



[HF 2379](#) – Alcohol Distribution Parity (LSB5748HV)
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 Fiscal Note Version – New

Description

[House File 2379](#) does the following:

- Allows the Alcoholic Beverages Division (ABD) of the Department of Commerce to be the sole wholesaler of alcoholic liquor to all liquor control licensees, not just class “E” licensees.
- Allows class “A,” “B,” and “C” liquor control license holders to purchase alcoholic liquor from the ABD.
- Allows class “B,” “C,” and special class “C” liquor control license holders to purchase beer from class “A” beer permittees and class “C” beer permittees who also hold a class “E” liquor control license. The quantity is limited to not more than five cases of beer, high alcoholic content beer, and canned cocktails, but not more than one of such sale to the same licensee within a 24-hour period.

Background

Currently, the ABD is the sole wholesaler of alcoholic liquor to class “E” liquor control licensees. Class “A,” “B,” and “C” liquor control license holders must purchase alcoholic liquor from class “E” liquor control licensees. Class “B,” “C,” and special class “C” beer permit holders purchase beer from class “A” beer permit holders.

Currently, the ABD processes an average of 5,114 will-call orders for class “E” liquor control licensees each fiscal year. There are 1,886 class “E” liquor control license holders. The ABD is open five days a week and averages approximately 20 will-call orders each day. Currently, all of the ABD’s will-call orders are filled through a single door of the warehouse. The ABD has one warehouse staff member to pick, stage, and verify daily will-call orders. Ruan is contracted to run the ABD’s warehouse. The contract includes personnel, distribution, and warehouse equipment costs.

According to the ABD, the ABD’s warehouse, located in Ankeny, occasionally becomes backed up onto the public street with traffic for deliveries and will-call orders with the ABD’s current traffic. In FY 2021, the number of class “A,” “B,” and “C” liquor control licenses totaled 4,289. The table below breaks down the licenses by classification and business type.

Liquor Control Licenses by Classification and Business Type

License Classification	Business Type	Licenses (FY21)
Class "A" Liquor Control License	Private Club	94
Class "B" Liquor Control License	Hotel/Motel	124
Class "C" Liquor Control License	Bar/Restaurant	4,071
	Total	4,289

Source: Alcoholic Beverages Division, Department of Commerce

Assumptions

Demand will shift from class “E” liquor control license holders to the ABD. Class “E” liquor control license holders increase the pricing of products they purchase from the ABD between 3.0% and 5.0% before selling them to class “A,” “B,” and “C” liquor control license holders. Class “A,” “B,” and “C” liquor control license holders who are able to make a trip to the ABD that is less costly than ordering through class “E” liquor control license holders are anticipated to shift their demand to purchasing directly from the ABD. This shift cannot be estimated.

Allowing the 4,289 class “A,” “B,” and “C” licensees to purchase liquor at the Ankeny warehouse will increase daily will-call orders significantly, but the number cannot be estimated. House File 2379 does not address the required size of liquor orders; therefore, retailers may purchase as few as one bottle, or as many as a truckload. The ABD will likely need to increase its contract amount with Ruan to meet the increased demand of will-call orders. The ABD may also need to make infrastructure changes to its warehouse to accommodate the increase in traffic by increasing the number of will-call doors.

Fiscal Impact

This Bill is anticipated to result in a significant increase in expenses from the Liquor Control Trust Fund for increased personnel at the ABD warehouse. This does not include any modifications that the warehouse may need to allow for the increased demand. It is expected that the ABD will not be able to fill all of its will-call orders through the door the ABD currently has, and that it will need to add additional door(s) to handle the increased demand. The fiscal impact of these modifications is unknown.

The cost to implement infrastructure changes to the ABD’s warehouse, such as increasing the number of will-call doors, increasing the size of the warehouse, or increasing the number of warehouses in the State, is unknown. The total fiscal impact cannot be determined.

Source

Alcoholic Beverages Division, Department of Commerce

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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