

**Performance Results**

**Fiscal Year 2014**



**ALCOHOLIC  
BEVERAGES  
DIVISION**  
**State of Iowa**

Governor Terry E. Branstad

Lieutenant Governor Kim Reynolds

Stephen Larson, Administrator

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# Overview

**Introduction:** The Department of Commerce, Alcoholic Beverages Division (ABD) is pleased to present its Performance Report for the Fiscal Year 2014 (July 1, 2013-June 30, 2014). 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 2014 performance plan measures and results by core function and service, product or activity (SPA).

**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 targeted at licensees to increase understanding and compliance

# Key Results

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**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.

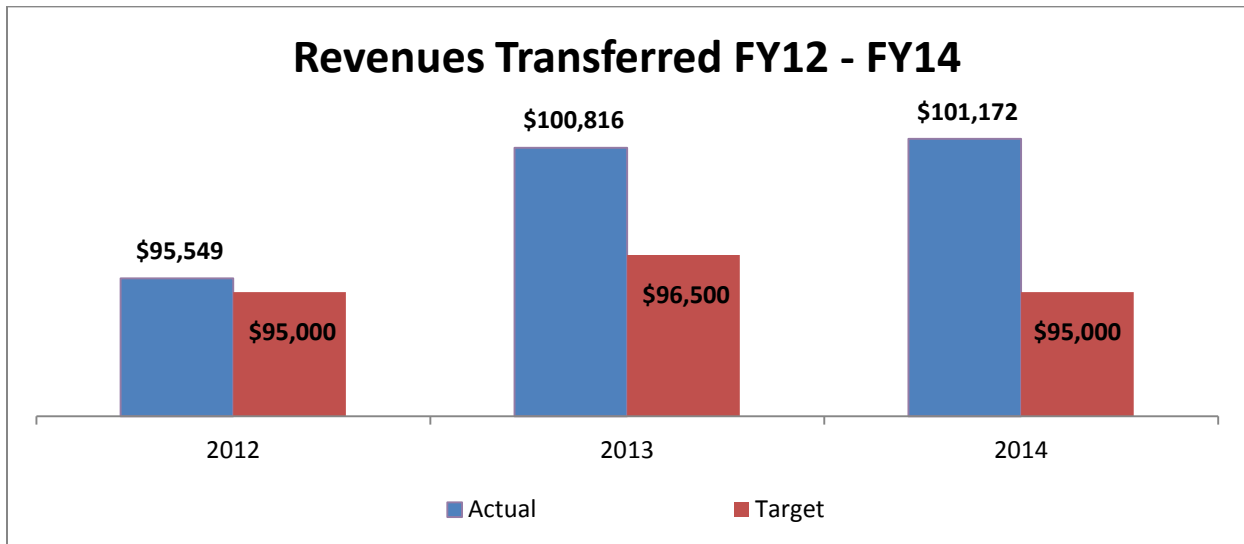
**What is being done to achieve results:** In fiscal year 2013 the ABD hired an independent consultant to assess the current distribution model employed by the State. Some consultant recommendations have been implemented in order to improve distribution efficiency, resulting in increased profits and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

The full report can be found at: [http://iowaabd.com/about/division/translog\\_summary](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 2014 REC target was \$95 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.

# Key Results

**What was achieved:** ABD reverted **\$101.1** million to the State of Iowa general fund. Fiscal year 2014 actual exceeded target amount by **6.5%**. The ABD set a goal of **\$96** million for fiscal year 2015 target amount. As of November 2014, the agency has achieved **43%** 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 **\$180** million. Major expenditures associated with performing this core function are the cost of goods sold, labor, and fuel.

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

Unit	Outcome Measure	FY14 Actual	FY 2014 Target
<b>Warehouse Management</b>	Maintain costs at a level equal to optimum % of sales	.242%	.1825%
<b>Freight</b>	Decrease truck breakage	\$10,373.00	\$16,326.00
	Maintain costs at a level equal to optimum % of sales	0.978%	1.000%
<b>Warehouse Operations</b>	Decrease warehouse breakage	\$14,229.00	\$11,000.00
	Maintain costs at a level equal to optimum % of sales	.692%	.7000%
<b>Product Administration</b>	Maintain order accuracy rate of 87%	91.55%	87.00%

# 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:** Each fiscal year, the ABD reviews and modifies performance targets. Targets set for fiscal year 2014 related to regulation and compliance are outlined below:

Unit	Outcome Measure	FY14 Actual	FY 2014 Target
<b>License Operations</b>	Generate license revenue	\$ 15,036,154	\$14,704,493
	Maintain budgeted personnel expenses	\$259,880	\$247,007
<b>Regulation</b>	Ensure adequate compliance checks	1,232	1,000
	License complaints will be investigated within 15 days	88%	90%
<b>Tobacco Enforcement</b>	Number of tobacco compliance checks on retail outlets	3,578	3,300

**Resources:** These activities are funded through general fund appropriation, license revenue and pass through appropriation from the Iowa Department of Public Health.

# 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 of Licensees

**What we're doing to achieve results:** Each fiscal year, the ABD reviews and modifies performance targets. Targets set for fiscal year 2014 related to resource management are outlined below:

Unit	Outcome Measure	FY14 Actual	FY 2014 Target
Risk and Safety	Amount of workers compensation claims	28	56
Education of Licensees	Percent of IPACT passing rate	96%	95%
Education of Licensees	Percent of IPLEDGE passing rate	99%	95%

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

Iowa ABD  
Agency Performance Plan Results  
FY 2014

<b>Name of Agency</b>		Department of Commerce-Alcoholic Beverages Division		
<b>Agency Mission:</b>		To serve Iowans through the responsible regulation and profitable distribution of alcohol while providing opportunities for industry development and promoting health through education.		
<b>Core Function:</b>		Sales and Distribution		
<b>Unit</b>	<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
<b>Liquor Revolving</b>	Amount of revenues transferred to general fund	\$ 79,000,000	\$ 79,582,634	ABD exceeded target by .74%. FY 2014 amount transferred is a record transfer for the Division.
	Amount of revenues transferred to substance abuse	\$ 17,000,000	\$ 18,539,905	ABD exceeded target by 3.18%. Per Iowa Code section 123.53(5) the Division is obligated to transfer 7% of liquor sales for substance abuse.
<b>Totals</b>		<b>\$ 96,000,000</b>	<b>\$ 101,172,539</b>	
<b>Service, Products and Activities related to Sales and Distribution</b>				
<b>Unit</b>	<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
<b>Product Administration</b>	Maintain order accuracy rate of 87%	87.0%	91.55%	This measure relates to orders that have no errors. Minimizing errors will aid ABD in reducing distribution costs.
<b>Warehouse Management</b>	Maintain costs at a level equal to optimum % of sales	0.183%	0.242%	This measure relates to management functions associated with the distribution of spirits.
<b>Warehouse Operations</b>	Decrease warehouse breakage	\$11,000	\$14,229	ABD is responsible for damaged product.
<b>Warehouse Operations</b>	Maintain costs at a level equal to optimum % of sales	0.70%	0.692%	This measure relates to the warehouse function (direct costs) associated with the distribution of spirits.
<b>Freight</b>	Decrease truck breakage	\$16,326	\$10,373	ABD is responsible for damaged product.
<b>Freight</b>	Maintain costs at a level equal to optimum % of sales	1.0%	.978%	This measure relates to the distribution function (direct costs) associated with the distribution of spirits.



Iowa ABD  
Agency Performance Plan Results  
FY 2014

<b>Name of Agency</b>	Department of Commerce-Alcoholic Beverages Division			
<b>Agency Mission:</b>	To serve Iowans through the responsible regulation and profitable distribution of alcohol while providing opportunities for industry development and promoting health through education.			
<b>Core Function:</b>	Regulation and Compliance			
<b>Unit</b>	<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
<b>Educational and Outreach</b>	Percent of IPLEDGE passing rate	99%	95%	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.
<b>License Operations</b>	Generate license revenue	\$14,704,493	\$15,036,154	ABD is granted authority to issue licenses associated with the wholesale, distribution, and sale of all alcoholic beverages within the state.
<b>License Operations</b>	Maintain budgeted personnel expenses	\$247,007	\$259,880	Personnel expenses associated with licensing are funded through licensing revenue and general fund appropriation.
<b>Regulation</b>	Ensure adequate compliance checks	1,000	1,232	This measure tracks the number of compliance checks performed on wholesalers, distributors and retailers involved with alcoholic beverages.
<b>Regulation</b>	Licensee complaints will be investigated within 90 days	90%	88%	ABD strives to ensure compliance with Chapter 123, this measure ensures ABD is addressing regulatory issues expediently.
<b>Tobacco Compliance</b>	Number of tobacco compliance checks on retail outlets	3,300	3,578	ABD receives a pass through appropriation from the Iowa Dept. of Public Health to enforce tobacco compliance.

Iowa ABD  
 Agency Performance Plan Results  
 FY 2014

<b>Name of Agency</b>	Department of Commerce-Alcoholic Beverages Division			
<b>Agency Mission:</b>	To serve Iowans through the responsible regulation and profitable distribution of alcohol while providing opportunities for industry development and promoting health through education.			
<b>Core Function:</b>	Resource Management			
<b>Unit</b>	<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
<b>Risk and Safety Management</b>	Amount of workers compensation claims	56	28	ABD has experienced significant increases in workers compensation premiums since FY 2009. Reducing the number of workers compensation claims will result in lower distribution costs over time.
<b>Educational and Outreach</b>	Percent of IPACT passing rate	95%	96%	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.