


## MEMORANDUM

**TO:** Administration and Regulation Subcommittee

**FROM:** Stephen Larson, Administrator



**DATE:** February 25, 2020

**RE:** Budget Presentation For Fiscal Year 2020-2021

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### SUMMARY

Pursuant to the Iowa Alcoholic Beverage Control Act (Iowa Code chapter 123), the Iowa Alcoholic Beverages Division (the Division) is responsible for the administration and enforcement of alcoholic beverages laws in the state of Iowa. Furthermore, the law provides the legal authority for the Division to assume direct control of the distribution at wholesale of alcoholic liquor to off-premises retail licensees.

As the regulatory authority on alcohol in Iowa, the Division ensures fair and effective administration and governance of the Iowa marketplace. As we look to the future, the Division's strategic plan will continue to strive towards finding ways to streamline licensing, as well as bring forward to policymakers recommendations that put into place laws that are structured to be easily understood and evenly applied. Furthermore, as the wholesaler of alcoholic liquor, the Division, in partnership with Ruan and our customers, will continue to improve our transportation and warehousing services.

### FY2019 Results

In Fiscal Year 2019, the Division experienced a record \$339 million in liquor sales, an increase of 6.1% over the previous fiscal year. Of that amount, \$126 million was reverted to the General Fund. Total gallons of beer and wine (native and non-native) sold decreased slightly, from 77 million gallons in FY18 to 76 million gallons sold in FY19. Taxes collected on beer and wine (native and non-native) totaled almost \$22.1 million, a 0.4% decrease from the previous fiscal year. Over 18,000 licenses, permits, and certificates were issued, a 9.4% increase from FY18.

Ruan began providing warehousing and distribution services during the final quarter of FY19. This public-private partnership attempts to achieve sustainable outcomes within the Iowa marketplace by creating opportunities to maximize State General Fund revenues, minimize the State's risk exposure, and, over time, increase efficiency in meeting our customers' service needs, including greater brand diversity.

### **FY2020 Early Results**

The trend in sales growth has been consistent for Fiscal Year 2020 when compared to the last two fiscal periods. Gross liquor sales are \$209 million for the last seven months, which equates to a 4.8% increase over last year. The Division processed 45,247 orders and had 32,538 deliveries over the last seven months.

The significant contributor to our sales growth and revenue per order is the continued increase in the number of class "E" licensees that we service. As of January 31, 2020, we have crossed the 1,700 threshold and now have 1,711 active class "E" licensees. Convenience stores continue to drive the growth in the number of licensees, now accounting for 54% of class "E" licensee premises types.

### **FY2020 Budget Request**

The Division requests a status quo General Fund appropriation of \$1,075,454 for Fiscal Years 2020 and 2021.