

Performance Results

Fiscal Year 2013



**ALCOHOLIC
BEVERAGES
DIVISION**
State of Iowa

Governor Terry E. Branstad

Lieutenant Governor Kim Reynolds

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Introduction

The Department of Commerce, Alcoholic Beverages Division (ABD) is pleased to present its Performance Report for the Fiscal Year 2013 (July 1, 2012-June 30, 2013). This report contains information about the services ABD provided over the past fiscal year. This document is provided pursuant to Iowa Code section 8E.210, which requires agencies to report on performance. The report includes an agency overview, financial highlights summary, templates providing details about some of ABD's key results and a table outlining Fiscal Year 2013 performance plan measures and results by core function and service, product or activity (SPA).

Agency Overview

Agency Vision: The Iowa Alcoholic Beverages Division provides comprehensive services for all aspects of the alcoholic beverages industry in the state of Iowa. The Division will enhance overall operational and cost efficiency while establishing a business-oriented operation model.

Agency Mission: To serve Iowans through the responsible regulation and profitable distribution of alcohol while providing opportunities for industry development and promoting health through education.

Agency Core Functions:

The agency's services, products and activities relate to the following core functions:

- Sales and Distribution
- Regulation and Compliance
- Resource Management

Services, Products and Activities:

- Reverting profits from the sale of spirits to the State of Iowa general fund
- Funding substance abuse programs administered by the Iowa Department of Public Health
- Licensing and regulating all entities that are under the purview of Iowa Code Chapter 123
- Operating a profitable spirit distribution model
- Minimizing costs of distribution through efficient management and allocation of resources
- Ensuring working conditions are safe for employees of the ABD
- Develop education programs and promote outreach events focused on alcohol and tobacco prevention

Summary of Performance Data:

In fiscal year 2013, ABD scrutinized accounting practices, data capturing and other metrics to determine how the agency is performing with respect to its core functions. During this task, it was determined measuring certain performance targets was not practical or data was not available to accurately report results. Based on these findings, the ABD worked with the Department of Management to establish new performance measures that can be accurately tracked and efficiently reported. Some of the performance data presented will not have a fiscal year 2013 target or goal, however analysis will provide fiscal year 2013 results and fiscal year 2014 targets or goals.

Key Results

Core Function: Sales and Distribution

Description: ABD is given statutory authority to be the exclusive wholesaler of spirits in the state of Iowa. Per Iowa Code Chapter 123.24 (4), the Division is allowed to assess a mark-up of 50% of the wholesale price paid by the agency. The ABD is also entrusted with transferring profits from the sale of spirits to the State of Iowa general fund.

Why is this done: Iowa Code Chapter 123.53 (2) and (5) require the agency to transfer liquor profits to the State of Iowa general fund. The Division is also given a minimum transfer target that is established by the Revenue Estimating Conference.

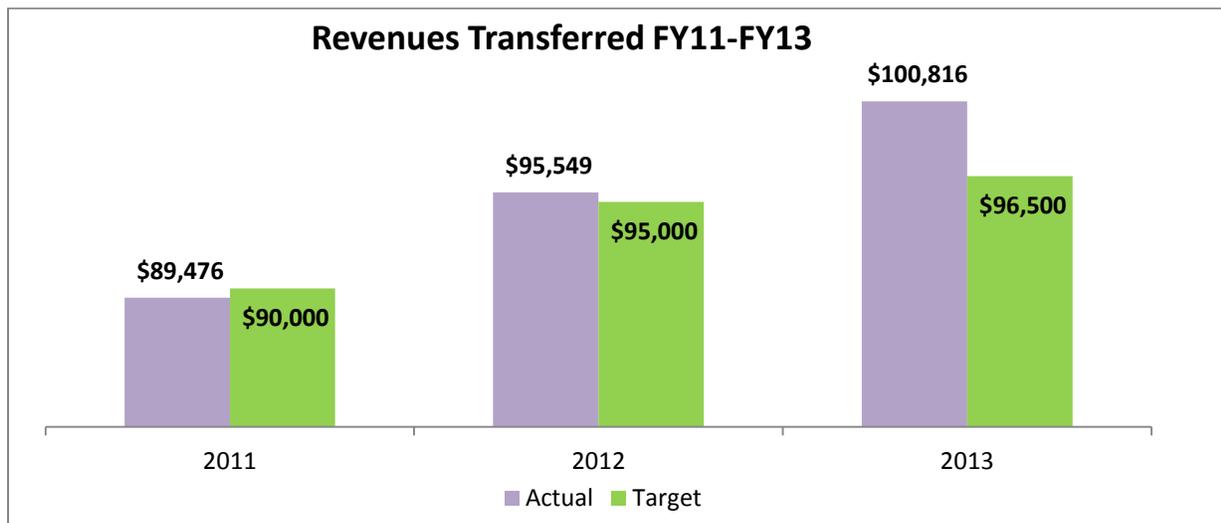
What is being done to achieve results: In fiscal year 2013 the ABD hired an independent consultant to assess the current distribution model employed by the State. Some consultant recommendations have been implemented in order to improve distribution efficiency, resulting in increased profits and improved operating margins.

The full report can be found at: http://iowaabd.com/about/division/translog_summary

Performance Measure:

- Amount of revenues transferred to the State of Iowa general fund
- Amount of revenues transferred for substance abuse programs

Performance Target: The Revenue Estimating Conference (REC) established the ABD's total transfer obligation. The fiscal year 2013 REC target was **\$94.6** million; this obligation was used as a base coupled with prior year transfers.



Note: Figures reported above represent Substance Abuse transfer and liquor profits transfer only.

What was achieved: ABD reverted a record **\$100.8** million to the State of Iowa general fund. Fiscal year 2013 actual exceeded target amount by **4.47%**. The ABD set a goal of **\$95** million for fiscal year 2014 target amount. As of December 2013, the agency has achieved **45%** of this goal.

Data sources: Review of ABD financial records and REC revenue reports.

Resources: These activities are funded through the wholesale of spirits and related revenues. Total expenses associated with generating transfer are **\$174** million. There are **41** FTE's associated with performing this core function.

ABD has established targets related to services, products and activities related to its core function of sales and distribution:

Unit	Outcome Measure	FY13 Actual	FY 2014 Target
Warehouse Management	Maintain costs at a level equal to optimum % of sales	.2059%	.1825%
Freight	Decrease truck breakage	\$16,325.81	\$16,326.00
	Maintain costs at a level equal to optimum % of sales	1.011%	1.000%
Warehouse Operations	Decrease warehouse breakage	\$10,885.48	\$11,000.00
	Maintain costs at a level equal to optimum % of sales	.5875%	.7000%
Product Administration	Maintain order accuracy rate of 87%	91.36%	87.00%

Targets listed were established during fiscal year 2013; setting targets for fiscal year 2013 was not possible due to inability set achievable targets. The targets listed above were created to assist the ABD in maximizing profits from the distribution of spirits.

Key Results

Core Function: Regulation and Compliance

Description: ABD is responsible for licensing and regulating all entities associated with the sale, distribution and promotion of alcoholic beverages within the state of Iowa.

Why this is done: The State of Iowa Code Chapter 123 grants ABD with the express authority to license and regulate entities associated with the sale, distribution and promotion of alcoholic beverages within the state of Iowa.

What is being done to achieve results: In fiscal year 2013, the ABD reviewed and modified performance targets. Targets established were impractical to track and the agency was unable to accurately report results. Fiscal year 2014 targets reported can be accurately tracked and efficiently reported. Targets set for fiscal year 2014 related to regulation and compliance are outlined below:

Unit	Outcome Measure	FY13 Actual	FY 2014 Target
License Operations	Generate license revenue	\$14,706,231	\$14,704,493
	Maintain budgeted personnel expenses		\$247,007
Regulation	Ensure adequate compliance checks	1,598	1,000
	License complaints will be investigated within 15 days		90%
Tobacco Enforcement	Number of tobacco compliance checks on retail outlets	3,379	3,300
Outreach and Education	Percent of IPLEDGE passing rate	96%	95%

Resources: These activities are funded through general fund appropriation, license revenue and pass through appropriation from the Iowa Department of Public Health. There are 14 FTE's associated with this function.

Key Results

Core Function: Resource Management

Description: Provides vital infrastructure needs necessary to administer and support agency operations.

Why are we doing this: Effective resource management will assist ABD in achieving its functions of:

- Licensing and Regulation
- Distribution of Spirits
- Education and Outreach

What we're doing to achieve results: In fiscal year 2013, the ABD reviewed and modified performance targets. Targets established were impractical to track and the agency was unable to accurately report results. Fiscal year 2014 targets reported can be accurately tracked and efficiently reported. Targets set for fiscal year 2014 related to regulation and compliance are outlined below:

Unit	Outcome Measure	FY13 Actual	FY 2014 Target
Risk and Safety	Amount of workers compensation claims		56
Education and Outreach	Percent of IPACT passing rate	96%	95%

Resources: These activities are funded through general fund appropriation, license revenue and liquor revenues.

Iowa ABD
Agency Performance Plan Results
FY 2013

Name of Agency		Department of Commerce-Alcoholic Beverages Division		
Agency Mission:		To serve Iowans through the responsible regulation and profitable distribution of alcohol while providing opportunities for industry development and promoting health through education.		
Core Function:		Sales and Distribution		
Unit	Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Liquor Revolving	Amount of revenues transferred to general fund	\$ 79,000,000	\$ 82,810,408	ABD exceeded target by 4.82%. FY 2013 amount transferred is a record transfer for the Division.
	Amount of revenues transferred to substance abuse	\$ 17,500,000	\$ 18,005,711	ABD exceeded target by 2.89%. Per Iowa Code section 123.53(5) the Division is obligated to transfer 7% of liquor sales for substance abuse. In FY 2012 ABD included split case revenue its liquor sales calculation.
Totals		\$ 96,500,000	\$ 100,816,119	FY 2014 target is \$95 million, the agency anticipates transfer to exceed targeted amount.
Service, Products and Activities related to Sales and Distribution				
Unit	Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Product Administration	Maintain order accuracy rate of 87%	N/A	91.36%	This measure relates to orders that have no errors. This measure was established in FY 2013. Order errors were tracked beginning February 2013. Minimizing errors will aid ABD in reducing distribution costs. FY 2014 target is 87%.
Warehouse Management	Maintain costs at a level equal to optimum % of sales	N/A	0.2059%	This measure relates to management functions associated with the distribution of spirits. This measure was established in FY 2013. FY 2014 target is .1825%.
Warehouse Operations	Decrease warehouse breakage	N/A	\$ 10,885.48	ABD is responsible for damaged product. This measure was established in FY 2013. FY 2014 target is \$11,000.00
Warehouse Operations	Maintain costs at a level equal to optimum % of sales	N/A	0.5875%	This measure relates to the warehouse function (direct costs) associated with the distribution of spirits. This measure was established in FY 2013. FY 2014 target is .7000%
Freight	Decrease truck breakage	N/A	\$ 16,325.81	ABD is responsible for damaged product. This measure was established in FY 2013. FY 2014 target is \$16,326.00
Freight	Maintain costs at a level equal to optimum % of sales	N/A	1.0110%	This measure relates to the distribution function (direct costs) associated with the distribution of spirits. This measure was established in FY 2013. FY 2014 target is 1.000%.

Iowa ABD
Agency Performance Plan Results
FY 2013

Name of Agency	Department of Commerce-Alcoholic Beverages Division			
Agency Mission:	To serve Iowans through the responsible regulation and profitable distribution of alcohol while providing opportunities for industry development and promoting health through education.			
Core Function:	Regulation and Compliance			
Unit	Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Educational and Outreach	Percent of IPLEDGE passing rate	N/A	96%	The IPLEDGE program is an online certification for retailers. The focus of the program is to alert and educate Iowa's tobacco retailers so they are more aware and informed of law changes to ensure illegal sales are not made. FY 2014 target is a passing rate of 95%.
License Operations	Generate license revenue	N/A	\$ 14,706,231.00	This measure was established in FY 2013. ABD is granted authority to issue licenses associated with the wholesale, distribution, and sale of all alcoholic beverages within the state. FY 2014 target is \$14,704,493.
License Operations	Maintain budgeted personnel expenses	N/A	N/A	This measure was established in FY 2013. Personnel expenses associated with licensing are funded through licensing revenue and general fund appropriation. FY 2013 personnel costs strictly associated with licensing are not available. FY 2014 target is \$247,007.00
Regulation	Ensure adequate compliance checks	N/A	1,598	This measure tracks the number of compliance checks performed on wholesalers, distributors and retailers involved with alcoholic beverages. FY 2014 target is 1,000 compliance checks.
Regulation	Licensee complaints will be investigated within 90 days	N/A	N/A	This measure was established in FY 2013. ABD strives to ensure compliance with Chapter 123, this measure ensures ABD is addressing regulatory issues expediently. FY 2014 target is 90%.
Tobacco Compliance	Number of tobacco compliance checks on retail outlets	N/A	3,379	ABD receives a pass through appropriation from the Iowa Dept. of Public Health to enforce tobacco compliance. FY 2014 target is 3,300.

Iowa ABD
 Agency Performance Plan Results
 FY 2013

Name of Agency		Department of Commerce-Alcoholic Beverages Division		
Agency Mission:		To serve Iowans through the responsible regulation and profitable distribution of alcohol while providing opportunities for industry development and promoting health through education.		
Core Function:		Resource Management		
Unit	Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Risk and Safety Management	Amount of workers compensation claims	N/A	N/A	This measure was created in FY 2013. ABD has experienced significant increases in workers compensation premiums since FY 2009. FY 2013 workers compensation premium was \$122,310. Reducing the number of workers compensation claims will result in lower distribution costs. FY 2014 target is 56 claims.
Educational and Outreach	Percent of IPACT passing rate	N/A	N/A	The IPACT program is an online certification for retailers. The focus of the program is to alert and educate Iowa's alcoholic beverage retailers so they are more aware and informed of law changes to ensure illegal sales are not made. FY 2014 target is a passing rate of 95%.