Governor's office.

Celsi: Ok, so there needs to be a process then for the commission to be able to convene with staff and talk about an issue, and I don't know about you but I think it would be preferable if that happened before we registered as anything on any legislation because if we automatically register it as neutral – while we may be neutral on 90% of them but if there were one that comes up that we are not neutral on and that we would like to get ourselves out there stating that we are not neutral on this. So I would hope that we can work together.

Lundquist: The purpose of the registering period is providing information so that staff does not have to be present, it does serve a practical function short of actually expressing a viewpoint on a particular bill. We are included if you register. There is a micro-distillery bill that I am sure you are all aware of, to the extent that the commission wants to take a particular position on the bill that can be accomplished in different

ways whether it be through a conference call or in person that adequately addresses that the topic be discussed.

Celsi: Ok, so I guess that needs to be brought up at some point, because the commission has taken a position on that issue before and not too long ago. I would have liked to have had a meeting before we registered as neutral knowing that we were not neutral on that particular topic ahead of time. I know legislature moves really fast once it gets started but there has to be a way for us to be able to intervene, call a conference call, get in there and say what we need to say. I would like the staff to work with us a little more aggressively so that we are doing that.

Hunsaker: On SF2175 in the companion house bill it does mention dram shop liability is that just in the case that it changes the micro-distillery law or is that overall dram shop liability?

Strauss: *Inaudible –*

Hunsker: So there is no dram shop bill this year yet?

Strauss: *Inaudible –*

Discussion with Commissioner Clayton & John Lundquist. Clayton: If I make a motion it has to be on order on the agenda, what if it came up in new business? Response primarily inaudible – Lundquist: instead of taking action on a particular topic there are some members of the public present---.

Clayton: Before we adjourn lets schedule a call next week to address the elephant in the room we haven't mentioned is obviously the micro-distillery.

Inaudible – several persons talking

Strauss: We are currently in --- inaudible

Clayton: For this session before funnel let's schedule this call.

Hunsaker: Let's not schedule a call as a result our planning session, this might be a topic that comes up or it might be a topic that is discussed on how we handle legislative issues and as a result of that maybe we want to have a follow up meeting next week if the bill is still alive and we feel that we want to take a position on it.

Wilson: I agree, that at some point and time we have to have a chance to know what is going on for us to be able to make the right decision for what is going on with the micro-distillery we as a group have not really sat down and talked about it so to that point we need to have an understanding on what the bill is how it effects everything and then give our position.

Strauss: I am required to ask – inaudible, regardless of the position, inaudible.

Hunsaker: Wait, your saying is that we may do something that the governor's office may not necessarily agree with and that we are administration. I get that the governor gets to decide what he wants to do because he is head of the wing of government but it is kind of our responsibility I think to advise him if he can take that advice or not.

Celsi: Then we can also use our voices as commissioners to go out there and say this is how we feel which we occasionally do and we just want to be given that opportunity in an opportune moment to do that because when it's too late it is too late and then we don't get our chance to say anything. I just happened to catch an email from Tonya at the end of the day the other day that that a reporter is writing a story. So I offered a comment at that point because I knew that the commission was already on record with some statements and some policy issues so I was able to get a comment in there but we can't do that if we don't have the information. It is good we had this discussion today; I think it needed to be had. We will definitely schedule a meeting to talk about the micro-distillery bill.

Hunsaker: Question to Stephanie, do you expect any of these things out of the funnel? Or do you know of any of these that have legs that are definitely going to move?

Strauss: SF2203 – *inaudible*. That is on the calendar open for debate.

Hunsaker: On HF2191 that talks about the interim legislative study committee relating to liquor control and breweries is that something in those study committees that would have a member or two open to the commission?

Strauss: I don't know.

Hunsaker: OK, because it seems to me like that would make sense, if they were going to have an interim committee study because allot of the times they include members from the public and interest groups and I think it would make sense to pull a member or two from of the commission of if that actually happens.

Strauss: *Inaudible*

Clayton: I just have one more comment on the subject. I thought that the summary of the change that would be required from the micro-distillery if they want to keep and have a facility - *inaudible*. I'm afraid that some of the things we put up in the very first law if they are changed in a tiny bit of a way they have a significant effect on what happens afterwards, that is part of the concern. Whoever wrote it you did a great job; I am worried about what was done after the fact by the legislature the last time and the changes that were made.

Larson: A couple of points, in reference to micro distilleries; we did do a study and the commission did hold various forums in which Commissioner Clayton and Commissioner Hunsaker were a part of and the commission did make recommendations to the micro distillery back in 2009 that were ultimately implemented in 2010. The precedent since then has been to remain neutral on issues unless directed otherwise, I cannot speak to prior to that but clearly I am sure that this agency was supportive of the micro distillery back in 2010. Moving forward we do get various stakeholders that do approach us in conference that they would like us to work with them in a confidential relationship we don't know ultimately if they are going to file the bill. It is not an ABD bill, it was never intended to be but clearly moving forward we will on behalf of the commission directed by the board to inform the legislature your position that you deem is appropriate. Moving forward education and outreach I will turn it over to Shannon.

Pogones: First I would like to give you an update on I-PACT, we are in to the second full year of I-PACT and have had over 25,000 users go on and take the training. The original participants that signed on and received training early on when the program was launched will need to be re-upping their certificate to remain current which I have added approximately 20 minutes worth of new content in the last year. The new content covers temporary paper ID's, REAL ID's, how to spot a fake ID, electronic card scanners and

over service. I recently did receive a call from Hy-Vee corporate wanting to incorporate the entire I-PACT curriculum into their new employee training program, I am working with Hy-Vee and the vendor right now to work out the IT specifications on how this would work as well as the legal logistics on sharing this information. The way Hy-Vee currently uses I-PACT is they link to our program on their training site but this does not allow for them to track the new employees progress or see if they have completed I-PACT training without logging in to our program specifically. Just a couple more things to cover, there are copies of posters I have brought in that are in the front of the room. This was part of my 2013 NABCA grant and is the product of a partnership with Prairie Ridge Treatment and Addiction Services. Jay Pedelty if you recall came to the commission with this concept in 2011 to create a bar mat with something like this. So we co-branded this together to show a visual of moderate consumption. The moderation poster was created to show in numbers how many drinks is considered over consumption in one sitting and per week also included in the poster is a tie in to CALCohol to not only show how much you should be consuming but knowing what it is you are consuming in serving sizes. I just received these from the printer and mailed them to Jay last week; he has been going out and taking a draft copy out to bars and restaurants to generate interest in posting this information so he will be going back out and giving them the final product and asking for their voluntary compliance. During the holidays we did our first partnership with industry, we had printed the cost of a DUI coaster and what could that last drink cost you with a dollar break out. They are co-branded with ABD and Diageo on the flip side; it is not a specific Diageo product. I ran these by several partners in the prevention field and they were comfortable with the co-branding as long as it did not advertise a specific product since most people don't know off hand what Diageo is. We are also coming up on our busiest time of the year for underage consumption; we have prom and graduation season as well as spring break and summer vacation. We will be doing a series of press releases again this year with weekly themes to cover a different topic each week in the month of April, this is where we received allot of press during this time last year from other press outlets picking up our press releases and inquiring to us about several news stories for both TV and radio. We are also doing letters to our retailers notifying them that prom and graduation season is coming up now would be the time to get your staff trained or retrained on I-PACT and know the protocol for making a sale, refusing a sale and look for an increase of underage coming in and attempting to purchase alcohol during these events.

Celsi: I have a question about the AlcoholEdu contract?

Pogones: Steve is going to cover that topic right now

Larson: All the different materials provided from EverFi covering AlcoholEdu have been reviewed by staff and myself covering the AlcoholEdu for High School state that it is a population level prevention program with a public health approach to preventing alcohol misuse. The obvious partner being the EverFi team which consists of a team of researchers, assessors, evaluation experts, and educators and also lead scientists their goal is to strengthen the field of alcohol prevention and they have an online alcohol prevention course their prevention program is designed to reach entire groups of students throughout the state to create a population level shift that all of those engaged in would fund alcohol education the agreement that would be with a state partner would be a four-year agreement of 1.2 million dollars with the licensing agreement. Estimates have only been made as to the administrative costs, but what we do know is that the fixed cost over four years would be 1.2 million dollars the appropriation to the Iowa Alcoholic Beverages Division from the general fund of 1.2 million dollars so that would be almost 25% of our budget but also would not include costs for agency staff. The recommendation that the director is making to the commission is that the Iowa Department of Public Health enter into a partnership with EverFi and the reason for that is that AlcoholEdu is a public health approach to a universal prevention program with the responsibility for implementing a prevention program statewide is defined by statute under chapter 125 which is the Iowa Department of Public Health. Under their code section it is very clear that it

is the policy of the state that public health lead education and prevention efforts and to ensure that such efforts are coordinated with unnecessary duplication from ABD would do this type of prevention program which would be outside of the scope outlined in chapter 123 which is the liquor code section. A condition of that the Department of Public Health shall develop and implement pursuant to 125.1 – 125.43 all the various initiatives and also the department makes recommendations to the governor and the general assembly relative to education and prevention programs within their scope. Also under chapter 125 the powers of the director of the Department of Public Health are to plan, establish and maintain education and prevention programs as necessary in and or decide them, a condition to that the duties of the director are to coordinate with the Department of Education, schools, or other private agencies to establish programs for prevention and substance abuse and treatment personnel as well as preparing material for the use of all levels of school and education regarding prevention. So what I am recommending this afternoon is that the commission directs the chairperson with the director to go to the Iowa Department of Public Health and ask them to continue forward with the AlcoholEdu program.

Celsi: I have a comment; it is kind of a departure of what we have been talking about for three years. We write a check every year for 15 million dollars for prevention programs that goes into the giant black hole known as the state general fund and we don't get much information back as to where the funds go or what happens to it. I personally think this type of an investment by ABD is completely relevant and completely germane to our role in the prevention of young people an education program starting to drink, we just heard from two people today that are experts in their field who have both said education basically is what prevents kids from either having their genes take over or their environment take over to prevent them from abusing alcohol. So I realize that the staffing piece of it is an issue, since there is no director of public health right now correct? We have been talking about this for three years and I'm pretty disappointed that this is just now coming up to be honest with you and I just feel like we are putting the brakes on a really good program that we vetted and vetted and I am not in favor of that motion at this time without talking to someone at public health to discuss if it is even an option. I personally would rather see us move forward with it and hire the people we need to administer it.

O'Brien: One of the things that IDPH needs is funds and one of the success' we have had internally and I think you and I had discussed this on a call is that it starts with the funds that are automatically reverted to the general fund for prevention and treatment that some of that money is currently appropriated to public health is used for mini grant programs. One of the things that makes that difficult is that those community programs cannot be administered by any industry money, public health does not work with industry because of the federal grants that would prohibit them from doing so. So one of the discussions we were having internally is potentially puts the program at risk if we administered it, while I completely understand the sentiment and I agree with you whole-heartedly on youth prevention programming and everything I think there is a program that they have now and they would be best to administer this because they already have those networks set up and we don't. While they will work with us and our relationship with public health has gotten better there is still a certain amount of resistance to keep us at arm's length, let's be honest what do I do every day? I bring in liquor products into the state model and we then distribute them so, that's what I think we are working through. The love the program and if it comes from our reversion and if public health sees that then I think public health is very much on board. You and I (Claire) met with her (DeAnn Decker), the interim director right now – inaudible. So they could just undertake this program with money they have. The other concern that we have is that our director is up for reappointment, if we start entering into a contract for a million dollars for four years and we are not certain if this is going to be our administrator the next administrator could cut the program all together and then any momentum could be lost. Seeing from our perspective and I don't want to speak for everyone but I think the best way to administer this program is to be patient and make sure that it can be as effective as it

can be would be to let IDPH run it but having some sort of control in the appropriation language – *inaudible.*

Celsi: Yes, that is why it is disappointing to see it take this long. Who would drive that process of tying the funding together with the administration of IDPH?

Larson: It would be commission driven and director driven; it would be a policy decision ultimately. Getting back to Meghan's point the agency has a clean audit in reference to the expenditures of public funds we are looking at this because if we expended public funds and the auditor comes in two years from now how does that dovetail to chapter 123.53; it does fit in better with 125 than 123. There is a grey area and when it gets grey I want to bring it to your attention because it is going to have to be director driven and commission driven.

Celsi: The last time I heard where the contract was, somebody told me I sole source negotiations with the State of Iowa?

O'Brien: We wrapped up on 9:00 Monday the sole source justification I forwarded it to review all the contracts and come with a plan that works for ABD. We did not submit the sole source justification for approval because that starts a clock of when things need to be completed. So all the groundwork is laid, everything is there EverFi is ready to go. We were still looking at language to nullify the contract if funding was not met. If we were going to be taking money from the Century Council or any sort of third party it is an organization but from a public health perspective – *inaudible*. I think that is where some of the grey area comes in is that we are still trying to navigate that there were allot of potential pitfalls that lead to making it a partnership with IDPH. And then ultimately you are going to fund the Department of Education and ODCP, there are other agencies that are going to want to be involved and they all have separate grant money requirements that are going to need to be met and that is what let to ABD being more of a silent partner rather than out making those cases with the other agencies.

Celsi: Does the Department of Public Health spend money from the tobacco trust fund?

O'Brien: You mean to administer tobacco programs?

Celsi: Yes

O'Brien: So after the settlement agreement that brought forth all the tobacco trust fund – inaudible.

Celsi: It's really from the industry.

O'Brien: Yes, but you can't tell it is from the industry, because it gets filtered through the general fund. When I was director of tobacco control, my appropriation came from the general fund it did not come the money that we make off taxing.

Celsi: Thank you for answering that, go ahead Rick.

Hunsaker: I'm confused exactly as to what you are asking us to do? Are you asking us to support this? Are you asking us to appropriate funds we already have? Or what is it that you are asking of us?

Larson: I am asking that we take this proposal after you have looked at it, fits better under public health and for us to go meet with the director of public health and ask them to consider EverFi and partner in this

type of alcohol prevention program. And we will be a part of that process in reference to if they need funding for it because at the end of the day ultimately it will be a general fund appropriation for a 1.2 million dollar contract but the staffing part as well.

Hunsaker: I have another idea for the planning session that we will need to talk about funding but my next question is do we have the ability to make that motion since that item is not listed on the agenda? Because if the public wouldn't have an ability to weigh in on it as we just heard with the other issue (micro-distillery).

Larson: I brought the recommendation today, you do not have to act on it, the PowerPoint outlines next steps based on John and the commission, and the commission can just have a conversation with the director to reach out to public health and giving them an update on where we are at with AlcoholEdu.

Hunsaker: OK, why did it not get put on the agenda as a separate line item?

Celsi: I asked that it be put as a separate line item on the agenda, twice.

Hunsaker: That way we could act on it.

Larson: I apologize to the commission

Hunsker: Am I incorrect that we cannot make a motion on that since it was not listed as an action item?

Lundquist: The way it is identified that Administrator Larson summarized – inaudible – you can make a motion to take to health or review however, beyond that discussing to enter a contract or not to enter a contract that sort of thing goes beyond what is outlined in the agenda.

Clayton: Director of public health – why would somebody else enter into a contract if the director is going to be subject to reappointment?

Celsi: I don't know why that would be a negative thing honestly, if I were being reappointed I would want to say look at what we are doing. I think it's a great program, I think it's been vetted to death and I think it would be awesome but I am not comfortable at this point with that motion because I don't have enough information. Anyone else?

Hunsaker: I don't think we can make the motion since it is not on the agenda

Larson: Thank you very much, now we will move on to ABD operations and financials and regulation with Tim Iversen.

Iversen: I will take you through our bureaus, Karen Freund is going to update you on licensing and Tammy Plowman will go through financials and management update. *Inaudible time stamp 1:27 – 1:28*. Our reversion money is 43 million dollars vs. 41 million dollars last year, so we are nearly 3 million dollars ahead in the first six months on the reversion. Last year we reverted 96 million dollars and we are well on target to reach that goal. In January we had an increase in sales which equates to about 9% so far in February we are seeing an increase on par to that in sales. We did reduce our expectations on growth from 3% to 4.5% because it has plateaued.

Hunsaker: Is that per bottle or volume, cheaper product?

Iversen: Our case and bottle sales are actually down
Question – *inaudible*

Plowman: *Inaudible*

Jessica Dunker: Making a general statement on holiday sales and why they are down this year vs. last.
Inaudible – 1:32 – 1:33:50

O'Brien: In the second quarter – October, November, December - we reviewed 158 products for listing, we approved 119 of them. This was a big surge in product listing because during the reconstruction of the warehouse there was a policy that we were not listing any new products – *inaudible* – but we asked suppliers to come back and present previous products that had been declined. What increased our percentage is 50Ml sales – *inaudible* – there has been allot more 50Ml offerings. 32 of the 119 products are temporary items; holiday items that come with minis or glassware, temporary products are listed for 6 months. We declined 49 products and listed 10 of those after suppliers agreed to trade out one of their current products for a new one. Typically we decline products because they won't maximize revenue but I consider allot of things when I consider if this is going to maximize revenue. For example, in the second quarter we declined 14 products due to social responsibility, so in the short run someone might say brining that product in would maximize revenue, but I consider bringing in products that are not socially responsible is a huge risk for the Division and therefore are not revenue maximizing. This is a product that I just declined and I wanted to bring it to you because they are not appealing, so they are not going to come to you to ask for anything. I told them that if they wanted to completely change their packaging we could revisit the product but as it is packaged right now it is not going to be available in the state via special order or regular. Some of the other products that were declined were for that it didn't fit the demand, failure to meet size extension criteria (they have to meet certain sales criteria to bring in more sizes of the same product). Three products were traded down, that is something we look at we try to avoid products that will make the category low. On the last slide this is just the products that we listed, I try to avoid listing any vodkas for any reason because the proliferation of the category. Whiskey is the hottest category in the state of Iowa as well as nationally and the trends – single malt is up 20%, Canadian whiskey is up 12%. This is a category where I am seeing allot of listings and allot of growth, in the last 30 days I have had another 32 products presented 11 of them have been declined – *inaudible*. Public health background to protect the public health and safety – *inaudible.*

Hunsaker: I have a question about native products; native products near Mason City are they automatically listed?

O'Brien: Yes, but when I came in we do list Iowa products but now they have to submit their marketing and their labeling to me. I had to work with an Iowa distillery to have them tweak a label I felt was inappropriate because if Diageo had presented the products I would not have listed it but since it was an Iowa product I asked them to change their label to meet our criteria.

Hunsker: That is my question, so when we had said there will be no listing for Iowa products there wasn't really any criteria. There may be a possibility at some point that you may have a Iowa native product that does not meet the criteria for social responsibility so how do we....

O'Brien: And that made me uncomfortable, how do we hold everyone to the same standard for social responsibility. Diageo isn't going to bring me that product; it's going to be smaller suppliers trying to get in something kind of edgy it's not the big suppliers that are violating social responsibility.

Hunsaker: I sat in on a listing meeting where the education, marketing and all that, the Iowa native distilleries don't have to go through all that whole listing and tasting process?

O'Brien: I have only had one Iowa product since I came on board that has been presented to me and that was the one that I am questioning.

Clayton: Have we had anybody appeal that was declined?

O'Brien: No. I think the one's that I have declined I feel really confident that - I have tried to think what a layperson on the street and I am a parent of three and if that particular products looks like it should be next to the moo milk in the grocery store my kids would gravitate towards that product so we have not had any appeals, and allot of the times it is getting to where they know the brokers that represent these products know that we are probably going to deny it when they bring it in. So I think that is part of why I haven't had any appeals.

Hunsaker: We had talked about the racking system and allowing more SKU's that that would perhaps allow for a decrease in special orders so consumers would have more access to different, maybe not as popular labels. Are we increasing the number of SKU's?

O'Brien: We are, currently there is about 1,650 SKU's, we had that period were suppliers were allowed to bring in products that were previously declined and we are now able to permanently list some special order items and there not products that maybe only 10 retailer products in the state that carry them because they are high-end. It is an on-going process of looking at that and then on the flip-side we are doing away with some products that are slow movers and shifting those into do we really need this in Iowa and should it be available on a special order basis only.

Iversen: We have about 1,600 somewhere in the field of about – *inaudible.* We viewed Michigan and they have around 5,000 products in their warehouse that sell less than 10 cases per year – *inaudible.*

Plowman: I want to talk a little bit about leveraging technology, to increase efficiency in our agency in the last month we had fiber optic installed in the building, it is pretty significant in the reliability of our deliverable services – *inaudible.* And it will also allow us to create a back up to our accounting pay check and will allow us to do away with our pay backup because the problem with pay backup is that unless you - *inaudible* – a remote backup system is much more reliable. The next phase will be R-order – *inaudible.*

Wilson: Just one thing I want us to look at, or you guys to look at while you are doing this is to think about if we are making it easy for us in here, which we also need to find a way to make it easy for the class e-licensee to currently do that in a retail establishment we have to physically walk out there write everything down on paper and then turn around and redo it electronically to send to you and I think at some point and time there needs to be some technology that is given to the class e-license holders to be able to make that much easier.

Plowman: Thank you for bringing that up because that is something we brainstormed early on because we know those orders have to go through Hy-Vee or whomever, so I think that is something that we can certainly look into is how to develop.

Wilson: I think even to the extent that you're giving the vendors failed information on the quantities and so forth, but when a retailer plans for a truck and 150 or 200 cases and only 100 of them show up because of out of stocks, that may have been for a display that they are planning and so now their sales are lost for

that entire week because they couldn't say OK well this product is out so I need to refocus it. They could have on-hand inventory at the same time as well it will always create sales for the Division.

Larson: Our vision is to work with the Department of Administrative Services – *inaudible* – our goal is that a year from now – *inaudible*.

Plowman: R-ordering we are scheduled to have that up and ready for testing – *inaudible.*

Wilson: I'm speaking as a someone from Hy-Vee, you guys have got to make it very easy for us, I am talking more about the smaller independent store even the Dahl's of the world, fareway would, Walmart would but it's the smaller independent stores that we need to look at.

Plowman: Just a snapshot of where we are at, you can see liquor sales are going down just a little bit and the cost of sales are down a little bit more. Operating expenses, the number is slightly skewed for services that were already paid for so we have a roll-over of 10 million dollars that is why it is so much higher for where we are at this year compared to last year. Travel analysis, in state travel expenses are at $74,000 while out of state was $17,000, compared to last year's in state travel expenses were $37,000, $28,000 of that is for overnight drivers routes, we have an estimated 110,000 in cost savings by implementing that change in the first part of the year. One other change that was made to the policy where the state was not reimbursing meals for travel unless there was an overnight stay has been reinstituted effective February 6, 2014. And our agency will have to go back and pay anybody that would fall under the way that it was before. We have a drivers meeting on Monday to discuss how we will go about doing that, it is difficult to tell at this time what impact that may have as I have more information as we receive it – *inaudible*.

Hunsaker: Summarizing due to sound not clear – There are old trucks that are needing to be replaced in the fleet, what will this do to the mileage operation?

Larson: *Response inaudible*.

Iversen: Wrapping up, the budget for phase 1 updates was $1,435,589 and the final total cost of that was $1,382,529 so we were able to drop that much off while remaining on time, we are very happy about that allot of work and planning from Herb Sutton, allot of people did allot of great work. On to phase 2, *inaudible*, we paid for it up front this time it will eventually get us up 1% on our margin. Phase 2 consisted of two main parts, one is the office infrastructure refurbishment, HAVAC system, technology system, and all date back to 1980 – 1981 so we actually have rooms in our building where the air conditioning and the heat are running at the same time competing against each other. Additionally on the IT side Tammy mentioned the fiber optic which is now our primary and backup. The primary is in now and the backup will be coming when some of other agencies like DMACC need to update theirs so we are trying to piggy back off that for additional cost savings. So we are holding off on that backup fiber optics for right now. We are upgrading the technology side of our building on wi-fi because we put more on it that what it is capable of doing so we are upgrading all of that as well. On the outside of the building we are pouring new concrete in the parking, loading and receiving areas, when the building was built the trailers were about 40-42 feet long now everything is stretched out with 50 foot trailers and it is becoming common to have a swing out turn around area. With phase 2, unfortunately we are behind because one of the HVAC deliveries has been delayed several weeks due to weather. (Summary of slide) This is the dock area, right now the trucks come in and swing around right here and it is very congested so what we are creating a turn-around area here big enough for these newer trucks. Phase two is projected just short of $1,500,000 – *inaudible*. Phase three bids are due back no later than March 10th as we are here right now there is a walk through the facility for – *inaudible.*

Larson: Thank you Tim, very quickly – expenditures that are non-liquor related. *Inaudible.*

Freund: I have some handouts that are in your black folder, does anyone have any questions on the compliance and regulation stats that I provided?

Clayton: Do you have any stats on how many on the number of times that the get out of jail free card was used by licensees?

Freund: I can start adding that to the report, I should have put that in there.

Clayton: The police officers are upset that they feel like they have done their job by finding someone that violates the law and then there is no action taken.

Pogones: I had Annie recently pull that information for me for I-PACT press release and within the first year that I-PACT was implemented we only had 12 establishments that used their affirmative defense.

Freund: I'll start adding that on to this report, any other questions. The second thing I want to take about is our first industry focus group that we held three meetings and at those meetings we were able to come up with an informational sheet that has been very helpful to everybody and then an industry members information packet for licensees and for industry members so they can reference the material and code section for items they can and cannot do. We will start distributing this by the end of next week, to all licensees and I take it to all of my town hall meetings and make sure they get distributed. Any questions on those two documents?

Wilson: How are these going out to the class e-licensees are they going to be put on their truck mail or sent out in a special manner so they are noticed? I can tell you that these two documents are the most wanted documents by any class e-licensee so I would like to see these sent out in a manner that they know they have these on hand.

Freund: These will be sent out in several different formats via email and mailed out to business addresses instead of the corporate address and they will be posted on the website as well. These will be ongoing documents this is not the final as new questions come up we will add to that and provide updates.

Wilson: And I think it would be the best well to have them go to all of the distributors for beer and wine asking them to get these to all of their sales reps as well because the sales reps are the people on the street that are giving false information or good information and they need to have these documents so they understand what is the correct information.
Freund: Right, and I am actually working with the Iowa Beer Wholesalers and they will go out and have five different meetings regarding these documents throughout Iowa so they are going to help me facilitate those. You are right we need to get it out there because that is my main job right now is answering all of these questions on tastings. Industry members won't participate in any once they have an email from me to the event organizer saying that it is compliant, which is fine but we do hear back allot of stories on what they are saying and we have not fined anybody we are just educating them but at some point it will be punitive.

Wilson: Well I think that will change some of these as well, for the better.

Freund: I agree. Our next group that we are going to focus on are Iowa native breweries and brew pubs, we will start meeting with them hopefully in March allot of these will be the same information but if they want

information that strictly pertains to them they have a document to know exactly what they can do most of this is going to be the same except for brew pubs are can do different things than what a regular brew pub can do so we are going to start with them, there may be a different document created just for them or they might think of more questions that might be added. We will travel across the state again for these to make sure we are hitting all the areas and getting the word out. The next thing in your packet is the dram shop data collection update we have been doing this for four months now and I wanted to give you guys an update this is going to be part of our license application we will just keep collecting this data and I will report back every time we have a meeting if you guys like on the numbers. Once we have 6 months of data it will give us a better perspective and then when we have gone a full year we will actually know because then every on premise license would have applied or renewed. Is there anything you would like to see differently on this report?

Hunsaker: I look at this and I see the aggregate limit of 150-200 but 26 is a significant percentage of this whole number – less than 10%, but this is probably something that you can't tell or maybe this is just a statement but do they own the building what is the age of the owner, where is the potential other liability that somebody's harm is covered by dram and go after any personal wealth that they may have but I know that would probably be impossible to gather so it's really more of what the demographics look like. Are they renting these businesses so the dram is more about protecting the victim and those that are buying 500K and more are probably people that have some significant personal wealth that they are protecting?

Freund: Well, I might be able to get you that information if they own or lease because I think we have that on the application and I can start adding that into my report.

Hunsaker: I don't know that it means anything other than it would just be interesting to know.

Freund: I know that I can probably get that, do you want to know how many of these are per county?

Celsi: I think every once in a while it might just be good to bring a bigger data set just for us to review but I don't think for every meeting that it is necessary, we know that it is there if we need it.

Freund: So once a year?

Celsi: Yes.

Freund: I will just get when you on when you want that and what you want in the larger pool of data.

Hunsaker: I look at this think what is this number, what is that number, and so on and would like to know what they are for.
Inaudible question – possibly from Jessica Dunker?

Clayton: Is this a public document?

Freund: It is yes, it is all public record. Then Rick had asked for some information on waivers so that is in your packet we also have the layout of that and Rick wanted to know exactly how many there were most are for a dispensing device. I haven't been into one but I imagine they are at a table and you go up and buy a card with a pre-paid amount on it tell the bartender how many people are at the table and then they can only dispense two – 14oz glasses until they go back up and re-verify with the bartender. There are some wine waivers too.

Wilson: The wine ones have a card too and you cannot operate any of them without a card.

Schaffer: Every business model is a little different but we have three one waivers two are for beer and one is for wine some of them are at table setting some are built into the wall but there are certain criteria that they have address during the waiver request.

Freund: We work closely with the cities too if they are obviously against it we are not going to go over them.

Schaffer: We really rely on their input because it is in their city and they are going to have to have law enforcement in there and monitor it as well.

Freund: Our investigators go in to establishments at least every four to six months because to make sure they remain compliant and so they know that we are watching them for compliance.

Clayton: What is the appeal? Is it like a robot waiting on me rather than a person?

Schaffer: Going back the whole reason we have this administrative rule because vending machines eliminate the interaction with a bartender so if you remove that part of it there is fear that there is going to be more underage and intoxicated persons getting access to alcohol. So with the waiver what they are trying to do is address those concerns with underage and overconsumption by factoring criteria that are going to want them to do.

Clayton: So if I sit down at the table and there are 4 of us that would be eight 14oz classes of beer, two for each person does the machine see who drinks the beer? I mean we could have 4 people and one drinker.

Schaffer: Yes, that would be for the specific table dispenser situation, after the initial two 14oz drinks are dispensed they would still have to go up and interact with the licensee.

Clayton: But who sees who is drinking the beer?

Freund: It is still up to the licensee to ensure that no one under age is obtaining the alcohol.

Clayton: If they are coming into an establishment underage you can stop that at the door but if there are four of us at the table with only one person drinking, the person going up to the bar with the card re-charged hasn't touched a drop of alcohol they have just been sitting there watching this other fool drink all the beer.

Schaffer: There is language that says that the staff on hand monitors to ensure that there is no over consumption.

Clayton: How do dram shop companies feel about this arrangement?
Freund: They have insured them.

Celsi: To me it is no different than four patrons who are sitting at a table and one person is buying the drinks, pitcher or bucket of beers.

Larson: In reference to commissioner Wilson's comment on trade practices and focus groups we will be visiting in 2014 to provide more education for regulation and licensing. One of our core functions is to

regulation 15,000 licensees in the state and there are over 8,500 on premise licensees of alcoholic beverages so we will be pivoting back towards regulation for education this will be something that we will be wanting to do avenues for dissemination of information. We will be doing focus groups throughout the state over the next 18 months to help those become successful with their business models in the alcoholic beverage industry. Finally the state of Iowa will be hosting the National Conference of State Liquor Administrators

Central regional conference on October 7-10th in Des Moines. Deb Basset and Stephanie Strauss will be working with the NCSLA later this year and I will be asking many of you for assistance in development of the agenda and also to assist in moderating panels this association is more on the regulatory trade practices front whereas the other association we belong to is with distribution and supply side with product management. This will be an exciting program and I will dovetail that in with Symposium 21 in our control states as well as the bordering states so any issues that we deal with, we will keep you updated on developments as we get there. That concludes our report today, thank you to the commission.

Public Comment

Garrett Burchett with Mississippi Distilling Company – I am here to voice a disappointment in the comments that were made on the 17th. We as an industry were not aware or the perception of the meeting that was called.

Celsi: Can you back up a little bit; I'm not sure what we are talking about?
Burchett: Basically the comments that were made in the Des Moines Register there is a perception whether that is by the Des Moines Register that a public meeting was held specific to HF2173 and the micro-distillery, it's something that we worked hard as an industry since 2009 that if we have an open dialogue between the distilleries the commission and ABD, we certainly have an interest to work within the rules and the commission and ABD. I can't speak enough for the staff members and their willingness and the phone calls, all that said, should the commission choose to register opinions on their own behalf we as an industry would be concerned on how personal and political and business interests weigh into it. If we could all get together and maybe even with the wineries and breweries, if we could get together and work out our comments before we go out to some of these entities it certainly has a profound impact on the perception of the industry either good or bad, that is all I have to say. Thank you for your time, I will leave my business cards today if anyone would like to reach out.

Jason White with Warren County – *inaudible question/statement*

Claire: Thank you for sitting through our very long meeting to make a comment we appreciate your patience. You are always welcome to be here and if you want to contact us ahead of time if you have a presentation with new information, all you have to do is get on our agenda and we would be happy to hear you out.

Clayton: My concern has never been with the individual distilleries or the distillers as a group my concern is maintaining the three-tier system in an effective way so that it is protected by something in and tearing it apart. We have seen what happens when control states come under attack and the consumer ends up paying. Look at the west coast and what happened out there.

Burchett: *Summary* – he expressed interest in working with the commission to modify the limits for distillers to be able to allow drinks by the glass made on site. There are several distilleries across the border

in Galena, IL that allow drinks to be made on site that makes for a serious disadvantage for distilleries in LeClaire and Dubuque since they are not allowed to do the same.

Jessica Dunker with the Iowa Restaurant Association – *Inaudible.*

Hunsker: I always thought that one of the advantages of a control state was because of the ability for them to buy alcohol at the same price as the big boys.

Jessica Dunker: *Inaudible.*

Hunsaker: I always thought the control state was an advantage for mom and pop shops which is why they would want to protect it.

Jessica Dunker: *Inaudible.*

Celsi: Jessica, since you are at every meeting, we promise not to ram anything through without your knowledge.

Old Business

None at this time.

New Business

None at this time.

Schedule of Upcoming Meetings.

To be set via email after the meeting

Adjournment

Motion: It was moved and seconded that the meeting be adjourned. The motion carried unanimously.

Meeting was adjourned at 2:54 P.M.

TAMI DOLL Secretary