

1-25-95 State Gov.  
3-9-95 Do Pass  
**FILED** JAN 25 1995  
4/10/95 Referred back State Gov't.

SENATE FILE 64  
BY BISIGNANO, LIND, GETTINGS,  
MURPHY, JENSEN, DEARDEN,  
McLAREN, FREEMAN, LUNDBY,  
BARTZ, McKEAN, KIBBIE,  
FRAISE, GIANNETTO, PRIEBE,  
FINK, and BORLAUG

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the sale price of alcoholic liquor by a class  
2 "E" liquor control licensee, and subjecting violators to  
3 criminal and civil penalties.

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

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S.F. 64

1 Section 1. Section 123.24, Code 1995, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 6. a. A class "E" liquor control  
4 licensee shall not sell or offer for sale an alcoholic liquor  
5 product for an amount less than the current published price of  
6 the alcoholic liquor product to the class "E" liquor control  
7 licensee plus ten percent of the current published price.

8 b. As used in this subsection, "current published price"  
9 means the sale price at which the division sells an alcoholic  
10 liquor product to a liquor control licensee. If the sale  
11 price of an alcoholic liquor product from the division  
12 changes, the new current published price takes effect on the  
13 date announced by the division.

14 c. The division shall furnish notification of price  
15 changes to all class "E" license holders at least fifteen days  
16 before the effective date of a price change.

17 d. Paragraph "a" shall not apply to the following sales:

18 (1) An alcoholic liquor product sold during a bona fide  
19 clearance sale.

20 (2) An alcoholic liquor product sold during a final  
21 liquidation of the business of an alcoholic liquor licensee.

22 (3) An alcoholic liquor product sold to a nonprofit  
23 charitable organization.

24 (4) An alcoholic liquor product sold pursuant to a state  
25 or federal court order.

26 e. A class "E" liquor control licensee who violates this  
27 subsection is guilty of a serious misdemeanor pursuant to  
28 section 123.90.

29 f. In addition to the criminal penalty imposed upon  
30 conviction under paragraph "e", the administrator:

31 (1) Shall impose a civil penalty of not more than one  
32 thousand dollars for the first offense, and may suspend the  
33 class "E" liquor control license for a period of time  
34 determined by the administrator, and may recover the costs of  
35 investigation.

1 (2) Shall impose a civil penalty of not more than two  
2 thousand dollars for the second violation, and may suspend the  
3 class "E" liquor control license for a period of time  
4 determined by the administrator, and may recover the costs of  
5 investigation.

6 (3) Shall impose a civil penalty of not more than three  
7 thousand dollars for the third violation, and may suspend the  
8 class "E" liquor control license for a period of time  
9 determined by the administrator, and may recover the costs of  
10 investigation.

11 EXPLANATION

12 This bill requires a class "E" liquor control licensee to  
13 sell or offer for sale an alcoholic liquor product with a  
14 minimum markup of 10 percent above the current published price  
15 of the liquor product to the licensee. If the price of a  
16 liquor product sold by the division changes, the new price  
17 becomes the current published price of the product after the  
18 affected licensees have been given 15 days' notice of the new  
19 cost. Exceptions to the markup of 10 percent include liquor  
20 sold during a bona fide clearance sale, liquor sold during a  
21 final liquidation of a liquor business, liquor sold to a  
22 nonprofit charitable organization, and liquor sold pursuant to  
23 a federal or state court order.

24 A class "E" liquor control licensee violating the minimum  
25 markup is guilty of a serious misdemeanor. A civil penalty of  
26 up to \$1,000 shall also be imposed for the first offense, up  
27 to \$2,000 for the second offense, and up to \$3,000 for the  
28 third offense. The administrator may also suspend the  
29 violator's liquor control license for a period of time as  
30 determined by the administrator and may recover the costs of  
31 investigation.

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**SENATE FILE 64  
FISCAL NOTE**

The estimate for Senate File 64 is hereby submitted as a fiscal note pursuant to Joint Rule 17 and as a correctional impact statement pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 64 requires a Class "E" liquor control licensee to sell or offer for sale an alcoholic liquor product with a minimum markup of 10.0% above the current published price of the liquor product to the licensee. According to the Bill, a Class "E" liquor control licensee violating the minimum markup is guilty of a serious misdemeanor.

ASSUMPTIONS:

1. The Alcoholic Beverages Division will lose \$200,000 annually in gross sales (\$66,000 in net revenue) to Class "E" retailers from bordering states.
2. The Division will issue citations of violation to ten Class "E" retailers during each fiscal year (2.5% of the Class "E" population).
3. The Division will be successful in collecting civil penalties and recovering investigation costs for each violation cited. Estimated civil penalties would total \$10,000 annually. Recovered investigation costs would total approximately \$5,500 annually.
4. The Division will need two Field Auditor II positions and support to investigate pricing complaints and routinely visit Class "E" retailers to ensure compliance.
5. The Division would be required to purchase two new vehicles at a cost of \$24,000 in FY 1996.

FISCAL IMPACT:

The estimated fiscal impact to the State General Fund would be a decrease in revenues and an increase in expenses resulting in a net deficit of approximately \$181,000 in FY 1996 and \$158,000 in FY 1997.

	<u>Fiscal Year 1996</u>	<u>Fiscal Year 1997</u>
<u>REVENUE</u>		
General Fund	\$ -50,500	\$ -50,500
<u>EXPENDITURES</u>		
Salaries (FTE's)	\$ 85,000 (2.0)	\$ 86,000 (2.0)

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Support	21,000	21,000
Vehicles	24,000	0
Total	\$ <u>130,000</u>	\$ <u>107,000</u>
<b>NET EFFECT</b>	\$ <u><b>-180,500</b></u>	\$ <u><b>-157,500</b></u>

CORRECTIONAL IMPACT:

Negligible impact on the correctional system is expected as a result of this Bill.

SOURCES:

- Department of Commerce
- Department of Corrections
- Department of Human Rights
- Department of Inspections and Appeals
- Department of Public Safety
- Judicial Department
- Office of the Attorney General

(LSB 1205XS, VMT)

FILED MARCH 22, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 64

S-3169

- 1 Amend Senate File 64 as follows:
- 2 1. Page 1, line 19, by inserting after the word
- 3 "sale." the following: "A bona fide clearance sale
- 4 shall include only inventory product possessed at the
- 5 commencement of the sale and the same product shall
- 6 not be purchased by the licensee for one year after
- 7 the conclusion of the sale."

By TONY BISIGNANO

S-3169 FILED MARCH 21, 1995

SENATE FILE 64

S-3304

- 1 Amend Senate File 64 as follows:
- 2 1. Page 1, line 7, by striking the word "ten" and
- 3 inserting the following: "seven".

By RANDAL J. GIANNETTO  
JIM LIND

S-3304 FILED MARCH 30, 1995

SENATE FILE 64

S-3329

- 1 Amend Senate File 64 as follows:
- 2 1. Page 1, line 7, by striking the word "ten" and
- 3 inserting the following: "five".
- 4 2. Page 1, line 7, by inserting after the word
- 5 "price." the following: "However, this subsection
- 6 applies only to sales of an alcoholic liquor product
- 7 to the holder of a class "A", class "B", class "C", or
- 8 class "D" liquor control license."

By MICHAEL E. GRONSTAL

S-3329 FILED APRIL 4, 1995