Adam Gregg

Kim Reynolds Governor of Iowa Lieutenant Governor

Stephen Larson Administrator

MEMORANDUM

DATE:

January 27, 2021

TO:

Members of the Administration and Regulation Budget Subcommittee

FROM:

Stephen Larson, Administrator, Alcoholic Beverages Division

RE:

Alcoholic Beverages Division's Administration and Regulation Update

The Iowa Alcoholic Beverages Division (ABD) is responsible for the administration and enforcement of Iowa's alcoholic beverage laws and the wholesale distribution of alcoholic liquor to off-premises retail licensees. As the governing authority on alcohol, ABD strives to provide fair, efficient, and reasonable governance of Iowa's alcoholic beverage marketplace.

Because of the COVID-19 pandemic, there has been increased tension between ABD and the industry we regulate regarding how we should carry out our regulatory responsibilities under the law and the public health emergency proclamations. Ultimately, our regulatory efforts have balanced the need to protect public health and safety with the business needs of an industry financially impacted by the pandemic.

As conversations take place this legislative session on possible economic recovery initiatives, ABD is available to provide information to help in decision making. We also stand ready to implement initiatives that become law. And our ongoing regulatory efforts will continue to protect public health and safety, help maintain a fair and level playing field, and create a competitive business environment which supports industry recovery.

FY2022 BUDGET REQUEST: Status quo General Fund appropriation of \$1,005,461.

FY2020 RESULTS: A record \$367 million in spirit sales and a transfer of over \$133 million to the General Fund. In our partnership with Ruan, there was a 3% decrease of \$94,000 in direct costs for transportation, a .04% increase of \$11,500 in direct costs for warehouse operations, which is a net savings of \$83,000. Those savings don't reflect costs associated with risk management, insurance, future obligations regarding property and casualty payouts, and retirement benefits.

FY2021 EARLY RESULTS: \$211 million in gross liquor sales for the first six months of the fiscal year, a 15.1% increase over last year; 46,666 orders processed, a 20.5% increase; 30,122 deliveries, an 8.17% increase; 1,821 active class "E" licensees; completed 2,811 COVID-19 inspections, and complaints referred to administrative actions were forty-five.

2021 KEY INITIATIVES: Continue working with executive branch agencies and external partners to create integrated e-commerce platforms that will streamline licensing, marketplace governance, and data analytics management. These efforts will assist ABD and the legislature in future decision making. In partnership with Ruan, continue to modernize the wholesale distribution system to achieve sustainable outcomes for the lowa marketplace.

External Updates & Communications

March 8: IDPH announced first (3) confirmed COVID-19 cases detected in Iowa March 9: Governor signs Disaster Proclamation following official COVID-19 cases in Iowa March 16: Iowa Legislature adjourned until April 15, or otherwise noted March 17: Proclamation Issued by Governor in effect until March 31 - Bars and restaurants prohibited from allowing any customers to consume food and/or beverages on premises. On premises allowed to sell through carry- out, drive-March through, or delivery. Moratorium on can/bottle redemption for retailers. Gatherings of more than 10 people prohibited. March 17: ABD allows for returns from class E license holders for wholesale inventory or returned inventory due to cancellations of events March 18: IGOV issued moratorium on all non- critical administrative rulemaking March 19: FDA issues stop work order for any type of FDA tobacco inspection work until further notice **Kev** March 20: ABD mandated appointment- only access to the building Office of the Governor March 20: ABD teleworking goes into effect Education & Outreach March 24: ABD social media post regarding changes allowing class "C" licensees to sell Regulatory Compliance mixed drinks to- go with alcohol mixed in sealed container Governmental Relations Tobacco

External Updates & Communications

March 24: ABD email bulletin sent to class "C" licensees regarding clarification on to- go alcoholic beverages March 31: Proclamation Issued by Governor in effect until April 7th - Class "C" liquor licenses allowed to sell alcoholic liquor and wine in original unopened containers for carry- out, curb- side pickup, drive- through, or home delivery. April 2: Proclamation Issued by Governor - Bars and restaurants permitted to sell mixed drinks for off- premises consumption until April 7. Closure of bars and restaurants extended until April 30 April 10: Proclamation Issued by Governor in effect until April 30 that tobacco and vape shops, along with other businesses, **April** closed to the public April 13: ABD Regulatory Bulletin No. RB-2020-01 issued on Electronic Transfer of Beer Between Brewpubs and Beer Wholesalers April 24: Proclamation Issued by Governor that farmers markets selling farm products and food are no longer prohibited as a mass gathering and must adhere to social distancing and increased hygiene practices April 27: Proclamation Issued by Governor in effect until May 1 for 77 counties to open for restaurants at 50% capacity, and small gatherings approved at 6 or fewer people (religious gatherings exempt), food **Key** courts to remain closed. Businesses in remaining 22 counties may open May 15. Iowa Legislature will adjourn May 15. Office of the Governor April 27: Iowa's Ride announced cancellation of inaugural event Education & Outreach Regulatory Compliance May 6: Proclamation Issued by Governor Reynolds announcing ABD is offering licensing relief to businesses impacted by COVID-19 Governmental Relations Tobacco

External Updates & Communications

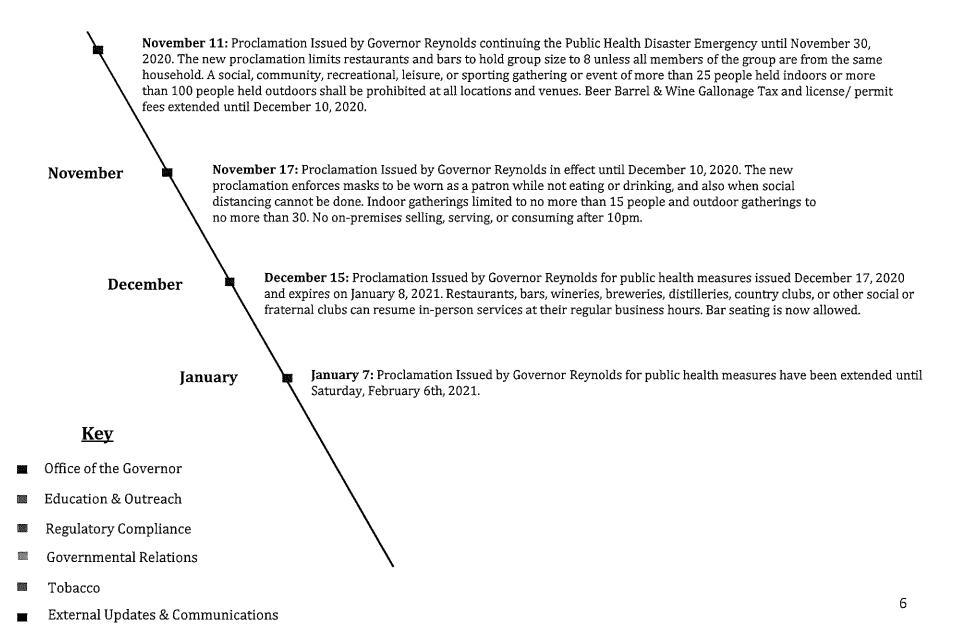
May 13: Proclamation Issued by Governor effective May 15 that restaurants, salons, social and fraternal clubs (including country clubs and golf courses), and other specified businesses may open statewide under strict public health guidelines and while maintaining 50% capacity. Gatherings and events of more than 10 people continue to be prohibited and all bars remain closed. May 26: Proclamation Issued by Governor Reynolds that beer and wine tax reports deferral extended through June 2th. Effective May 28 restaurants, bars, wedding reception venues, wineries, breweries, distilleries, country clubs, and other social/ fraternal clubs may open statewide under strict public health guidelines and while maintaining 50% capacity. Tobacco and vape May shops, race tracks, and movie theaters may also open under the same guidelines. **Effective June 1** outdoor performance venues, casinos, and amusement parks may open statewide under strict public health guidelines and while maintaining 50% capacity. June 3: Iowa Legislature back in session June 10: Proclamation Issued by Governor Reynolds effective June 12 to eliminate the 50% capacity requirement for restaurants, bars, casinos, and mass gatherings of more than ten people but must continue to use public June health safety guidelines. June 10: Iowa State Fair Board announced cancellation of 2020 fair. June 14: Iowa 2020 Legislative Session concludes **Key** June 18: Governor Reynolds signed Executive Order 6 establishing the Governor's Economic Recovery Office of the Governor Advisory Board Education & Outreach June 19: RAGBRAI announces will host "The Great Iowa Fall Ride" October 2-4 Regulatory Compliance Governmental Relations Tobacco

July 25: Governor Reynolds extended moratorium on can/bottle redemption for retailers to this date June 29: Governor Reynolds signed HF2540 into law with Division III effective upon enactment. This law is concerning alcoholic beverage control, establishing a charity beer, spirits, and wine event permit, providing for alcoholic beverages sales, and including effective date provisions. June 29: Governor Reynolds signed legislation which increased the state minimum age to purchase tobacco, alternative lune nicotine and vapor products from 18 to 21 years. State of Iowa law is now reflective of the federal minimum age to purchase which was raised on December 20, 2019. July 9: Governor Reynolds announced Test Iowa has hit milestone of conducting 100,000 COVID-19 tests since opening April 25th July July 24: Proclamation Issued by Governor Reynolds continuing the Public Health Disaster Emergency for another 30 days. Public health mitigation measures have been extended for bars and restaurants, gyms, casinos, salons, theaters, and other establishments without change. **Kev** August 21: Proclamation Issued by Governor Reynolds continuing the Public Health Disaster Emergency for another 30 days. Public health mitigation measures have been extended for bars and Office of the Governor restaurants, gyms, casinos, salons, theaters, and other establishments without change. Beer and wine tax report deferral extended to September 20. Education & Outreach Regulatory Compliance Governmental Relations Tobacco 4 External Updates & Communications

Tobacco

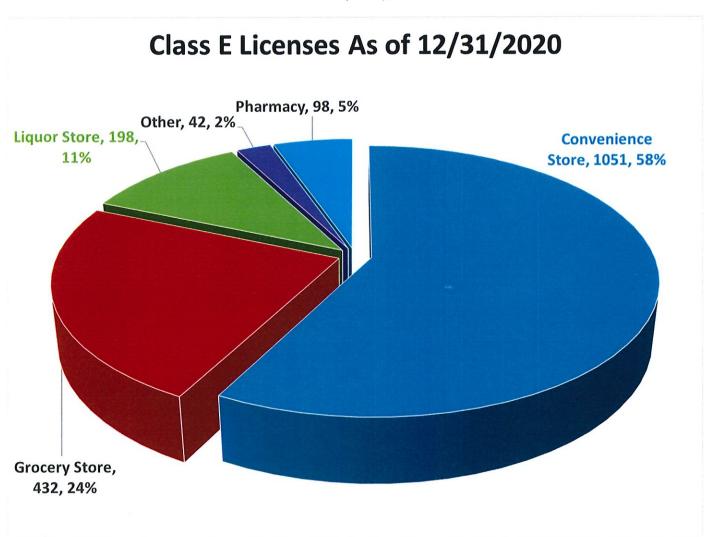
External Updates & Communications

August 27: Proclamation Issued by Governor Reynolds effective August 27, 2020, at 5:00 p.m. until September 20, 2020 ordering all bars, taverns, wineries, breweries, distilleries, night clubs to close in six counties: Black Hawk, Dallas, Johnson, Linn, Polk, and Story county. They may continue to sell alcoholic beverages for consumption off premises. Restaurants in these six counties are permitted to remain open, but must stop selling and serving alcoholic beverages after 10:00 p.m. September 15: Proclamation Issued by Governor Reynolds effective at 5:00 p.m. on Wednesday, September 16, 2020, permits bars, taverns, wineries, breweries, distilleries, night clubs to reopen in four counties: Black Hawk, Dallas, Linn, and Polk counties. It also removes the restrictions on hours that alcohol may be sold in restaurants in those counties. September September 18: Proclamation Issued by Governor Reynolds for bars, taverns, wineries, breweries, distilleries, night clubs continue to be closed in Johnson and Story counties until September 27, 2020. The proclamation also extends the other public health mitigation measures currently in place for businesses and other establishments until Sunday, October 18, 2020. September 25: Proclamation Issued by Governor Reynolds continuing mitigation efforts in Johnson and Story counties for an additional week, until October 4, 2020. October **Key** October 16: Proclamation Issued by Governor Reynolds for public health mitigation measures of six feet of physical distance between each group or individual dining or drinking and all Office of the Governor patrons have a seat at a table or bar and consume alcohol or food while seated currently in place for businesses until Sunday, November 15, 2020. Education & Outreach Regulatory Compliance Governmental Relations



Class E Licensees as of 12/31/2020

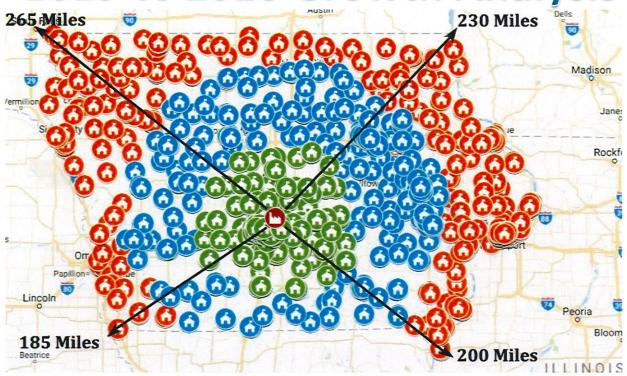
- ➤ 1821 active class E licensees
 - o 4 aggregate increase from last month
 - 12 Total New LE's
 - 10 Convenience Stores, 2 Liquor Stores
 - o 518 (50%) of Convenience Stores are Casey's



Other					
Bar/Tavern	Hotel/Motel				
Casino	Redemption Center				
Discount Store	Specialty Shop				
Excursion Gambling Boat					

- Grocery Stores (e.g. Hy-Vee, Walmart, Fareway, Costco)
- Liquor Store(e.g. Brothers Market, Smokin' Joe's Tobacco & Liquor Outlet, Central City)
- Pharmacy (e.g. CVS & Walgreens)
- Discount Store (e.g. Sam's Club)
- Convenience Store (e.g. Quik Trip, Casey's, Kum & Go)

2019 vs 2020 Growth Analysis

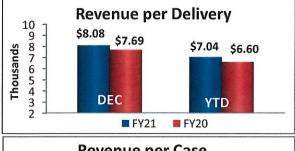


	2019 vs 2020 Radius Growth Analysis							
2019 2019 Radius Share 2020 2020 Radius Share 2019 vs 2020 Cl								
50 Mile	Licenses	462	26%	515	27%	11%		
50 Mile	Cases	684,528	32%	797,639	32%	17%		
50 Mile	Split Bottles	904,206	29%	1,010,585	30%	12%		
50 Mile	Total Bottles	8,167,647	31%	9,305,563	32%	14%		
50 Mile	Total Sales	\$108,151,446.13	32%	\$126,904,301.42	33%	17%		
100 Mile	Licenses	582	33%	630	33%	8%		
100 Mile	Cases	593,210	28%	681,521	28%	15%		
100 Mile	Split Bottles	979,972	32%	1,036,128	31%	6%		
100 Mile	Total Bottles	7,377,873	28%	8,245,986	28%	12%		
100 Mile	Total Sales	\$91,752,695.74	27%	\$105,651,851.14	27%	15%		
100+ Mile	Licenses	721	41%	773	40%	7%		
100+ Mile	Cases	863,638	40%	981,365	40%	14%		
100+ Mile	Split Bottles	1,207,094	39%	1,281,872	39%	6%		
100+ Mile	Total Bottles	10,405,368	40%	11,606,184	40%	12%		
100+ Mile	Total Sales	\$134,820,974.02	40%	\$152,831,041.48	40%	13%		

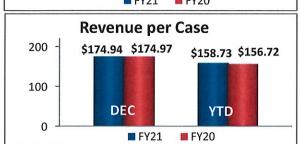
Iowa Alcoholic Beverages Division

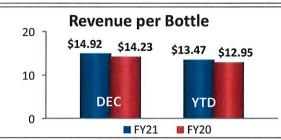
December Sales Comparison Year Over Year - Cash Basis

Category	FY 2021	FY 2020	% Change
Liquor Sales	42,767,399	36,096,513	18.48%
Split Case Fee	172,498	160,369	7.56%
Bottle Dep and Sur	427,844	355,793	20.25%
Total Revenue	43,367,741	36,612,675	18.45%
Deliveries	5,366	4,763	12.66%
Orders	8,192	6,775	20.92%
Cases	247,903	209,248	18.47%
Bottles	2,906,228	2,572,559	12.97%
Picks	581,053	519,870	11.77%
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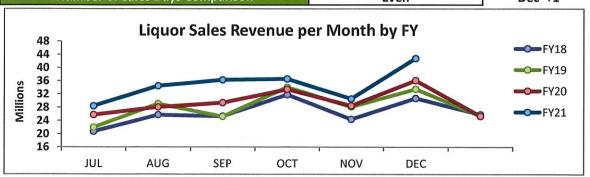






Fiscal Year Sales Comparison Year-to-Date

Category	FY 2021	FY 2020	% Change 15.31%	
Liquor Sales	209,047,358	181,284,493		
Split Case Fee	825,409	781,142	5.67%	
Bottle Dep and Sur	2,122,042	1,804,749	17.58%	
Total Revenue			15.30%	
Deliveries	30,122	27,847	8.17%	
Orders	46,666	38,711	20.55%	
Cases	1,335,598	1,173,214	13.84%	
Bottles			15,733,027 14,19	10.83%
Picks			8.88%	
Number of Sales Days Comparison		Even	Dec +1	



Iowa Alcoholic Beverages Divison

Report on Deferred License Revenue Calculated through January 8, 2021

Total Estimated Amount Of all Licenses Paid and Unpaid 5,832 \$7,628,649.09

Total Amount on Paid/Refundable Licenses 244 \$ 318,911.03

FY20

Totals FY20	FY20 Deferred	FY20 Collected	Total
On-Premise Licenses(LC)	1,380,583.57	15,414.00	1,395,997.57
All other License Types	171,459.00	25,535.00	196,994.00
TOTAL	1,552,042.57	40,949.00	1,592,991.57

Def FY20	Paid FY21	Total Licenses
881	11	892
318	46	364
1,199	46	1,245

FY21

Totals FY21	FY21 Deferred	FY21 Collected	Total
On-Premise Licenses(LC)	3,243,698.81	253,069.93	3,496,768.74
All other License Types	375,532.00	24,892.10	400,424.10
TOTAL	3,619,230.81	277,962.03	3,897,192.84

Def FY20	Paid FY21	Total Licenses
1,974	157	2,131
600	41	641
2,574	198	2,772

Totals ALL FY	Deferred All	Collected All	Est to be renewed	Est Total All	Def All	Paid All	Est To be Renewed	Total Licenses
On-Premist Licenses(LC)	4,624,282.38	268,483.93	1,884,824.84	6,777,591.15	2,855	168	1,296	4,319
All other License Types	546,991.00	50,427.10	253,639.84	851,057.94	918	87	508	1,513
TOTAL	5,171,273.38	318,911.03	2,138,464.68	7,628,649.09	3,773	244	1,804	5,832